STATE OF FLORIDA

TIMOTHY DEVLIN, DIRECTOR
AUDITING & FINANCIAL
ANALYSIS
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Public Service Commission

July 7, 1999

Richard A. Walker
Tampa Electric Company
P.O. Box 111
Tampa, FL 33601-0111

RE: DOCKET NO. 990529-EI

Dear Mr. Walker:

The Staff is in the process of reviewing your depreciation study filed in the above referenced docket. As a result, questions and the need for additional information have arisen and are covered on the attached.

Please provide your responses to the initial review by August 16, 1999. Should you have any questions, please contact either myself, Lucy Swain, or Janet Snyder at (850) 413-6453, (850) 413-6742, (850) 413-7430, respectively.

Sincerely,

Patricia S. Lee

Patricia S. Lee
USC/Engineering Supervisor

PSL:lts

Attachment

cc: Division of Records and Reporting
Office of Public Counsel
Division of Legal Services (Paugh)
Division of Auditing & Financial Analysis (Lee, Swain, Snyder, Dickens, Draper, Iyamu, Lester)
Lee L. Willis, Tampa Electric Company

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TAMPA ELECTRIC COMPANY
1999 DEPRECIATION STUDY
INITIAL REVIEW
DOCKET NO. 990529-EI

ANNUAL STATUS REPORT ACTIVITY:

1998 Activity:

1. The cost of removal is almost 300% for Big Bend Unit 1 and almost 200% for Big Bend Unit No. 2.

   a. What was the nature and the cause for these unusually large removal costs?

   b. There are adjustments or transfers of plant investment out of Big Bend Common and Big Bend Unit No. 4 and into Big Bend Unit No. 4 FGD with no associated reserve amounts being transferred or adjusted.

2. Cost of removal is over 100% for Gannon Unit Nos. 1 and 2. Please explain the nature and cause of these unusually large removal costs.

3. It appears that the net transfer of investment out of Big Bend Station was transferred into Common Structures and Improvements.

   a. Is this correct?

   b. What is the amount of reserve that should be transferred into this account commensurate with the investment?

4. There is a large transfer of investment out of the Polk Station without any transfer of reserve.

   a. Where was this investment transferred?

   b. What is the amount of reserve that should have been transferred with the investment?

5. Provide a description of the assets retired from Software, Account 303.

6. Plant activity has been provided on a unit basis for Big Bend and Gannon Stations. Please provide investment activity for each account for which a separate depreciation rate was approved by Order No. PSC-96-0399-FOF-EI.

7. The calculated annual accruals reported for accounts 397.00, 397.01, Big Bend Tools Amortization, Gannon Tools Amortization, and Misc. Power Plant Equipment Amortization do not appear to be accurate. Please explain the variance for each account.

8. The annual status report shows a salvage in the amount of $4,545 for Big Bend Tools Amortization, but there was no retirement reflected during the year. Please explain.

1997 Activity:

1. Explain the nature and cause for the large removal costs incurred in Gannon Unit Nos. 4 and 5.

2. There are removal costs shown for Other Production, Big Bend Combustion Turbine Nos. 2 and 3 and Polk Station without any retirements. Please explain.

3. While the retirement recorded for the Phillips Station is small, the associated removal costs incurred are almost seven times as great. Please explain.

4. Provide a description of the assets retired from Miscellaneous Intangibles.

5. Plant activity has been provided on a unit basis for Big Bend and Gannon Stations. Please provide investment activity for each account for which a separate depreciation rate was approved by Order No. PSC-96-0399-FOF-EI.

1996 Activity:

1. There is an adjustment/transfer of investment into Big Bend Common with a negative $.01 out of the reserve. Please explain the development of the reserve adjustment/transfer.

2. There is a negative $.01 adjustment/transfer of reserve out of Big Bend Unit No. 4 FGD. Please explain.

3. There are various adjustments/transfers of reserve in and out of the Gannon Station Units without commensurate adjustment/transfers of investments. Please explain.

