

STATE OF FLORIDA

COMMISSIONERS:
BRAULIO L. BAEZ, CHAIRMAN
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

May 3, 2004

Mrs. Angela Llewellyn
Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111

Re: Docket No. 030409-EI

Dear Mrs. Llewellyn:

Enclosed are two copies of the staff report and second review on the depreciation study for Tampa Electric Company filed in the above referenced docket. This staff report encompasses the review of the company's plant activity from 1999-2002, responses to staff initial review, and supporting documentation submitted for the depreciation study.

This item is currently scheduled for consideration at the June 29, 2004, agenda. To enable staff to make this agenda date, we request that you provide your written review and response no later than June 1, 2004. If you have any questions or need further information, please feel free to contact Betty Gardner at (850) 413-6742.

Sincerely,

John Slemkewicz
Public Utilities Supervisor

- CMP _____
- COM _____
- CTR _____
- ECR _____
- GCL _____
- OPC _____
- MMS _____
- RCA _____
- SCR _____
- SEC _____
- OTH _____

JS/BG:slc
cc: Division of the Commission Clerk and Administrative Services ✓
Division of Economic Regulation
Office of the General Counsel
Office of Public Counsel

RECEIVED-TISCO
MAY 25 PM 12:15
COMMISSION CLERK

DOCUMENT NUMBER-DATE
05950 MAY 25 04
FPSC-COMMISSION CLERK

2003 DEPRECIATION STUDY
DOCKET NO. 030409-EI
STAFF REPORT & SECOND REVIEW

As a general statement, only those areas where staff disagrees with Tampa Electric Company's (TECO or company) proposal or that need further clarification or information are addressed in the staff report.

Reserve Allocations

The necessary reserve allocations will be appropriately made by staff to bring the allocations in line by account for a given unit or function. The reserve status will be reviewed for all production sites and all accounts to determine the need for any corrective reserve measures, especially, in those accounts exhibiting major imbalances.

Staff reviewed TECO's analysis for all generating stations. For staff to complete our analysis of the information provided on the "Determination of Average Remaining and Average Service life" schedules, on page 21-177, the following information is needed.

1. Please explain in detail how the life categories of 65 years, 35 years, and 20 years were determined for each FERC account and what assets should be included in each account.
2. Explain how the average age for each life strata was determined.
3. How do you determine what assets will go into each life category?
4. Please explain how the interim retirement rate is determined.
5. The future estimated retirement as shown on Bate stamp page 21 of the depreciation study is derived from multiplying the original cost/investment by the future estimated retirement rate. Please explain how the company determined the future estimated retirement rate and provide the applicable work papers.
6. For the determination of average remaining life and average service life, what curve shape was used for each of the life classifications?
7. For Energy Supply-Other Production, as stated on page 191, please explain "the home grown" formats used in this depreciation study.
8. Please provide the company's in house tables that will provide the detail as stated on page 191, so that staff can understand the logic or rationale behind the calculations for average service and remaining life.
9. Please explain the company's truncation used to calculate the average remaining life and service life. Please provide the applicable work papers.

Staff's review of TECO's "Comparison of Rates and Components" schedule, showing the proposed future net salvage for the Big Bend, Bayside Power, Phillips, and Polk Power stations, has identified significant changes since the last depreciation study. Please review Attachment 1 and explain the nature of the significant change (s) from the last depreciation study for TECO's proposed future net salvage rates. Provide detailed explanations and/or any work papers that show the company's calculation for future net salvage to enable staff to understand the decrease/increase of more than 3 points. Also, it is stated, on Bates stamped page 192 and 193, that Bayside Power Station, Polk Unit 1, 2, and 3 were assigned a 4.3% depreciation rate for newly installed plant as approved in a previous depreciation study. The company has not provided any information on the new plant sites as to their life and salvage parameters, the comparability of the sites, or why a 4.3% depreciation rate is conducive for the new plant sites. Staff can not determine the reasonableness of the request for implementation of the previously approved 4.3% depreciation rate from the last depreciation study without further details.

Staff has reviewed the annual status report activity for the period of 1999 through 2002. As a result, staff is requesting additional information for clarification of some of the activity that has occurred for the past periods.

Annual Status Report Activity for the Period of 1999 Through 2002

Account 350.1, Land Rights

1. Please explain the nature of the \$16,800 adjustment/transfer in 1999.
2. The additions in 2000 totaled a negative \$103,893. Please provide a detailed explanation as to the nature of the additions.
3. Please explain the negative \$11,265 adjustment that occurred in 2000.
4. Please explain the nature of the negative \$1,026 adjustment/transfer that occurred in 2002.
5. The proposed average age for this account is 23 years, but the previous study showed an average age of 12.6 years. Please explain the nature of this large increase in average age for this account.

