

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for 1999
depreciation study by Tampa
Electric Company.

DOCKET NO. 990529-EI
ORDER NO. PSC-99-1398-PCO-EI
ISSUED: July 21, 1999

The following Commissioners participated in the disposition of this matter:

JOE GARCIA, Chairman
J. TERRY DEASON
SUSAN F. CLARK
JULIA L. JOHNSON
E. LEON JACOBS, JR.

ORDER GRANTING REQUEST TO IMPLEMENT
DEPRECIATION RATES ON A PRELIMINARY BASIS

BY THE COMMISSION:

Rule 25-6.0436, Florida Administrative Code, requires Investor Owned Utilities to file comprehensive depreciation studies at least once every four years. On April 28, 1999, Tampa Electric Company (TECO or company) filed its regular depreciation study in accordance with this rule. TECO also requested preliminary implementation of its proposed depreciation rates, general plant amortizations, recovery schedule, and fossil dismantlement accrual as of January 1, 1999, in accordance with Rule 25-6.0436 (5), Florida Administrative Code. This order addresses TECO's request for preliminary implementation.

Tampa Electric Company shall be allowed to implement its proposed depreciation rates, general plant amortizations, and recovery schedule on a preliminary basis as shown on Attachment A, pages 8-13. The total effect of this proposal will decrease depreciation expenses as shown on Attachment B, pages 14-21, by an estimated \$1.7 million annually based on January 1, 1999, investments and reserves. The rates and resultant expenses will be trued-up when final action is taken on the study.

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Preliminary booking or implementation does not infer that, upon completion of the review of the company's filed study, we will be in full agreement with company life, reserve and salvage proposals, but only that preliminary implementation of the rates, amortizations, and recovery schedule shown on Attachment A are likely to result in more appropriate expenses than retention of the currently effective rates. In either case, expenses will be trued-up upon final action in this docket.

Inherent in the company's proposed depreciation rates shown on Attachment A are its proposed reserve allocations. These allocations are based on the company's review of the reserve position for each account and represent bringing affected reserves more in line with their theoretically correct levels based on TECO's proposed life and salvage values.

TECO has also proposed new depreciation rates and a preliminary dismantlement accrual for the new scrubber at Big Bend Units 1 & 2 currently planned for service in early 2000 and for the Polk Power Station Unit No. 2 currently planned for service in 2001. TECO is pursuing other possible new generation for service in the next few years. While the exact type of generation and the cost estimates are not complete at this time, the company is confident that the generation will be in the form of combustion turbines. The company has, therefore, proposed depreciation rates for anticipated combustion turbines expected for service during the next four years.

TECO has proposed that the depreciation rate portions of Accounts 393 (Stores), 394 (Tools, Shop, and Garage), 395 (Laboratory), and 396 (Power Operated Equipment) be amortized over a period of 7 years beginning January 1, 1999. On a going forward basis, the vintage year's additions associated with each account will be amortized over a like period of time. These investments represent small value items which TECO believes should be combined with their amortizable counterparts and do not warrant individual tracking.

Additionally, TECO has proposed to shorten the amortization periods of Account 391.02 (Computer Equipment-Workstations) and Account 397 (Communication Equipment) from 5 years and 10 years, respectively, to 3 years and 7 years, respectively. The 3 years for computers is consistent with the company's current replacement policy for this type of equipment. The 7 years for communication equipment is based on discussions with telecommunication department

personnel and current industry expectations for official communications equipment.

A summary of the changes in estimated 1999 expenses resulting from the company proposed rates which are shown on the attachments are as follows:

	<u>(\$000)</u>
Production	848
Transmission	(1,565)
Distribution	(299)
General Plant/ Amortization	<u>278</u>
Subtotal	(738)
Recovery Schedule	<u>(895)</u>
Total Decrease	<u>(1,633)</u>

Tampa Electric Company shall not be allowed to implement its proposed fossil dismantlement accrual on a preliminary basis. An annual accrual for fossil dismantlement of \$7,531,503 as shown on Attachment C, shall be implemented on a preliminary basis. This accrual reflects a 20% contingency factor and inflation indices based on the February 1999, long-term DRI forecast.

By Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, we established the methodology for accruing the costs of dismantlement. The methodology depends on three factors: estimated base costs of dismantling the fossil-fueled plants; projected inflation; and a contingency factor. According to the Order, projected inflation indices should come from the most currently available "DRI Review of the U.S. Economy" (DRI).

