

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2003 depreciation study by Tampa Electric Company.	DOCKET NO. 030409-EI ORDER NO. PSC-04-0815-PAA-EI ISSUED: August 20, 2004
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The following Commissioners participated in the disposition of this matter:

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

NOTICE OF PROPOSED AGENCY ACTION
ORDER REQUIRING CORRECTIVE RESERVE TRANSFERS, APPROVING
RECOVERY/AMORTIZATION SCHEDULES, AND REVISING DEPRECIATION RATES
AND FOSSIL DISMANTLEMENT ACCRUALS

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. BACKGROUND

Rule 25-6.0436, Florida Administrative Code (F.A.C.), requires investor owned utilities to file comprehensive depreciation studies at least once every four years. On April 28, 2003, Tampa Electric Company (Tampa Electric or company) filed its regular depreciation study in accordance with this rule. By Order No. PSC-03-0736-PCO-EI, issued June 20, 2003, in this docket, we authorized the company to implement, on a preliminary basis, its depreciation rates, amortizations, recovery schedules, and fossil dismantlement accruals as of January 1, 2003, in accordance with Rule 25-6.0436 (5), F.A.C.

Because the plant investment and reserve factors were updated through December 31, 2003, this order addresses the approval of new depreciation rates for 2004. We have jurisdiction over these matters through several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06.

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FPSC-COMMISSION CLERK

II. REVISIONS TO PRELIMINARY DEPRECIATION RATES, AMORTIZATIONS, RECOVERY SCHEDULES, AND PROVISIONS FOR FOSSIL DISMANTLEMENT

Order No. PSC-03-0736-PCO-EI approved the annual increase in total depreciation expense of about \$48 million based on actual January 1, 2003 investments. The primary difference between the preliminary approved 2003 annual expense and the utility's current proposal was the accelerated recovery of Gannon Station coal related assets which ended December 31, 2003, instead of the original approved date of December 31, 2004. Also, in the original study, the investment, reserves, average ages, and remaining lives for each strata were as of January 1, 2003, and, therefore, had to be updated to reflect the results for January 1, 2004.

A. Depreciation Rates, Amortization, and Recovery Schedules

Our analysis represents an overall review of the company's proposed life, salvage and reserve factors, as well as the establishment of a fixed levelized annual accrual for dismantlement of fossil plants in accordance with Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, In re: Investigation of the rate making and accounting treatment for the dismantlement of fossil-fueled generating stations. The analysis of the company's data and resulting depreciation rates reflect the impact of its current planning to ensure that assets are fully amortized at the time of retirement as reflected on Attachment A. Based on these revisions, there will be an approximate \$3.3 million decrease in annual accruals on a going forward basis beginning January 1, 2004. The major changes occurred with the December 31, 2003 retirement of Gannon Station coal related assets and Bayside Units 1 and 2 turbine related plant, totaling approximately \$49 million. The lives, net salvages, reserves, and resultant depreciation rates shall be as shown on Attachment A.

B. Provision for Fossil Dismantlement

By Order No. 24741, this Commission established the methodology for accruing the costs of fossil dismantlement. The methodology depends on three factors: estimated base costs of dismantling the fossil-fueled plants, projected inflation, and a contingency factor. The fixed annual amount is based on a four-year average of the accruals related to the years between depreciation study reviews. The purpose of these studies is to reflect changes in estimates, inflation, regulatory, or environmental requirements, and any newly discovered public health and safety issues.

The current/preliminarily approved annual dismantlement accrual is \$7,987,246, which includes \$7,359,321 associated with the dismantlement provision for the Gannon coal related assets which were retired at the end of 2003. Tampa Electric's 2003 annual accruals decreased by \$4.1 million due to changes in the company's estimate of \$3.8 million, and the use of lower escalation indices. The company provided updated fossil dismantlement data to support the changes to its dismantlement proposal, and this data appears to be valid. Therefore, we find that the accrual for fossil dismantlement for 2004 and going forward until the next depreciation study is \$3,874,572, beginning January 1, 2004. This represents a decrease of approximately \$4.1 million from what was preliminarily approved in Order No. PSC-03-0736-PCO-EI.

