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COMMISSION
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Public Service Commission

October 24, 2006

Ms. Susan D. Ritenour
Secretary and Treasurer and Regulatory Manager
Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0781

Re: Docket No. 050381-EI- Amended Depreciation Study

Dear Ms. Ritenour:

Staff's initial review regarding Gulf's amended depreciation and fossil dismantlement study filed in the above referenced docket is attached. In order to complete the review and meet a December 19, 2006, agenda date, please provide the Company's response by November 14, 2006.

Should you have any questions, or need further information, please do not hesitate to contact Betty Gardner at (850) 413-6742.

Sincerely,

John Slemkewicz
Public Utilities Supervisor

- CMP _____ BG:sc
- COM _____ Attachment
- CTR _____ cc: Office of the General Counsel (Brown)
- ECR _____ Office of the Public Counsel
- ECR _____ Division of Economic Regulation (Devlin, Bulecza-Banks)
- GCL _____ Division of the Commission Clerk and Administrative Services ✓
- GCL _____ Beggs & Lane (Stone, Badders, Griffin)
- OPC _____ 501 Commendencia Street
- RCA _____ P.O. Box 12950
- SCR _____ Pensacola, Florida 32591
- SGA _____
- SEC _____
- OTH _____

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DOCUMENT NUMBER - DATE

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FPSC-COMMISSION CLERK

1. What approved Commission Order or other federal or state regulation established the storm hardening activities?
 - a. What are the new storm hardening activities that are being implemented, which plant accounts are impacted, and the plant cost?
 - b. Please provide a schedule for the implementation of the storm hardening activities. Also, include the required timeframe for the completion of each activity.
 - c. Please explain in detail if there will be any impact on the life estimates for transmission and distribution with the implementation of the new storm hardening activities. If not, please explain.
2. The Petition states for item 2, on page 3, line 3, that “the change in projected life for the Smith Unit 3 combined cycle is driven by additional knowledge gained among the Southern electric system companies.”
 - a. Please explain what additional knowledge was obtained from the Southern electric system companies to cause an additional increase in the projected life of Smith Unit 3.
 - b. Explain why this information on combined cycle units was not used in the initial depreciation study when the company requested an additional ten years of life due to a comparison with the Southern system.
3. How many combined cycle units are in service within Southern’s electric system and what year(s) were they placed in service?
4. What new environmental controls are being placed in service? Please identify the cost and the plant accounts which are impacted.
5. The last depreciation study states that each retirement unit had been stratified by the company’s engineers into three life categories. With the additional ten years requested to be added to production plant, what is the impact on the life categories of 1-20 years, 21-35 years, and 36 years through the life-of the plant? Please provide a detailed explanation.
6. For the 2005 depreciation study, the life spans of several generating units were expanded by five to ten years to bring them in line with the life estimates and trends used within Southern Company’s electric system. Now, for the partial modification of the 2005 depreciation study, the company states that an additional ten years are needed to bring the requested plant in line with Southern.
 - a. Please provide a comparative analysis of the life estimates and trends for the applicable plant from the 2005 depreciation study and the requested partial modification to include the applicable timeline of assumptions, regulatory requirements, company plans as it relates to both filings, and any other applicable clarifying information.

7. Reference - Section 5: Proforma Expense Comparison; Section 10: Plant Investment Activity; and Section 6: Analysis of Results
 - a. According to Section 5, the plant investment used to develop the depreciation rates for Plant Crist is \$540,774,334, but a review of section 10, the end of the year (2006) plant investment is \$530,081,651. Please reconcile.
 - b. A review of Section 10 shows the total for Plant Crist to be approximately \$540,985,821 which includes land (\$6,003,455), base coal, 5 year (\$141,840), 5 year amortization (25,141), 7 year amortization (\$3,562,109), and asset retirement obligation (\$1,171,623.87). Did the company use any of the above account dollars to establish the projected plant investment for Plant Crist for Section 5 and 6?
 1. If yes, why did the company include land (non-depreciable), base coal, 5 year (not included in last study), and asset retirement obligations (used for financial reporting)?
 2. If not, please explain how the company developed the total plant Crist investment in the amount of \$540,774,334. For clarification of the company's request, please provide any supporting documentation.
8. Reference – Section 9: Fossil Dismantlement
 - a. Please provide the Excel spreadsheet files for the amended dismantlement study.
 - b. What is the sensitivity of the update in inflation/escalation factors? In other words, how has the update in inflation/escalation factors affected the change in the accrual, both from the accrual in the last study and the authorized accrual stipulated in the rate case?
9. Reference - Section 10: Plant Investment Activity-Electric Plant In Service, Forecast: December, 2006
 - a. For Plant Crist, please explain the nature of the additions in the amount of \$23,504,743, \$1,515,455, and \$550,000, respectively. In your response, please state what was added and when it occurred in 2006.
 - b. For Plant Crist, please explain in detail what was retired in the amount of \$12,105,695 and \$254,087. In your response, please state what was retired and when it occurred in 2006.
 - c. For Plant Smith, please explain the nature of the additions and retirements occurring in 2006. In your response, please state what was added and retired, and when did it occur in 2006.
 - d. For Smith Unit 3 Combined Cycle, please explain the nature of the additions and retirements occurring in 2006. In your response, please state what was added and retired, and when did it occur in 2006.

- e. Are any of the additions and retirements occurring in 2006 related to the 2004 and 2005 hurricane repairs and replacements as stated by the company in the petition for item 4, on page 4, lines 3 through 7?
10. Reference - Section 11: Accumulated Provisions For Depreciation and Amortizations- December 2006
 - a. For Plant Crist, please explain in detail what was included in the cost of removal in the amount of \$1,154,671. Also, what was sold to create salvage in the amount of \$46,497 and when did the sale occur?
 - b. For Plant Smith, please explain what was included in the cost of removal in the amount of \$111,859 and when did it occur. Also, please explain why there was no corresponding salvage.
 - c. For Plant Smith Unit 3 Combined Cycle, please explain the reason for each amount of removal cost.
 - d. Please explain in detail the negative transfer in the amount of \$1,497,955 from Smith Unit 3-Combined Cycle's prime movers, what account received the transfer, and when did it occur. Also, the same dollar amount is shown as actual transfer-ins as of December 2005 for Smith Plant Unit 3 Combined Cycle.
 11. Reference - Section 11: Accumulated Provisions For Depreciation and Amortizations –December, 2006
 - a. The Company stated the following: “Note: The Reserve has been reduced by FAS 143 entries that were reclassified to a regulatory account.” Please provide the FAS 143 entries that were reclassified, regulatory account name and number, and date of change. Also, for both depreciation studies, please identify all plant account(s) and transactions impacted by the reclassification.
 - b. Please explain in detail why was it necessary for the company to make the changes to FAS 143. If it was based upon new assumptions, regulations, or corrections, please be specific in your explanation.
 12. Reference - Gulf Power Company: Accumulated Provisions For Depreciation and Amortization, Actual –December 2005
 - a. Please explain in detail the dismantlement-fixed transfers and destination of actual December 2005 dollars for Plant Crist, Plant Scholz, Plant Smith.