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DATE: May 15, 2003
TO: Kay Flynn, Chief, Bureau of Records and Hearing Services
FROM: Shari Cornelius, Staff Assistant, Division of Economic Regulation *SC*
RE: Docket No. 030409-EI

Per a request from Pat Lee, please place the attached documentation in the above-referenced docket file. Thank you.

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Pat Lee

From: Pat Lee
Sent: Tuesday, May 06, 2003 1:08 PM
To: Chrys Remmers (E-mail); Bill Wood (E-mail); Richard A. Walker (E-mail)
Cc: James Beasley (E-mail); Angela Llewellyn (E-mail); Pete Lester; John Slemkewicz; VANDIVER, ROBERT (E-mail); Lorena Holley; Betty Gardner
Subject: Docket No. 030409-EI - Preliminary Implementation

questions.wpd

We have conducted a cursory review of Tampa Electric's 2003 depreciation study. As a result, there are some preliminary questions that require your attention before we proceed with a recommendation regarding your request for preliminary implementation. The current schedule provides for a staff recommendation regarding Tampa Electric's request for preliminary implementation of its proposed depreciation rates and recovery schedules on May 22, 2003. In order to meet this date, please e-mail your response to the attached questions no later than Monday, May 12. To the extent that the response to item 10 requires more time, let me know. If you have any questions, do not hesitate to e-mail or call me.

Pat Lee
Florida Public Service Commission
850-413-6453

Tampa Electric 2003 Depreciation and Dismantlement Study
Docket No. 030409-EI

Preliminary Implementation Questions

1. Please provide an electronic summary schedule that shows a comparison of annual depreciation and recovery schedule expenses resulting from current approved depreciation rates and recovery schedules with those expenses produced by the proposed depreciation rates and recovery schedules for each category of depreciable plant, as of Tampa Electric's proposed effective date. The schedule should include a total expense row for each function of plant (steam production, other production, transmission plant, distribution plant, general plant) as well as recovery schedules. The schedule should also include a grand total row which equals the sum of all functions and recovery schedules.
2. Please provide an electronic summary schedule that shows a comparison of current and company proposed depreciation rates and components (average service life, average remaining life, net salvage, reserve).
3. For clarification, is it correct that Tampa Electric is requesting a January 1, 2003, implementation date for revised depreciation rates and recovery schedules except for the recovery schedule for the Gannon Station, for which a July 1, 2003 implementation date is being proposed? If yes, Tampa Electric must provide the following information for compliance with Rule 25-6.0436, Florida Administrative Code:
 - a. The schedules shown on Composite Exhibit A attached to your April 28, 2003, Motion for Expedited Approval of Accelerated Recognition of Depreciation and Dismantlement Costs for Gannon Station Units, need to be revised to reflect investment and reserve balances estimated as of July 1, 2003, the proposed effective date. The recovery schedule accruals and dismantlement accruals also need to be revised to reflect a July 1, 2003, effective date.
 - b. The schedules shown on pages 15 and 16 of the current study need to be revised to reflect a July 1, 2003, implementation date. This will require the investment and reserve to be restated to July 1, 2003, as well as

the comparison of accruals and theoretical reserve.

Gannon Recovery Schedule

4. Is it correct that Tampa Electric's proposed recovery schedule for the Gannon Station units reflects the amortization during 2003 of the investment associated with all coal-related assets at the Gannon Station as well as the investment associated with the retirement of Units 1 and 2?
 - a. Are Gannon Units 1 and 2 planned to be retired in total in 2003? Provide the most current estimated retirement date?
 - b. Are the turbine related assets at Gannon Units 5 and 6 planned to be reused at Bayside Common and Units 1 and 2? Provide the most current estimated retirement date of Units 5 and 6.
 - c. Are the turbine related assets at Gannon Units 3 and 4 planned to be placed on long term reserve stand-by? Provide the most current planning regarding when the assets at Units 3 and 4 will be placed on long term reserve stand-by.
5. Please provide the most current schedule for shutdown of each of the Gannon Station units. It is staff's position that recovery should be afforded to match the using-up of the associated assets. In other words, if Units 3 and 4 are expected to shut down in September 2003, recovery of the net investment associated with the non-turbine related assets should be matched to the September date. Please comment.
6. Provide the estimated investment and reserve as of the most current planned or estimated retirement date for each of the Gannon Station units.
7. Please explain the difference between Bayside Power Station Units 1 and 2 and Gannon Station Units 1 and 2 shown on pages 1 and 2 of Composite Exhibit A of Tampa Electric's Motion for Expedited Approval of Accelerated Recognition of Depreciation

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and Dismantlement Costs for Gannon Station Units. Does page 1 relate to the complete retirement of Units 1 and 2, while page 2 relates only to coal-related assets existing at all units?