Since the last study, base cost estimates for the various dismantlement activities have changed. The 1994 study indicated base cost estimates of \$85.6 million excluding Polk Unit 1; current cost estimates are \$92.4 million excluding Polk Unit 1 and \$110.3

million including Polk Unit 1. According to the company, Wharton Econometric Forecasts Associates (WEFA) inflation indices were used rather than DRI projections in the calculation of its proposed dismantlement accrual. Additionally, a 20% contingency factor was proposed in the last study; a 10% contingency factor is proposed in the current study. Whether using WEFA or DRI indices, the indicated annual accrual based upon a 10% contingency factor is approximately \$1,000,000 less than the annual accrual based upon a 20% contingency factor.

The company proposed annual accrual for the provision of dismantlement of fossil-fueled generating plants is \$6,295,975. This amount represents a decrease of \$3,822,825 from the currently approved annual accrual of \$10,118,800. The accrual decrease can be attributed solely to inflation projections. While WEFA inflation projections are somewhat similar to DRI projections, it appears that WEFA projections assume constant growth rates in the later years whereas DRI makes no such assumption about constant growth rates. All other factors held constant, the indicated annual accrual based upon WEFA projections is approximately \$300,000 less than the annual accrual based upon DRI projections

In TECO's last dismantlement study, increases in base costs were more than offset by decreases in projected inflation. At that time, TECO stated "with the uncertainties inherent in estimating the cost of dismantling a plant fifty years in the future, the company feels it is too early to begin to reduce accruals for this cost." Further, the company opined that if the decrease in inflation projections were recognized, a 20% contingency factor should be used to mitigate the reduction to the annual accrual.

In the current filing, TECO has proposed that we recognize the decrease in projected inflation as indicated by an additional four year period of projections. The company believes that the continued trend of the inflation indices warrants a reduction in the annual dismantlement accrual. Additionally, the company now proposes a contingency factor of 10% rather than 20%. The company believes a 10% contingency factor covering such things as quantity variations and pricing variances is appropriate and in line with contingency factors used by other Florida companies.

For preliminary implementation purposes, and in accordance with Order No. 24741, we have incorporated the most recent DRI forecast, February 1999, into the dismantlement accrual calculation. Additionally, we find that the use of a 20%

ORDER NO. PSC-99-1398-PCO-EI
DOCKET NO. 990529-EI
PAGE 5

contingency factor is appropriate until a more thorough review is made. We remain concerned with decreasing the annual accrual when the decrease is totally due to projections of inflation and a decrease in the contingency factor. The resultant dismantlement annual accrual for preliminary implementation is \$7,531,503 as shown on Attachment C. This amount represents a decrease of \$2,587,297 from the currently approved accrual.

The implementation date for the new depreciation rates, amortizations, recovery schedule, and fossil dismantlement accrual shall be January 1, 1999. The Company has requested, and all data and calculations abut, a January 1, 1999, implementation date. Provision for preliminary implementation is made by Rule 25 - 6.0436 (5), Florida Administrative Code, to permit a more accurate statement of expected expenses during the fiscal year.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company shall be allowed to implement its proposed depreciation rates, general plant amortizations, and recovery schedule on a preliminary basis as shown on Attachment A. It is further

ORDERED that Tampa Electric Company shall not be allowed to implement its proposed fossil dismantlement accrual on a preliminary basis. It is further

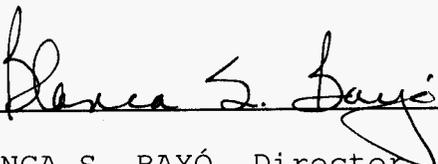
ORDERED that Tampa Electric Company shall implement a revised annual fossil dismantlement accrual of \$7,531,503 on a preliminary basis. It is further

ORDERED that the implementation date for the new depreciation rates, amortizations, recovery schedule, and fossil dismantlement accrual shall be January 1, 1999. It is further

ORDERED that this docket shall remain open, pending review, analysis, and final action concerning the appropriate rates under consideration.

