

State of Florida



Public Service Commission
-M-E-M-O-R-A-N-D-U-M-

DATE: February 18, 2002
TO: All Public Service Commissioners
FROM: Office of the General Counsel (Harris) *M.H.*
RE: Issues in the Gulf Power rate case which relate to Docket No. 010789-EI

Pursuant to Chairman and Prehearing Officer Jaber's instructions, attached are three issues from the Gulf Power rate case, Docket No. 010949-EI, which directly relate to the Gulf Power Depreciation and Dismantlement Study, Docket No. 010789-EI, which is set for Agenda Conference tomorrow, February 19, 2002, as item number 25.

LDH

cc: Office of the General Counsel (McLean, Helton, Stern)
Division of the Commission Clerk and Administrative Services

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ISSUE 17: What adjustments should be made to Accumulated Depreciation to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)

POSITIONS

GULF:

If the Commission approves the increase in depreciation expense and dismantlement costs as recommended in the Staff Report on Gulf's 2001 Depreciation Study in Docket No. 010789-EI, an adjustment in the amount of \$1,099,000 jurisdictional (\$1,122,000 system) should be made to increase accumulated depreciation to take into account the change in the 13-month average accumulated depreciation balance. The calculation of this adjustment is shown on Mr. Labrato's rebuttal testimony Exhibit RRL-2, Schedule 3. (Labrato, Roff)

FEA:

No position at this time.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

The Commission should use the last final depreciation rates. It would be inappropriate to use non-final PAA rates.

OPC:

No position at this time.

STAFF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized in the rate case.

ISSUE 73: What adjustments, if any, should be made to the depreciation expense and the fossil dismantlement accrual to reflect the Commission's decision in Docket No. 010789-EI? (Meeks)

POSITIONS

GULF:

An adjustment to expense in the amount of \$1,232,000 jurisdictional (\$1,257,000 system) should be made to reflect an increase in depreciation expense and dismantlement costs based on the Staff Report on Gulf's 2001 Depreciation Study. The calculation of this adjustment is shown on Mr. Labrato's rebuttal testimony Exhibit RRL-2, Schedule 3. Also, see Issue 17 for the adjustment to accumulated depreciation. (Labrato, Roff)

FEA:

We support the position of the Public Counsel's witness, Mr. Michael J. Majoros, Jr.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

The Commission should use the last final depreciation rates. It would be inappropriate to use non-final PAA rates.

OPC:

No position at this time.

STAFF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized

in the rate case.

ISSUE 74: What is the appropriate depreciation rate and dismantlement provision for Smith Unit 3? (Meeks)

POSITIONS

GULF:

The appropriate depreciation rate for Smith Unit 3 is 5 percent and the dismantlement provision is \$310,000 (system) for the May 2003 projected test year. The dismantlement provision has been revised from \$251,000 as originally filed to reflect the recommendation made in the Staff Report on Gulf's 2001 Depreciation Study. The increase in the Smith Unit 3 dismantlement provision has been included in the adjustment discussed in **Issue 73**. (Labrato, Roff)

FEA:

We support the position of the Public Counsel's witness, Mr. Michael J. Majoros, Jr.

FCTA:

The FCTA does not have a position on this issue. The FCTA seeks to continue to monitor this docket to its conclusion and to reserve its right to file a posthearing brief (1) to respond to any new issues generated by the evidence during the hearing and/or properly raised by other parties or the Commission, and (2) to adopt any position properly stated by any other party.

FIPUG:

FIPUG has no position at this time.

OPC:

The proper depreciation basis is thirty years. (Majoros)

STAFF:

Subject to a final order in Docket No. 010789-EI, Depreciation and Dismantling Study by Gulf Power Company, the amount of accumulated depreciation and depreciation expense will be based on the Commission's vote at the February 19, 2002 Agenda Conference on staff's recommendation, dated February 7, 2002. If this item is deferred at that agenda conference, the amounts will be based on the amounts contained in Staff's recommendation. If the final order in Docket No. 010789-EI results in amounts that are lower than those utilized for the purposes of the rate case, the difference between the final approved amounts and the amounts used in the rate case will be held subject to refund, including interest. If practical, base rates will be subsequently adjusted to reflect the final approved amounts, whether lower or higher than those utilized in the rate case.