8. Please explain how the retirement of the Gannon Station coal-related assets effect Tampa Electric's repowering plans.
9. Provide a list of gross additions, by unit, expected to be incurred in 2003 associated with Gannon Units 1-4 to ensure the units continued reliable service until shut down. Include in your response, a brief description of why each addition is needed.
10. According to Tampa Electric's response to discovery from the Office of Public Counsel in Docket No. 030001-EI, Interrogatory No. 3, it became apparent by late 2002 that the Gannon Station units needed to be shut down in 2003. Provide the data used by Tampa Electric in support of this conclusion.
11. Has Bayside Unit 1 entered commercial operation yet? If yes, when did commercial operation begin? If no, when is commercial operation expected?
12. Is the shut down of Gannon Unit 6 still expected around September 1, 2003 and commercial operation of Bayside Unit 2 expected around January 15, 2004? If yes, does September 1 represent the expected date of retirement for Unit 6?
13. By Order No. PSC-00-0817-PAA-EI, issued April 25, 2000, in Docket No. 992014-EI, Tampa Electric's depreciation rates were revised and a recovery schedule approved for the Gannon Station reflecting Tampa Electric's preliminary assessment of compliance with the Consent Decree and the Consent Final Judgement (CFJ). Tampa Electric's estimates included the repowering of Gannon Units 3, 4, and 5, and placing Units 1, 2, and 6 on reserve standby. The investment and associated reserve as of January 1, 2000, placed on a recovery schedule were \$287,686,788 and \$221,428,929, respectively (\$66,257,859 net investment). The order noted that if significant changes were to occur with the estimated retirements, Tampa Electric

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should petition the Commission for recovery revisions as necessary.

Subsequently, by Order No. PSC-00-2275-PAA-EI, issued November 30, 2000, in Docket No. 000686-EI, the depreciation rates and recovery schedule for the Gannon Station were revised to reflect Tampa Electric's change in plans to repower Units 5 and 6 rather than Units 3, 4, and 5. This resulted in adjusting the recovery schedule approved by Order No. PSC-00-0817-PAA-EI to reflect the additional net investments associated with the Unit 6 assets subject to retirement due to the repowering. The recovery mechanism was designed to recover the revised January 1, 2000, net investment of \$87,733,921, by December 31, 2004, coinciding with the date coal would no longer be burned at Gannon Station pursuant to the CFJ requirement. At that time, it was noted there was no change in Tampa Electric's forecast that approximately \$7.5 million in additions would be made to the Gannon Station prior to repowering. These short-lived additions were needed to maintain the reliability of the system and to protect the safety of the employees at the site. The additions were to be recovered over the period the related equipment would be in service; i.e., 2000 additions amortized over the 2000-2004 period, 2001 additions amortized over the 2001-2004 period, 2003 additions over the 2003-2004 period, and 2004 additions amortized during 2004. The expense for each month was to be obtained by dividing net plant of each unit for that month by the months remaining in the amortization period. This mechanism was intended to provide flexibility in reacting to recovery of retirement in the event of changes in estimates.

Finally, by Order No. PSC-03-0262-PAA-EI, issued February 24, 2003, in Docket No. 020566-EI, a recovery schedule was approved to reflect Tampa Electric's current planning to retire Gannon Units 1 and 2. Tampa Electric determined that Units 1 and 2 were not economically viable for natural gas repowering and the units would retire by December 31, 2004. The approved recovery schedule was designed to recover the January 1, 2002, net investment of \$5,181,992 over a three-year period to conclude on December 31, 2004.

In reviewing the activity shown on pages 121 and 122 of your current study, we are trying to assess the recovery status of the currently approved recovery schedules.

- a. Do the "amortizable plant" categories relate to the approved recovery schedules for the Gannon Station? If no, where can we find the specific activity relating to the recovery schedules?
 - b. Explain how the monthly recovery schedule expenses are currently being determined?
 - c. We are surprised with the retirement activity we see relating to the recovery schedules. Please explain.
 - d. If the retirement activity has related to final retirements of equipment at the Gannon Station units, staff is of the opinion that the related removal costs should have been charged against the dismantlement reserve. Please comment.
 - e. In the year 2000, a transfer of \$174.4 million was made from the amortizable plant to the depreciable plant categories for the Gannon Station. There seems to have been an additional \$1.1 million transferred from the amortizable categories of Gannon Common and Unit 2. Where was this investment transferred to?
 - f. Does the transfer of investment of \$43.5 million in 2001 for Unit 6 reflect the revision to the recovery schedule approved by Order NO. PSC-00-2275-PAA-EI? If so, why didn't the transfer occur in 2000 as the order provided? Is it correct then that the recovery schedule expenses recorded in 2000 were understated since they should have reflected amortization of the Unit 6 investment?
 - g. Do the 2002 expenses for Units 1 and 2 reflect Order No. PSC-03-0262-PAA-EI?
14. When Tampa Electric's plans changed to reflect the retirement of Gannon Units 1, 2, 3, and 4 in 2003, explain why the

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company did not petition the Commission for commensurate revisions to its recovery schedules as envisioned and provided by Order Nos. PSC-00-0817-PAA-EI and PSC-00-2275-PAA-EI.

15. Explain why the additional recovery schedule expenses Tampa Electric has requested for the Gannon Station units should be afforded during the last six months of 2003, rather than equally throughout the entire year, or matching the estimated retirement dates of each unit.

Dismantlement

16. The CD accompanying the current depreciation study appears to be missing dismantlement files for Hookers Point, Dinner Lake, and the City of Tampa. Please provide the missing files electronically.
17. Where is dismantlement for the Hookers Point Tank Farm shown on the CD and in the filed study?
18. Provide a comparison of the dismantlement accruals for Tampa Electric approved by Order No. PSC-00-0603-PAA-EI, issued March 29, 2000, in Docket No. 990529-EI, to those being proposed in the current study. Also, provide a separate comparison regarding the Gannon Station recovery schedule.

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If you have further questions about this meeting, please call me at (850) 413-6216 or Anne Marsh at (850) 413-6554.

LHD

cc: Commission Clerk and Administrative Services
Division of Competitive Markets and Enforcement (Marsh, Brown)