ORDER NO. PSC-99-1398-PCO-EI
DOCKET NO. 990529-EI
PAGE 6

By ORDER of the Florida Public Service Commission this 21st
day of July, 1999.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

LJP

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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review 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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.0376, Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of

ORDER NO. PSC-99-1398-PCO-EI

DOCKET NO. 990529-EI

PAGE 7

Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

**TAMPA ELECTRIC COMPANY
 1999 STUDY
 APPROVED RATES AND COMPONENTS**

ACCOUNT	COMMISSION APPROVED		
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
TRANSMISSION PLANT			
350.01 Land Rights	36.0	0.0	2.2
352.00 Structures & Improvements	40.0	(3.0)	2.1
353.00 Station Equipment	34.0	(10.0)	2.2
354.00 Towers and Fixtures	20.0	(15.0)	2.6
355.00 Poles and Fixtures	28.0	(30.0)	3.5
356.00 Overhead Conduct. & Devices	25.0	(20.0)	3.4
356.01 Clearing Rights-of-Way	28.0	0.0	2.1
357.00 Underground Conduit	43.0	0.0	1.9
358.00 Underground Conductors & Devices	29.0	0.0	2.7
359.00 Roads & Trails	36.0	0.0	2.1
DISTRIBUTION PLANT			
361.00 Structures & Improvements	30.0	(3.0)	2.4
362.00 Station Equipment	25.0	(10.0)	2.9
364.00 Poles, Towers & Fixtures	25.0	(35.0)	4.0
365.00 Overhead Conductors & Devices	23.0	(20.0)	3.3
366.00 Underground Conduit	39.0	0.0	2.0
367.00 Underground Conduct. & Devices	24.0	0.0	3.0
368.00 Line Transformers	8.3	30.0	3.8
369.01 Overhead Services	26.0	(50.0)	4.3
369.02 Underground Services	26.0	(15.0)	3.3
370.00 Meters	16.1	(20.0)	5.4
373.00 Street Lights & Signal Systems	12.4	0.0	5.6
GENERAL PLANT			
390.00 Structures & Improvements	28.0	(20.0)	3.4
392.01 Transportation Equip.-Automobiles	1.1	24.0	12.7
392.02 Transportation Equip.-Light Trucks	6.0	20.0	8.0
392.03 Transportation Equip.-Heavy Trucks	8.9	20.0	4.1
393.01 Stores Equipment		7 Yr. Amort	
394.01 Tools, Shop & Garage Equip.		7 Yr. Amort	
395.01 Laboratory Equipment		7 Yr. Amort	
396.00 Power Operated Equipment		10 Yr. Amort	
397.25 Communication Equipment - Fixed	11.5	(10.0)	5.3
GENERAL PLANT - AMORTIZED			
391.01 Office Furniture & Equipment		7 Yr. Amort	
391.02 Office Equipment - Workstation		3 Yr. Amort	
391.04 Computer Equipment - Mainframe		5 Yr. Amort	
393.00 Stores Equipment - Portable		7 Yr. Amort	
394.00 Tools,Shop, & Garage Equip.		7 Yr. Amort	
395.00 Laboratory Equipment		7 Yr. Amort	
397.00 Communication Equipment		7 Yr. Amort	
398.00 Miscellaneous Equipment		7 Yr. Amort	
RECOVERY SCHEDULE			
397.01 Energy Management System		2 Yr. Recovery Period	

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ACCOUNT		COMMISSION APPROVED		
		AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
STEAM PRODUCTION				
BIG BEND STATION				
- Common -				
311400	Structures	32.0	(5.0)	2.2
312400	Boiler Plant	27.0	(10.0)	2.8
314400	Turbogenerators	32.0	(6.0)	1.9
315400	Access. Electric Equipment	16.4	(4.0)	3.6
316400	Miscellaneous	17.2	(9.0)	3.6
- Unit 1 -				
311410	Structures	21.0	(5.0)	2.4
312410	Boiler Plant	18.5	(13.0)	3.7
314410	Turbogenerators	17.9	(7.0)	3.1
315410	Access. Electric Equipment	16.5	(4.0)	3.1
316410	Miscellaneous	20.0	(6.0)	2.3
- Unit 2 -				
311420	Structures	24.0	(4.0)	2.3
312420	Boiler Plant	20.0	(13.0)	3.5
314420	Turbogenerators	20.0	(7.0)	3.0
315420	Access. Electric Equipment	19.2	(4.0)	3.0
316420	Miscellaneous	23.0	(13.0)	3.2
- Unit 3 -				
311430	Structures	26.0	(5.0)	2.2
312430	Boiler Plant	22.0	(12.0)	2.9
314430	Turbogenerators	19.3	(8.0)	2.6
315430	Access. Electric Equipment	18.1	(4.0)	3.1
316430	Miscellaneous	26.0	(10.0)	2.7
- Unit 4 -				
311440	Structures	35.0	(5.0)	2.1
312440	Boiler Plant	27.0	(15.0)	2.9
314440	Turbogenerators	29.0	(8.0)	2.5
315440	Access. Electric Equipment	24.0	(4.0)	2.8
316440	Miscellaneous	31.0	(10.0)	2.5
- Unit 4 FCD -				
311450	UNIT No. 4 FGD System	33.0	(8.0)	2.3
312450	UNIT No. 4 FGD System	29.0	(13.0)	2.7
315450	UNIT No. 4 FGD System	25.0	(4.0)	2.7
316450	UNIT No. 4 FGD System	31.0	(9.0)	2.5