Since the preliminary order, Tampa Electric's base cost estimates for the various dismantlement activities have changed as shown below:

	Preliminary Approval	2003 Study
	(\$)	(\$)
Big Bend	44,327,000	45,830,749
Gannon/Bayside	40,657,999	44,429,690
Hookers Point	6,770,000	10,520,694
Dinner Lake	576,000	775,118
Big Bend CTs	622,000	638,483
Gannon CT	0	0
Bayside	8,418,800	8,783,627
Phillips Station	1,262,000	1,345,737
Polk	10,705,000	11,052,843
City of Tampa	210,501	224,473
Total	113,549,300	123,601,416

The preliminary approved estimates and the current study cost estimates include a 15% contingency factor.

For its study, Tampa Electric used escalation factors from the winter 2004 issue of The U.S. Economy: The 25 Year Focus, which is published by Global Insight. The escalation factors are for compensation per hour, metal and metal products, intermediate materials, and the GDP deflator. The factors are projections of annual rates of change and are used to calculate the inflation compounded multiplier.

C. Effective Date

Rule 25-6.0436, F.A.C., requires data submitted in a depreciation study, including plant and reserve balances or company estimates, to be brought to the effective date of the proposed rates. Tampa Electric's supporting data and calculations for revised depreciation rates, amortizations, recovery schedules, and dismantlement provisions have been provided matching a January 1, 2004, implementation date, and this date shall be the implementation date. For all practical purposes, the depreciation rates, amortizations, recovery schedules, and dismantlement provisions based upon the January 1, 2003 investment will remain pursuant to Order No. PSC-03-0736-PCO-EI.

D. Conclusion

Our review of the Company's depreciation study shows that the revised depreciation rates, amortizations, recovery schedules, and provision for dismantlement shall be as shown on Attachments A and B, with an effective date of 2004. The effect of this proposal would be to decrease total depreciation expenses by an estimated \$3.3 million beginning January 1, 2004 and going forward until the next depreciation study. Also, the annual provision for fossil dismantlement shall be \$3,874,572, which represents an approximate decrease of \$4.1 million that was approved by Order No. PSC-03-0736-PCO-EI.

The changes to the annual accrual based on a January 1, 2004 estimate of investments resulting from the approved rates, general plant amortizations, recovery schedules, and provision for dismantlement are summarized as follows:

Functional Accounts	(\$000)
Production	(1,907)
Transmission	937
Distribution	1,551
General Plant/Amortizations	193
Subtotal	774
Fossil Dismantlement	(4,113)
Total Change	(3,339)

III. CORRECTIVE RESERVE ALLOCATIONS

Our reserve allocations address the major imbalances that affect the company's investments and reserves between accounts of a given unit or function or between accounts and units of the same site. The allocations bring each affected account's reserve more in line with its theoretically correct position. Also, this corrective action is necessary to eliminate the accruing of depreciation expense that may continue beyond the account's current investment.

According to Tampa Electric, there are instances where no reserve was transferred with the transfer of investments because it was considered to be immaterial. The company fails to realize that as long as the investment dollars are in a given account, those dollars are accruing depreciation, and the accumulated amount should be transferred with the associated plant amount. As previously stated in prior studies, the practice imposed by the company assumes that the investment transferred is new plant without any reserve. As the plant is transferred without the reserve, it will cause an overstatement of the account from which the transfer originated, and will understate the reserve for the receiving account. In previous studies, our staff completed all the company's reserve transfers to bring the accounts in balance, with an agreement from Tampa Electric to continue to transfer the accumulated reserve when property is transferred from one plant account to another, regardless of materiality. Apparently, the company continues as in previous studies to transfer plant without the accumulated reserve. Therefore, the company shall

make the necessary corrections to the reserve position for the remaining affected plant accounts as set out below, and provide a report to our staff within 6 months from the date our decision here becomes final.

