

State of Florida



Public Service Commission

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MARCH 23 AM 11:59
COMMISSION CLERK

DATE: March 23, 2006

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Gardner, Colson, Haff, Lester, McRoy, Sickel, Kyle) *GH* *MSA PL* *GA* *73*
Office of the General Counsel (Brown) *NCB* *PS*

RE: Docket No. 050381-EI – Depreciation and dismantlement study at December 31, 2005, by Gulf Power Company.

AGENDA: 04/04/06 – Regular Agenda –Proposed Agency Action–Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050381.RCM.DOC

Case Background

By Order No. PSC-02-0787-FOF-EI, issued July 13, 2002, in Docket No. 010949-EI, In re: Request for rate increase by Gulf Power Company, the Commission approved Gulf Power Company's (Gulf or company) current depreciation rates, amortization schedules, and dismantlement provision with an effective date of January 1, 2002. Rule 25-6.0436, Florida Administrative Code, requires investor-owned electric utilities to file comprehensive depreciation studies at least once every four years. On May 31, 2005, Gulf filed its regular depreciation study in accordance with this rule. Staff has completed its review of the study and presents its recommendation herein.

This recommendation addresses the approval of new depreciation rates and fossil dismantlement accruals for 2006. Staff is recommending a decrease in the amount of \$3,185,349 in annual depreciation expense from the 2002 Commission approved expenses, an increase of

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\$54,547 in annual accrual for fossil dismantlement, and an implementation date of January 1, 2006. The company concurs with staff's recommendations.

The Commission has jurisdiction over these matters through Chapter 350.115 and several provisions of Chapter 366, Florida Statutes, including Sections 366.04, 366.05, and 366.06.

Discussion of Issues

Issue 1: What should be the implementation date for the recommended depreciation rates, amortization schedules, and dismantlement provision?

Recommendation: Staff recommends the company's proposal of January 1, 2006, as the implementation date for Gulf's new depreciation rates, amortization schedules, and dismantlement provisions as shown on Attachments A, B, and C. (GARDNER)

Staff Analysis: Rule 25-6.0436, F.A.C., requires that data submitted in a depreciation study, including plant and reserve balances or company estimates, "shall be brought to the effective date of the proposed rates." In this regard, Gulf's supporting data and calculations have been provided matching a January 1, 2006, implementation date.

Issue 2: Should the Commission revise Gulf's currently approved annual accrual for dismantlement?

Recommendation: Yes. Staff recommends a total annual provision for dismantlement of \$5,886,660 beginning January 1, 2006, as shown on Attachment A. This represents an increase of \$54,547 over the current approved annual accrual. The recommended \$5,886,660 annual accrual includes \$107,319 related to Plant Scherer Unit 3 unit power sale (UPS) contracts. These accruals reflect current estimates of dismantlement cost on a site-specific basis using the latest inflation forecasts and a 10% contingency factor. The company concurs with staff's recommendation. (GARDNER, LESTER)

Staff Analysis: By Order No. 24741 (Dismantlement Order), issued July 1, 1991, in Docket No. 890186-EI, In re: Investigation of the ratemaking and accounting treatment for the dismantlement of fossil-fueled generating stations, the Commission determined its policy for ratemaking and accounting for the treatment of costs associated with the dismantlement of fossil-fueled generating facilities. The Dismantlement Order concluded that the provision for dismantlement should be accounted for as an annual fixed dollar accrual separate from the depreciation rate. Prior to the 1990's, the provision for dismantlement cost recovery was included in basic depreciation rates for each electric utility.

The Dismantlement Order established the methodology for calculating the annual accrual. The fixed accrual amount is based on a four-year average of the accruals related to the years between depreciation study reviews. In addition, utilities are required to provide updated dismantlement studies at least once every four years in connection with their depreciation study.¹ The Dismantlement Order also provided that if a company is partial owner of any plant, in state or out of state, it should be contractually responsible for dismantlement costs in proportion to its share of ownership. Because Plant Scherer Unit 3 is dedicated to wholesale UPS contracts, the dismantlement expense is not included for earnings surveillance purposes.