Account 352, Structures and Improvements

1. For the period of 1999-2001 additions increased substantially. Please provide a detailed explanation or reason for the substantial increase.
2. Please explain the nature of the \$4,540 retirement in 1999. Was there any removal cost associated with this retirement?
3. Please explain why there was no cost of removal or salvage realized with any of the retirements from 1999 to 2002.
4. The adjustments for 2000 and 2002 were \$4,253 and \$6,103, respectively. Please provide a detailed explanation as to their nature. Was the associated reserve transferred with the adjustment/transfer? If not, why not?

Account 353.1, Station Equipment

1. What is the nature of the negative \$686,390 adjustment/transfer that occurred in 2002? Please provide a detailed explanation.
2. What is included in the 1999 cost of removal amount of \$134,555 for this account?
3. Please explain the nature and cause of the negative \$9,406,303 adjustment that occurred in 2000.
4. What is the nature and cause of the negative \$423,886 adjustment/transfer which occurred in 2002?

Account 355, Poles and Fixtures

1. Please explain the nature and cause of the 2002 adjustment/transfer in the amount of \$1,707,956.
2. This account experienced higher gross salvage and cost of removal during 2000 and 2002 than in previous years. Please explain the nature and cause of the changes.
3. For the period of 1999 – 2002, please provide the percentage separately of poles that are concrete or wood. If this information is not readily available, please provide an estimate.
4. What percentage of the poles retired during the period of 1999 – 2002 are concrete or wood?
5. Please explain the nature and cause for the \$5,452,500 transfer of reserve into this account in 2000, especially when the commensurate transfer of investment was only \$9,371.
6. Please explain the nature and cause for the 2002 transfer of investment and reserve into this account in the amount of \$1,707,956 and \$1,020,803, respectively.

Account 356, Overhead Conductors and Devices

1. Please explain the nature of the \$1,008,358 retirement which occurred in 1999.
2. Please provide a detailed explanation for the \$820,416 adjustment that occurred in 2002.
3. The removal cost for 2000-2002 is much higher than in prior years. Please provide a detailed explanation of the cause for the unusually large removal costs.
4. Please explain the nature of the \$3,953,803 adjustment to the reserve in 2000.

Account 357, Underground Conduit

It appears that a transfer of investment was made out of Account 357 and into Account 358, Underground Conductors and Devices in 1999.

1. Why was this transfer necessary?
2. What is the amount of the reserve that should be transferred into this account that is commensurate with the investment?
3. Please explain the nature of the 2001 and 2002 removal costs in the amount of \$5,648 and negative \$848, respectively.
4. Why are there no retirements for 2001 and 2002?

Account 359, Roads and Trails

1. Explain the nature of the 1999-2002 retirements and source for the increased removal costs.
2. The additions for 1999-2002 increased over prior years. Please provide a detailed explanation as to the nature of the additions.
3. Please provide an explanation for the increase in removal costs for 2001 and 2002.

Account 361, Structures and Improvements

1. The addition for 2000 is shown as negative \$3,100. Please explain.
2. The addition for 2001 is shown as \$138,551. Please provide an explanation of the nature of this addition.
3. Why are there no removal costs or salvage recognized in association with the retirements for 2000 and 2002?

Account 362, Station Equipment

1. Please provide a detailed explanation for the increase in retirements from 2000 – 2002.
2. Please explain the nature of the additions for 2002.
3. Please explain the nature of the negative adjustments of \$3,447 and \$47,722 in 1999 and 2000 of plant investment. Also, was the associated reserve transferred? If no, why not?
4. Please explain the nature of the negative \$4,628,554 adjustment to the reserve that occurred in 2000.

Account 364, Poles, Towers, and Fixtures

1. Please provide a breakdown of the amount of plant invested for each type of pole for the period of 1999 through 2002.
2. Explain the nature and cause for the increase in removal costs for 2001 and 2002.
3. What was the nature of the retirements that resulted in an increase in realized salvage in 2001?
4. Please explain the nature of the 1999 and 2000 negative transfer of investment in the amount of \$2,178 and \$867.
5. Explain the nature of the adjustment/transfer to the reserve in 2000 that totals \$3,561,891. It seems odd that this reserve would be associated with the negative transfer of investment of a negative \$867.
6. An adjustment of negative \$3,907 occurred in 2002 to the reserve. Please explain.