Account	Description	Reserve Allocations		
		1/1/04 Reserve (\$)	Reserve Transfer (\$)	Restated Reserve (\$)
Bayside Station				
312350	Bayside Unit No. 5	27,200	(314)	26,886
314350	Bayside Unit No. 5	5,508,381	314	5,508,695
Total Bayside		5,535,581	0	5,535,581
Other Production				
346420	Big Bend CT 2 & 3	28,400	(682)	27,718
342420	Big Bend CT 2 & 3	1,263,247	682	1,263,929
Total Big Bend CT 2&3		1,291,647	0	1,291,647

Based on the foregoing, it is


ORDERED by the Florida Public Service Commission that the revised depreciation rates, amortizations, recovery schedules, and provisions for dismantlement shall be as shown on Attachments A and B, with an effective date of January 1, 2004, for Tampa Electric Company. It is further.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that Tampa Electric Company shall make the necessary corrections to the reserve position for the remaining affected plant accounts, and provide a report to our staff within 6 months from the date of the order consummating this proposed agency action order. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 20th day of August, 2004.



BLANCA S. BAYO, Director
Division of the Commission Clerk
and Administrative Services

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on September 10, 2004.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

TAMPA ELECTRIC COMPANY
 2003 Depreciation Study

COMMISSION APPROVED RATES

Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Reserve (%)	Remaining Life Rate (%)
Steam Production	Big Bend Station				
311400	Common	28.0	36.58	(2)	2.3
312400	Common	25.0	42.75	(8)	2.6
314400	Common	29.0	51.92	(3)	1.8
315400	Common	13.6	55.91	(7)	3.8
316400	Common	15.6	68.24	(7)	2.5
311410	Unit No. 1	17.0	63.64	(1)	2.2
312410	Unit No. 1	15.4	44.25	(3)	3.8
314410	Unit No. 1	14.7	62.88	(4)	2.8
315410	Unit No. 1	13.2	62.08	(6)	3.3
316410	Unit No. 1	16.7	63.49	(1)	2.2
311420	Unit No. 2	20.0	52.97	(1)	2.4
312420	Unit No. 2	17.6	33.12	(5)	4.1
314420	Unit No.2	17.3	51.93	(5)	3.1
315420	Unit No. 2	16.5	53.17	(6)	3.2
316420	Unit No. 2	18.8	18.8	(5)	4.6
311430	Unit No. 3	23.0	57.86	(1)	1.9
312430	Unit No. 3	18.8	45.96	(5)	3.1
314430	Unit No. 3	16.2	70.87	(9)	2.4
315430	Unit No. 3	14.6	62.39	(7)	3.1
316430	Unit No. 3	22.0	47.37	(2)	2.5
311440	Unit No. 4	31.0	42.69	(1)	1.9
312440	Unit No. 4	24.0	47.79	(9)	2.6
314440	Unit No. 4	26.0	48.30	(8)	2.3
315440	Unit No. 4	21.0	50.31	(6)	2.7
316440	Unit No. 4	22.0	56.24	(4)	2.2
311450	Unit No. 4 FGD System	29.0	41.65	(1)	2.0
312450	Unit No. 4 FGD System	25.0	37.23	(7)	2.8
315450	Unit No. 4 FGD System	23.0	47.11	(6)	2.6
316450	Unit No. 4 FGD System	28.0	37.95	(5)	2.4
311460	Unit No. 1 & 2 FGD System	24.0	19.21	(3)	3.5
312460	Unit No. 1 & 2 FGD System	21.0	16.47	(2)	4.1
315460	Unit No. 1 & 2 FGD System	19.0	19.64	(2)	4.3
316460	Unit No. 1 & 2 FGD System	19.8	19.58	(1)	4.3
316470	Big Bend Amortizable		7 year Amortization		