4. There is an adjustment/transfer of investment into Gannon Tools Amortization without a commensurate adjustment/transfer of reserve. Please provide the reserve amount that should have been likewise adjusted/transferred.

5. An adjustment/transfer of reserve is shown for Big Bend Station Combustion Turbine Nos. 2 and 3 without a commensurate adjustment/transfer of investment. Please provide the investment amount that should have been adjusted/transferred.

6. Provide a description of the software that was retired.

7. Plant activity has been provided on a unit basis for Big Bend and Gannon Stations. Please provide investment activity for each account for which a separate depreciation rate was approved by Order No. PSC-96-0399-FOF-EI.

PRODUCTION PLANT:

1. **General:**

   a. If any major overhauls are planned during the 1999-2002 period, please provide a brief description of the work to be performed for each overhaul project, including any retirement units expected to be replaced as a direct result, and the year(s) in which each overhaul will be performed. Please provide the January 1, 1999 investment and reserve associated with the equipment currently planned for replacement during each overhaul.

   b. Are any substantial retirements expected in connection with the Clean Air Act? If so, please provide the January 1, 1999 investments and reserves associated with these anticipated retirements, and also the year(s) of expected retirement.

   c. Provide the estimated dates of retirement used in developing the lives for each your production plants.

   d. Provide the in-service date for each unit at each production plant site.

2. **Steam Production**:

   a. Refer to the calculation of future net salvage shown on pages 92-121 of the depreciation study. The retirement dollars shown for the first three subcategories of Account 311 on each page is not the result of multiplying the dollars for each subcategory by the estimated future retirement percents. Please explain.

   b. In your life determinations for steam production plant, what curve shape has been assumed for the 35-year life assets and the 20-year life assets?

   c. Explain how the average age for each life strata was determined.

   d. Provide a description of the assets that are grouped into each of the life categories.

   e. The company's proposed life for the Polk Power Station Unit No. 2, currently planned for service in 2001, is based on a composite of three stratified levels of investment. How were the life categories of 40 years, 25 years, and 5 years determined?

3. **Miscellaneous Production**:

   a. What curve shape has been used to develop your proposed remaining life for the 25-year life subcategories?

   b. Provide the rationale for selecting this curve shape.

   c. What interim retirement rate was used to develop your remaining life for the 40-year life subcategories?

4. **Other Production**:

   a. What curve shape has been used to develop your proposed remaining life for each of the life subcategories?

   b. Any insight you can provide to help us understand the logic behind these curve shape selections will be appreciated.

5. **Dismantlement**:

a. In the narrative discussing fossil dismantlement, page 124, TECO proposes an annual accrual of $126,085 for each new peaking plant installed during the 1999-2002 period.

1. Provide TECO's current planning for the installation of additional peaking plants during the 1999-2002 period.

b. Please provide a detailed discussion of the recommendations made by the dismantlement contractor who reviewed the production rates, cost factors, and salvage rates used in TECO's last dismantlement study.

c. How was the 10% contingency factor applied to determine the total cost of dismantlement for each unit?

d. The dismantlement estimate for Big Bend Unit No. 4 FGD is $6,312,720. Please explain how the company developed a dismantlement estimate for $2,660,000 for Big Bend Unit No. 1 and 2 Scrubber.

e. The dismantlement estimate for Polk Power Station Unit No. 1 is $19,366,655. Please explain how the dismantlement estimate of $1,863,000 was developed for Polk Unit No. 2.

6. **Reserve Allocations:**

a. Provide an example of the theoretical reserve calculation used to determine the proposed reserve adjustments.

b. As part of TECO's last depreciation review, additional stratification of production plant necessitated a reallocation of the total reserve for each unit among the various accounts. Please explain why TECO believes another such reallocation is needed in this current study.