Account 365, Overhead Conductors and Devices

1. Please explain the nature of the negative \$669 adjustment/transfer in plant investment with no transfer of reserve.
2. Explain the nature and cause of the unusually large removal cost that occurred in 2001.
3. Explain the nature of the salvage realized in 2002.
4. Please explain the nature and cause for the \$3,311,515 adjustment/transfer in reserve in 2000 without any transfer of investments.

Account 366, Underground Conduit

1. For the period of 1999-2002, the additions increased 24%. Please explain the nature of the increases for this account.
2. Retirements increased during 1999-2002, averaging about \$73,000 per year. Please explain.
3. Conduit is generally abandoned in place upon retirement. This being the case, please explain what caused removal costs to be over 100% in 2001.
4. Please explain the negative \$845,990 adjustment/transfer to the reserve in 2000.

Account 367, Underground Conductors and Devices

1. Please explain the nature and cause of the increase in retirements from 1999-2001.
2. This account experienced a 27% growth rate from 1999-2002. Please explain what caused this growth.
3. For this account, please explain the negative \$391 and \$1,576 adjustment/transfer of plant investment in 1999 and 2001.
4. Please explain what caused removal costs to increase in the 2000-2002 period.

Account 368, Transformers

1. Please explain the nature of the increase in additions for the period of 1999-2002.
2. Please explain the nature of the 1999 increased retirements and low removal costs.
3. Salvage realized in 1999 was about 52%, dropping to the mid-30% range in 2000-2002. What caused removal costs to decrease in 2000-2002?
4. Please explain the cause for the negative \$5,643,294 adjustment/transfer to the reserve that occurred in 2000.

Account 369.1, Overhead Services

1. Please explain the cause for the negative \$1,604,287 reserve adjustment/transfer that occurred in 2002.
2. Please explain why salvage was so low for 1999 through 2002 as compared to prior years.

Account 369.2, Underground Services

1. Please explain the nature of the retirements from 1999-2002.
2. Please explain the tasks involved when an underground service is removed. Is the service physically removed or abandoned in place?

Account 370, Meters

1. Please explain the nature of the retirements from 2000-2002.
2. Please explain what caused the removal costs to decrease from 1999-2002.
3. Are the repair and maintenance of meters outsourced? If so, what is the name of the company?
4. Please explain why realized salvage is so low for the period of 1999-2002.

Account 373, Street Lighting

1. Explain the nature of the increase in additions for the period of 1999-2002. Were there prospective projects planned/completed during this period?
2. Please explain the high removal and salvage cost attributable to this account in 2002.

Account 390, Structures and Improvements

1. Please explain why there is no salvage associated with the 1999 retirements.
2. Please explain the negative \$2,338 and \$57,319 adjustment/transfer to the investments that occurred in 2000 and 2002.
3. Please explain the negative \$199,341 adjustment to the reserve in 2002.

Account 391, Office Furniture and Equipment

1. It appears that a transfer of investment in the amount of \$33,264,748 occurred out of Account 391.01, Computer Equipment and was transferred to Account 391, Office Furniture and Equipment in 1999. Also, there was a transfer of associated reserve in the amount of \$16,924,983 for these accounts. Please explain what caused this transfer.
2. Please explain the nature of the computer equipment transferred.
3. Why was it necessary to transfer the computer equipment?
4. Please explain the nature of the negative \$23,515,092 transfer of investment from Account 391, Office Furniture and Equipment to Account 391.01 Computer equipment. Also, the \$10,413,034 associated reserve.

Account 392.01, Automobile

1. Please provide a list of the retiring automobiles for the period of 1999 to 2002 in this account and the original cost and gross salvage.
2. Please explain the nature of the 2000 additions in the amount of \$63,504.
3. Please explain the cause of the negative \$63,504 adjustment/transfer of investment in 2001.
4. A negative \$30,626 accrual occurred in 2000. Please explain.
5. Please explain the cause of the negative \$220,283 adjustment to the reserve in 2000.
6. Please explain the negative \$369 reserve adjustment in 2002.

Account 392.02, Light Trucks

1. Please explain what constitutes a light truck, i.e. weight, cost, etc.?
2. Please provide a list of all light trucks added as of 1999. For each truck, please show the original cost, in service date, and the reason purchased.
3. Please provide a list of all light trucks retired in 1999-2002.
4. Please explain the nature of the \$40,449 transfer of investment out of Account 392.03, Heavy trucks to Account 392.02. Light trucks. Was the associated reserve transferred? If no, why not.
5. Explain the nature of the 2000 and 2001 adjustment of plant investment.
6. A negative reserve of \$51,822 adjustment occurred in 2002. Please explain.