TAMPA ELECTRIC COMPANY
2003 Depreciation Study

COMMISSION APPROVED RATES

Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Reserve (%)	Remaining Life Rate (%)
Bayside Power Station					
311300	Common	36.0	30.34	(4)	2.0
312300	Common	39.0	36.28	(3)	1.7
314300	Common	38.0	25.05	(4)	2.1
315300	Common	19.1	40.64	(14)	3.8
316300	Common	11.7	74.75	(10)	3.0
311330	Unit No. 3	7.4	64.13	(1)	5.0
314330	Unit No. 3	7.3	72.48	(2)	4.0
315330	Unit No. 3	7.4	79.68	(4)	3.3
316330	Unit No. 3	6.0	81.03	(2)	3.5
311340	Unit No. 4	10.1	57.85	(1)	4.3
314340	Unit No. 4	8.1	71.98	(2)	3.7
315340	Unit No. 4	6.2	73.92	(2)	4.5
316340	Unit No. 4	10.2	46.03	(1)	5.4
311350	Unit No. 5	36.0	26.78	(6)	2.2
312350	Unit No. 5	8.8	100.00	(19)	2.0
314350	Unit No. 5	30.0	22.92	(12)	3.0
315350	Unit No. 5	23.0	34.45	(10)	3.3
316340	Unit No. 5	27.0	46.92	(10)	2.3
31130	Unit No. 6	38.0	40.13	(2)	1.6
312360	Unit No. 6	37.0	63.35	(4)	1.1
314360	Unit No. 6	30.0	27.57	(11)	2.8
315360	Unit No. 6	33.0	36.61	(6)	2.1
316360	Unit No. 6	24.0	63.73	(11)	2.0
343300	Bayside Common	26.0	0.0	(11)	4.3
343310	Bayside Unit No. 1	26.0	0.0	(11)	4.3
343320	Bayside Unit No. 2	26.0	0.0	(11)	4.3
316570	Gannon Amortizable Tools	7 year Amortization			
MISCELLANEOUS PRODUCTION					
311010	Structures & Improvements	11.4	63.0	(3)	3.5
316170	Misc. Production Plant	7 Year Amortization			
OTHER PRODUCTION					
Big Bend Station					
341410	Combustion Turbine No. 1	6.5	71.41	0	4.4
342410	Combustion Turbine No. 1	6.4	93.48	0	1.0
344410	Combustion Turbine No. 1	3.1	96.93	(1)	1.3

TAMPA ELECTRIC COMPANY
2003 Depreciation Study

COMMISSION APPROVED RATES

Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Reserve (%)	Remaining Life Rate (%)
345410	Combustion Turbine No. 1	2.7	94.14	(2)	2.9
346410	Combustion Turbine No. 1	6.4	87.99	0	1.9
341420	Combustion Turbine No. 2 & 3	2 Year Amortization			
34220	Combustion Turbine No. 2 & 3	2 Year Amortization			
344420	Combustion Turbine No. 2 & 3	2 Year Amortization			
345420	Combustion Turbine No. 2 & 3	2 Year Amortization			
346420	Combustion Turbine No. 2 & 3	2 Year Amortization			
PHILLIPS STATION					
341280	Phillips Station	8.2	76.70	(7)	3.7
342280	Phillips Station	8.2	79.97	(7)	3.3
343280	Phillips Station	9.0	77.43	(5)	3.1
345280	Phillips Station	7.7	76.45	(7)	4.0
346280	Phillips Station	8.2	75.32	(7)	3.9
POLK POWER STATION					
341800	Common	39.0	20.03	(2)	2.1
342800	Common	29.0	36.37	(3)	2.3
343800	Common	31.0	26.90	(2)	2.4
345800	Common	31.0	26.53	(5)	2.5
346800	Common	33.0	30.31	(3)	2.2
341810	Unit No. 1	32.0	12.83	(1)	2.8
342810	Unit No. 1	25.0	27.13	(9)	3.3
343810	Unit No. 1	14.6	26.76	(13)	5.9
345810	Unit No. 1	24.0	26.58	(7)	3.4
346810	Unit No. 1	28.0	11.43	(4)	3.3
343820	Unit No. 2	23.5	14.62	(11)	4.1
343830	Unit No. 3	25.2	7.28	(11)	4.1
346870	Polk Amortizable Tools	7 Year Amortization			
343900	City of Tampa	26.0	0	(11)	4.3
TRANSMISSION					
350.1	Land Rights	27.0	30.77	0	2.6
352	Structures & Improvements	37.0	21.58	(3)	2.2
353	Station Equipment	32.0	25.42	(5)	2.5
354	Towers and Fixtures	15.5	75.38	(15)	2.6
355	Poles and Fixtures	23.0	42.15	(30)	3.8
356	Overhead Cond.	22.0	35.12	(20)	3.9