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ACCOUNT	COMMISSION APPROVED		
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
GANNON STATION			
- Common -			
311500	Structures	17.4	(5.0) 3.6
312500	Boiler Plant	17.0	(5.0) 4.1
314500	Turbogenerators	18.1	(3.0) 3.7
315500	Access. Electric Equipment	15.1	(2.0) 4.4
316500	Miscellaneous	11.0	(7.0) 4.5
- Unit 1 -			
311510	Structures	8.3	(5.0) 2.3
312510	Boiler Plant	7.0	(5.0) 4.5
314510	Turbogenerators	7.4	(4.0) 4.4
315510	Access. Electric Equipment	6.9	(2.0) 3.4
316510	Miscellaneous	7.8	(4.0) 2.2
- Unit 2 -			
311520	Structures	9.3	(5.0) 3.4
312520	Boiler Plant	7.5	(7.0) 5.2
314520	Turbogenerators	8.4	(4.0) 3.8
315520	Access. Electric Equipment	8.1	(2.0) 3.6
316520	Miscellaneous	7.9	(5.0) 2.2
- Unit 3 -			
311530	Structures	11.1	(5.0) 2.2
312530	Boiler Plant	10.2	(8.0) 4.8
314530	Turbogenerators	9.2	(4.0) 3.3
315530	Access. Electric Equipment	8.8	(2.0) 3.5
316530	Miscellaneous	8.9	(6.0) 2.4
- Unit 4 -			
311540	Structures	14.2	(6.0) 2.6
312540	Boiler Plant	12.6	(10.0) 4.9
314540	Turbogenerators	11.0	(4.0) 2.7
315540	Access. Electric Equipment	11.6	(2.0) 3.9
316540	Miscellaneous	14.1	(6.0) 5.2
- Unit 5 -			
311550	Structures	16.3	(6.0) 3.8
312550	Boiler Plant	14.4	(11.0) 4.3
314550	Turbogenerators	14.3	(5.0) 3.6
315550	Access. Electric Equipment	13.5	(3.0) 4.1
316550	Miscellaneous	15.6	(9.0) 3.8
- Unit 6 -			
311560	Structures	18.1	(6.0) 2.5
312560	Boiler Plant	16.5	(12.0) 3.9
314560	Turbogenerators	17.5	(6.0) 3.5
315560	Access. Electric Equipment	14.6	(3.0) 3.7
316560	Miscellaneous	16.9	(8.0) 2.8

**TAMPA ELECTRIC COMPANY
 1999 STUDY
 APPROVED RATES AND COMPONENTS**

ACCOUNT		COMMISSION APPROVED		
		AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
GANNON OBO				
- Common -				
311700	Structures	16.6	(4.0)	2.4
312700	Boiler Plant	16.8	(5.0)	2.5
314700	Turbogenerators	0.0	0.0	0.0
315700	Access. Electric Equipment	13.9	(2.0)	2.4
316700	Miscellaneous	17.0	(4.0)	2.0
- Unit 1 -				
311710	Structures	8.2	(5.0)	2.9
312710	Boiler Plant	8.4	(5.0)	2.9
314710	Turbogenerators	8.5	(4.0)	2.8
315710	Access. Electric Equipment	8.4	(2.0)	2.8
316710	Miscellaneous	8.3	(4.0)	3.0
- Unit 2 -				
311720	Structures	9.2	(5.0)	3.0
312720	Boiler Plant	9.4	(6.0)	3.0
314720	Turbogenerators	9.5	(5.0)	2.9
315720	Access. Electric Equipment	9.3	(2.0)	2.9
316720	Miscellaneous	9.3	(4.0)	3.0
- Unit 3 -				
311730	Structures	10.8	(5.0)	2.8
312730	Boiler Plant	11.3	(6.0)	2.9
314730	Turbogenerators	11.3	(6.0)	2.8
315730	Access. Electric Equipment	11.2	(2.0)	2.8
316730	Miscellaneous	11.2	(4.0)	2.9
- Unit 4 -				
311740	Structures	12.9	(6.0)	2.7
312740	Boiler Plant	14.0	(7.0)	2.7
314740	Turbogenerators	13.8	(6.0)	2.6
315740	Access. Electric Equipment	13.9	(2.0)	2.6
316740	Miscellaneous	14.0	(4.0)	2.7