Account 392.03, Heavy Trucks

1. Please explain what constitutes a heavy truck?
2. Please provide a list of all heavy trucks added as of 1999-2002. For each truck, please show the original cost, in service date, and the reason purchased.
3. Please provide a list of all heavy trucks retired for the period of 1999-2002.
4. What is the nature and source of the removal costs and salvage for the period of 1999-2002?
5. Please explain the nature of the negative \$1,260,524 adjustment/transfer of investment that occurred in 2001.
6. Please explain the nature and cause of the increased retirements that occurred in 2001.
7. It is very hard to understand how light and heavy trucks could be transferred between accounts for functional usage. What are TECO's policy and procedures for the usage of light and heavy trucks?

Account 392.11, Automobiles-Energy Supply; 392.12, Light Trucks-Energy Supply, and 392.13, Heavy Trucks-Energy Supply

1. For Accounts 392.11, 392.12, 392.13, please explain why it is necessary to separate Energy Supply vehicles from other company owned vehicles.
2. Several adjustments/transfers occurred between accounts 392.01 to 392.11, 392.02 to 392.12, and 392.03-392.13. Please explain.
3. Is TECO proposing separate depreciation rates for the energy supply vehicles?

Account 393, Stores Equipment

1. What is the nature and cause of the \$84,012 of retirements from this account?
2. There is no removal cost or salvage realized. Please explain.

Tampa Electric Company
Docket No. 030409-EI
May 3, 2004
Page 9 of 9

Account 396, Power Operated Equipment

1. Please explain the nature of the 2002 retirements.
2. Why are there no removal costs or salvage realized?

Account 397, Communication Equipment

1. Please explain the nature and cause of the \$41,787,505 retirements in 2001.
2. Please explain the negative \$8,613 salvage that occurred in 1999.

Tampa Electric Company
Docket No. 030409-EI

Please review the table below of current and future/proposed net salvage rate. Please explain the nature of the significant change(s) from the current salvage to the proposed future net salvage.

Account Number	Account Title	Future Net Salvage Current Rates in Effect	Future Net Salvage 01/012003	Change in Net salvage
312400	Big Bend Station Common	(14)	(8)	(6)
316400		(16)	(7)	(9)
312410	Unit No. 1	(8)	(3)	(5)
315410	Unit No. 1	(3)	(6)	(3)
312420	Unit No. 2	(10)	(5)	(5)
315420	Unit No. 2	(3)	(6)	(3)
316420	Unit No. 2	(7)	(5)	(2)
312430	Unit No. 3	(12)	(5)	(7)
315430		(4)	(7)	(3)
316430		(5)	(2)	(3)
312440	Unit No. 4	(17)	(9)	(8)
316440		(7)	(4)	(3)
312450	Unit No. 4 FGD System	(13)	(7)	(6)
311460	Unit No. 1 & 2 FGD System	(11)	(3)	(8)
312460		(11)	(2)	(9)
315460		(11)	(2)	(9)
316460		(11)	(1)	(10)
311300	Bayside Power Station Common	(5)	(3)	(2)
315750		(5)	(14)	(9)
316300		(19)	(10)	(9)
314330	Unit No. 3	(6)	(2)	(4)
316330	Unit No. 3	(8)	(2)	(6)
311340	Unit No. 4	(8)	(1)	(7)
316790	Unit No. 4	(6)	(1)	(5)
312350	Unit No. 5	(32)	(19)	(13)
314350		(8)	(12)	(4)
315350		(5)	(10)	(5)
316350		(15)	(10)	(5)
316360	Unit No. 6	(5)	(2)	(3)
312360		(8)	(11)	(3)
315360		(3)	(6)	(3)
316360		(16)	(11)	(5)
341280	Phillips Station	(13)	(7)	(6)
345280		(4)	(7)	(3)
346280		(12)	(7)	(5)

Account Number	Account Title	Future Net Salvage Current Rates in Effect	Future Net Salvage 01/012003	Change in Net salvage
342800	Polk Power Station	(16)	(3)	(13)
343800		(10)	(2)	(8)
346800		(9)	(4)	(5)
342810	Unit No. 1	(16)	((9)	(7)
343810		(10)	((13)	(3)
346810		(9)	(4)	(5)
	Energy Delivery			
392.02	Light Trucks	20	15	5
392.03	Heavy Trucks	20	12	8
392.04	Medium Trucks	20	15	5
	Energy Supply			
392.12	Light Trucks	20	15	5
392.13	Heavy Trucks	20	12	8
392.14	Medium Trucks	20	15	5