TAMPA ELECTRIC COMPANY
 2003 Depreciation Study

COMMISSION APPROVED RATES

Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Reserve (%)	Remaining Life Rate (%)
356.01	Clearing Rights-a-way	24.0	51.32	0	2.0
357	Underground Conduit	35.0	40.82	0	1.7
358	Underground Conductors & Dev.	28.0	25.98	0	2.6
359	Roads and Trails	37.0	23.56	0	2.1
DISTRIBUTION PLANT					
361	Structures & Improvements	28.0	31.42	(3)	2.6
362	Station Equipment	26.0	35.88	(10)	2.2
364	Poles, Towers, & Fixtures	23.0	43.52	(35)	4.0
365	Overhead Conductors & Devices	20.0	51.84	(20)	3.4
366	Underground Conduit	38.5	23.95	(0)	2.0
367	Underground Cond. & Dev.	23.0	26.14	(0)	3.2
368	Line Transformers	7.2	40.36	(30)	4.1
369.01	Overhead Services	25.0	40.83	(20)	3.2
369.02	Underground Services	25.0	34.11	(15)	3.2
370	Meters	14.2	33.12	(0)	4.7
373	Street Lighting & Signal Systems	11.4	40.09	0	5.3
343830	Unit No. 3	25.2	7.28	(11)	4.1
GENERAL PLANT					
General Plant Depreciated					
390	Structures & Improvements	26.0	29.86	(20)	3.5
397.25	Communication Eqpt-Fiber	10.6	53.33	(10)	5.8
Transportation					
Energy Delivery Equipment					
392.02	Light Trucks	5.4	37.22	15	8.8
392.03	Heavy Trucks	7.2	38.89	12	6.8
392.04	Medium Trucks	9.7	88.10	10	0.2
General Plant					
Energy Supply Equipment					
392.12	Light Trucks	4.7	40.93	15	9.4
392.13	Heavy Trucks	7.8	50.66	12	4.8
392.14	Medium Trucks	8.5	24.52	15	7.1
General Plant Amortized					
391.01	Office Furniture and Eqpt.	7 Year Amortization			
391.02	Computer Eqpt.-Work Stat.	4 Year Amortization			
391.04	Computer Eqpt-Mainframe	5 Year Amortization			
393	Stores Equipment	7 Year Amortization			
394	Tools, Shop, & Garage Eqpt.	7 Year Amortization			
395	Laboratory Equipment	7 Year Amortization			
396	Power Operated Equipment	7 year Amortization			
397	Communication Equipment	7 Year Amortization			
398	Miscellaneous Equipment	7 Year Amortization			

Tampa Electric Company
Fossil Dismantlement

	COMMISSION APPROVED <u>ACCRUALS</u> (\$)
Big Bend Common	396,163
Big Bend Unit 1	247,815
Big Bend Unit 2	391,667
Big Bend Unit 3	444,968
Big Bend Unit 4	387,538
Big Bend Unit 4 FGD	299,958
Surviving Turbine Assets	
Gannon Common	71,854
Gannon Unit 3	25,844
Gannon Unit 4	40,723
Gannon Unit 5	172,992
Gannon Unit 6	97,196
Bayside Common	103,920
Bayside Unit 1	199,295
Bayside Unit 2	273,648
Big Bend CT 1, 2, & 3	10,123
Phillips Station	74,865
Polk Common & Gasifier	532,151
Polk Unit 1	62,584
Polk Unit 2	9,881
Polk Unit 3	10,721
City of Tampa	<u>20,666</u>
Total Dismantlement Provision	<u>3,874,572</u>