INITIAL REVIEW
Docket No. 990529-EI
July 7, 1999
Attachment

TRANSMISSION PLANT:

There are various transfers or adjustments of investment in and out of the transmission plant accounts for the 1996 - 1998 activity with no commensurate transfer or adjustment of reserve. Please provide the reserve amounts that should have also been recorded with the investment amounts.

1. **Account 350, Land Rights:** Staff agrees with the Company's proposal to retain the R3 curve shape with the 48-year average service life and net salvage of zero for this account.

2. **Account 352, Structures and Improvements:** In past years, additions have remained steady. The additions in 1998 totaled $385,612. Please explain their nature.

3. **Account 353, Station Equipment:** The additions in 1996 totaled $14,196,699. Please provide a detailed explanation as to their nature.

4. **Account 354, Towers and Fixtures:** The addition entry of $26,460 in 1998 appears to be a reversal of the addition entry for the prior year. What is represented by these two entries, and was this the reversal as it appears?

5. **Account 355, Poles and Fixtures:**

   a. What percentage of poles are concrete rather than treated wood?

   b. What is the January 1, 1999 average age of the concrete poles?

   c. This account experienced a higher percentage of salvage during 1995 and 1996 than in earlier years. Please explain.

   d. Additions in 1996 totaled $5,256,057. Please explain in detail the cause and nature of these additions.

   e. What is involved in the removal process of concrete poles?

6. **Account 356, Overhead Conductors & Devices:** The Company has proposed an Average Service Life of 35 years to replace the current approved Average Service Life of 33 years. What are the justifications for the increasing life?

7. **Account 356, Clearing Rights-of-Way:**

   a. What does the addition entry of ($956) for 1997 represent?

   b. In the years 1995 - 1997, additions were shown for this account. Why were no additions incurred in 1998?

8. **Account 357, Underground Conduit:** What do the addition entries of $2,836,742 in 1996 and ($3,239,882) in 1997 represent?

9. **Account 358, Underground Conductors & Devices:** Additions for 1997 and 1998 were $3,247,431 and ($28,656) respectively. Please provide a discussion of the activities associated with these additions.

10. **Account 359, Roads and Trails:** Explain the nature of the 1998 retirement and the sources for the large removal costs.

DISTRIBUTION PLANT

There are various transfers or adjustments of investment in and out of the distribution plant accounts for the 1996 - 1998 activity with no commensurate transfer or adjustment of reserve. Please provide the reserve amounts that should have also been recorded with the investment amounts.

1. **Account 362, Station Equipment**:

   a. What was the cause for the 25% gross salvage realized in 1998?

   b. Describe the nature and cause of the removal costs incurred in 1997.

2. **Account 364, Poles, Towers, and Fixtures**:

   a. Does this account consist of wooden or concrete poles, or a combination of the two?

   b. If this account is a combination of wooden and concrete poles, please provide a breakdown of the amount of plant invested in each as of January 1, 1999.

c. Explain the nature and cause for the unusually large removal costs booked to this account in 1998.

3. **Account 365, Overhead Conductors:**

a. Explain the nature and cause for the unusually large removal costs booked to this account.

b. Please describe the nature and cause for the unusual gross salvage realized in 1996.

4. **Account 366, Underground Conduit:**

a. What was the cause of the unusually high gross salvage realized and removal costs booked to this account in 1998?

b. Describe the nature and cause of the cost of removal incurred in 1995.

c. While the attendant 1997 gross salvage nearly offsets the removal costs associated with the retirements, we would like to understand the sources of the realized salvage.

5. **Account 367, Underground Conductors & devices**: What was the cause of the 70% cost of removal incurred in 1998?

6. **Account 368, Line Transformers:** Explain the nature and cause for the unusually large removal costs booked to this account in 1998.

7. **Account 369.1, Overhead Services:**

a. Please provide a picture graph of the SC 33-year life curve that is being used.

b. What was the cause of the unusually low gross salvage realized in 1996 and 1997?