**TAMPA ELECTRIC COMPANY
 1999 STUDY
 APPROVED RATES AND COMPONENTS**

<u>ACCOUNT</u>		COMMISSION APPROVED		
		AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE RATE (%)	REMAINING LIFE RATE (%)
HOOKERS POINT STATION				
- Common -				
311600	Structures	4.3	(1.0)	2.1
312600	Boiler Plant	4.4	(1.0)	2.1
314600	Turbogenerators	4.5	(1.0)	2.1
315600	Access. Electric Equipment	4.4	(1.0)	2.1
316600	Miscellaneous	3.4	(1.0)	2.7
- Unit 1 -				
311610	Structures	2.6	(1.0)	3.6
312610	Boiler Plant	3.3	(1.0)	2.8
314610	Turbogenerators	3.6	(1.0)	2.6
315610	Access. Electric Equipment	3.4	(1.0)	2.7
316610	Miscellaneous	2.5	(1.0)	3.7
- Unit 2 & 3 -				
311620	Structures	2.6	(1.0)	3.6
312620	Boiler Plant	4.3	(1.0)	2.1
314620	Turbogenerators	3.8	(1.0)	2.4
315620	Access. Electric Equipment	3.4	(1.0)	2.7
316620	Miscellaneous	3.0	(1.0)	3.1
- Unit 4 -				
311640	Structures	2.7	(1.0)	3.4
312640	Boiler Plant	3.6	(1.0)	2.6
314640	Turbogenerators	3.5	(1.0)	2.6
315640	Access. Electric Equipment	3.8	(1.0)	2.4
316640	Miscellaneous	3.4	(1.0)	2.7
- Unit 5 -				
311650	Structures	2.9	(1.0)	3.2
312650	Boiler Plant	4.2	(1.0)	2.2
314650	Turbogenerators	3.7	(1.0)	2.5
315650	Access. Electric Equipment	4.0	(1.0)	2.3
316650	Miscellaneous	4.5	(1.0)	2.1
DINNER LAKE STATION				
311110	Structures	6.3	(2.0)	2.2
312110	Boiler Plant	6.3	(2.0)	0.6
314110	Turbogenerators	6.4	(2.0)	1.0
315110	Access. Electric Equipment	6.2	(1.0)	1.4
316110	Miscellaneous	6.3	(2.0)	1.1
MISC. PRODUCTION				
311010	Structures & Improvements	15.2	(4.0)	3.7

**TAMPA ELECTRIC COMPANY
 1999 STUDY
 APPROVED RATES AND COMPONENTS**

ACCOUNT		COMMISSION APPROVED		
		AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)
OTHER PRODUCTION				
BIG BEND STATION				
- Combustion Turbine 1 -				
341410	Structures	8.9	(4.0)	2.6
342410	Boiler Plant	8.4	(7.0)	2.7
344410	Turbogenerators	3.8	(6.0)	3.5
345410	Access. Electric Equipment	5.4	(2.0)	3.2
346410	Miscellaneous	10.2	(4.0)	3.0
- Combustion Turbine 2 & 3 -				
341420	Structures	5.3	(4.0)	3.0
342420	Boiler Plant	5.1	(6.0)	3.1
344420	Turbogenerators	4.9	(6.0)	4.9
345420	Access. Electric Equipment	4.8	(2.0)	5.0
346420	Miscellaneous	3.8	(8.0)	3.2
GANNON STATION				
- Combustion Turbine 1 -				
341510	Structures	9.4	(3.0)	1.5
342510	Boiler Plant	6.0	(8.0)	1.2
344510	Turbogenerators	6.4	(5.0)	1.4
345510	Access. Electric Equipment	6.6	(2.0)	4.8
PHILLIPS STATION				
341280	Structures	11.6	(10.0)	3.8
342280	Boiler Plant	11.8	(10.0)	3.7
343280	Turbogenerators	12.2	(6.0)	3.6
345280	Access. Electric Equipment	11.1	(3.0)	3.6
346280	Miscellaneous	11.6	(11.0)	3.9
POLK POWER STATION				
341810	Structures	32.0	(8.0)	3.1
342810	Boiler Plant	19.6	(15.0)	5.2
343810	Turbogenerators	22.0	(11.0)	4.5
345810	Access. Electric Equipment	24.0	(4.0)	3.9
346810	Miscellaneous	22.0	(10.0)	4.5