

Ann Cole

From: Chuck Hill
Sent: Monday, January 11, 2010 8:14 AM
To: Ann Cole; Tim Devlin; Selena Chambers
Subject: FW: Docket Nos. 090079-EI, 090144-EI and 090145-EI

Approved

From: Tim Devlin
Sent: Sunday, January 10, 2010 3:49 PM
To: Chuck Hill
Cc: Ann Cole
Subject: Docket Nos. 090079-EI, 090144-EI and 090145-EI

Chuck, the following Issue and Recommendation changes were inadvertently left off our January 8, 2010, email concerning oral modifications. Please forward as appropriate. Thank you.

Issue 12:

What are the appropriate depreciation parameters (remaining life, net salvage percent, and reserve percent), amortizations, and resulting rates for each production unit, including but not limited to coal, steam, combined cycle, etc.?

Recommendation:

Staff's recommended depreciation parameters and resulting depreciation rates for production plant are shown on revised Table 12-1. The reserve positions shown incorporate the effects of the staff recommended reserve allocations addressed in Issue 15. The resultant test year depreciation expenses based on the staff recommendation in this issue and in Issue 13 are addressed in Issue 75. (P. Lee)

Issue 13:

What are the appropriate depreciation parameters (remaining life, net salvage percent, and reserve percent), amortizations, and resulting rates for each transmission, distribution, and general plant account?

Recommendation:

Staff's recommendations for these accounts are found in revised Table 13-2. (Ollila)

Issue 14:

Based on the application of the depreciation parameters that the Commission has deemed appropriate to PEF's data, and a comparison of the calculated theoretical reserves to the book reserves, what are the resulting differences?

Recommendation:

Using the life and salvage parameters staff recommends in Issues 12 and 13, a reserve surplus of \$697.4

DOCUMENT NUMBER- DATE

10229 JAN 11 01

TPSC-010 / CUSTOMER CLERK

million ~~\$727.1 million~~ results. (P. Lee)

Issue 15:

What, if any, corrective reserve measures should be taken with respect to the differences identified in the Issue 14?

Recommendation:

Staff recommends the reserve allocations shown in revised Table 15-1. This action will bring each affected account's reserve more in line with its theoretically correct level. In light of concerns with reduced cash flow and the impact that a short amortization period could have on the financial integrity of PEF, including a higher cost of capital and cost of debt, resulting in higher customer rates in the long term, staff recommends that the residual remaining reserve surplus be recovered through the remaining life rate design. (P. Lee, Maurey)

*Timothy J. Devlin, CPA
Director
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
Phone: 850-413-6400*