8. **Account 369.02, Underground Services:**

a. Describe the nature and cause of the removal costs incurred in 1996.

b.. Explain the nature and cause for the unusually large removal costs booked in 1998.

9. **Account 370, Meters:** The accounting treatment for meters is cradle-to-grave. For this reason, we are surprised with the recorded removal costs since removal costs are not incurred until the meter is junked. Please explain the circumstances surrounding these removal costs.

GENERAL PLANT

There are various transfers or adjustments of investment in and out of the general plant accounts for the 1996 - 1998 activity with no commensurate transfer or adjustment of reserve. Please provide the reserve amounts that should have also been recorded with the investment amounts.

1. **Account 390, Structures and Improvements**: Please explain the nature of the gross additions for years 1997 and 1998 of $5,779,562 and $4,4424,775, respectively.

2. **Account 391, Computer Equipment:**

   a. What is the nature of the 1996, 1997, and 1998 gross additions made to this account?

   b. Please explain in detail the nature of the $6,020,126 retirement of equipment in 1996.

   c. What is the nature of plant adjustments of $1,365,880 in 1996 and ($321,980) in 1997?

3. **Account 391.02, Computer Equipment - Workstation:** Provide a description of the assets included in this account.

4. **Account 392.01-.05, Transportation - General:**

   a. What is TECO's policy regarding the retirement of motor vehicles (i.e., mileage, age, etc.?)

   b. What will be the fleet size as of January 1, 1999?

   c. Please explain in detail how the Company determines which motor vehicles (automobiles and light trucks) to sell versus trade-in.

   d. To whom are the motor vehicles generally sold (i.e., employees, auction, etc.)?

e. How many motor vehicles were in service as of January 1, 1999?

f. Please explain in detail and provide a calculation of the allocation of the book reserve between the sold and not sold motor vehicles (automobiles and light trucks).

5. **Account 392.01, Automobiles:**

a. Please explain in detail the nature of plant activities that accounted for retirements of $1,818,808 in 1995.

b. The gross salvage realized in 1995 of 52% appears higher than in recent years. Please explain why.

c. Does the Company have plans for retiring any automobiles in the next four years?

d. Please provide the average age of the retired automobiles over the past 4 years.

6. **Account 392.02, Light Trucks:** Please provide the average age of the retired light trucks over the past 4 years.

7. **Account 392.03, Heavy Trucks:**

a. In 1996, an adjustment to plant was taken out of this account for ($54,452) with an adjustment into account 392.02, Light Trucks for the same amount. Please explain what transcribed between these two accounts.

b. There was no corresponding adjustment made to reserve. Please explain.

8. **Account 394, Tools Shop & Garage Equipment:** The calculated accrual for the 1997 activity appears $3,287 less than the minimum possible accrual. Please explain the variance.

9. **Account 395, Laboratory Equipment:** In 1995, plant retirements of $388,934 were considerably higher than in recent years. Please explain.

10. **Account 397, Communication Equipment:**

a. Please explain the circumstances surrounding the plant adjustment for 1996 of ($1,353,211).

b. The narrative on page 252 indicates discussions with the telecommunications department personnel in determining that a 7 year amortization period is more appropriate than a 10 year amortization period for this account.

1. Please provide a description of the equipment included in this account.

2. Provide a summary of the discussions with the telecommunications personnel and why a 7 year amortization is more appropriate than 10 years.

c. Provide a description of the communication equipment that was retired in 1998? What was the nature and source of the incurred cost of removal?

d. The calculated annual accruals reported for 1997 and 1996 appears to be $2,064,839 and $2,282,341 respectively, less than the minimum possible accruals. Please explain the variance.

11. **Account 397.01, Energy Management Systems:** Accruals for 1997 and 1996 appear to be $999,998 and $967,215 respectively, more than the maximum possible accruals. Please explain the variance.