Since Gulf's 2001 dismantlement study, base cost estimates for the various dismantlement activities have changed as shown below:

FOSSIL DISMANTLEMENT BASE COST ESTIMATES		
PLANT	2001 Study	2005 Study
Plant Crist	\$ 56,368,000	\$ 67,387,000
Plant Daniel	17,052,500	19,700,500
Plant Schotz	10,126,000	10,955,000
Plant Smith	23,676,000	25,836,000
Plant Scherer	5,109,000	3,839,625
Plant Smith Combustion Turbine	134,000	143,000
Plant Pace (Pea Ridge)	314,000	129,000
Plant Smith Unit 3	4,750,000	5,062,000
Total Base Cost Estimates	\$ 117,529,500	\$133,052,125

¹ These policies were codified in Rule 25-6.04364, Florida Administrative Code, adopted December 30, 2003.

Gulf's cost estimates are based on site-specific studies and reflect an increase of about 13% from the 2001 study. The major factors contributing to the changes in cost estimates are: (1) update of inflation factors, (2) the addition of Plant Crist Unit 7 selective catalytic reduction (SCR), and (3) the addition of Smith Unit 3 combined cycle.

Gulf's currently approved annual accrual for fossil fuel dismantlement is \$5,832,103. Its proposed annual accrual of \$5,836,672 is based on inflation factors from Economy.com as of April 2005. At the request of staff, Gulf updated its accrual to reflect the most recent inflation factors. This updated accrual, reflecting inflation factors as of January 2006, represents an increase over the current accrual of \$4,557. Staff believes it is reasonable for the accrual to reflect the most recent inflation estimates. The company agrees with staff's recommendation that the revised annual accrual should be \$5,886,660.

As with previous studies, Gulf has included a 10% contingency factor to cover uncertainty in the dismantlement cost estimates. The factor is comprised of a 5% pricing contingency and a 5% scope omission contingency. The pricing contingency provides a level of confidence that the estimates are reasonable. The scope omission contingency gives consideration to the conceptual nature of the base cost estimates and the difficulty in obtaining quantity and weight records. This factor also includes a recognition that hazardous waste environmental assessments can only be performed at the time of dismantlement.

In summary, staff recommends that the four year average annual accrual for fossil fuel dismantlement, beginning in 2006 should be \$5,886,660.

Issue 3: What are the appropriate depreciation rates and amortization schedules?

Recommendation: The staff recommended lives, net salvages, reserves, and resulting depreciation rates are shown on Attachment C. These rates result in a decrease in annual depreciation expense by \$3,494,534 based on January 1, 2006 investments, and the removal of Plant Scherer Unit 3 as shown on Attachment D. Gulf concurs with staff's recommendation. (GARDNER, COLSON, HAFF, MCROY, SICKEL)

Staff Analysis: Staff's recommendations are the result of a comprehensive review of the company's submitted study. Attachment C shows a comparison of rate components (lives, salvages, and reserves). Attachment D shows the estimated resulting annual expenses based on January 1, 2006 investments. A summary of the changes in annual expense are as follows:

Expenditures By Function	
Production	(\$2,311,387)
Transmission	46,088
Distribution	218,944
General	(1,193,551)
Total Rates/Amortizations	(\$3,239,906)
Provision for Dismantlement	54,557
Total Change in Annual Expenses	(\$3,185,349)

In the current study, the significant changes in expenses relate to the exclusion of Plant Scherer Unit 3, change in average service lives, increase in net salvage, and the resulting increase/decrease in depreciation rates for production plant.

Production

A major impact to production plant is the exclusion of Plant Scherer Unit 3, a coal fired generating unit located in Georgia. Gulf has a 25 % ownership interest in Scherer Unit 3 and it is completely dedicated to wholesale unit power sale contracts. By Order No. 23573, issued October 3, 1990, in Docket No. 891345-EI, In re: Petition of Gulf Power Company for an increase in its rates and charges, Scherer Unit 3 has been excluded from rate base since the company began selling the capacity from the unit as wholesale unit power sales in 1992. The order states that the arrangement would continue until 2010. Staff will continue to review the life and salvage parameters in establishing the depreciation rate for Scherer Unit 3, but will not include the resulting depreciation expense in the overall calculations of depreciation expenses for Florida's ratepayers. Also, staff will monitor the termination of the unit power sale contracts and the possible return of capacity to the Florida ratepayers in future depreciation studies. Gulf concurs with staff's recommendation for the removal of Scherer Unit 3 depreciation expenses.

Transmission, Distribution, and General Plant

The transmission, distribution, and general plant accounts show an increase in service life and salvage parameters over the last depreciation study. The recommended remaining lives simply reflect an update of activity. Staff reviewed the proposed changes to plant accounts service life, expected retirement dispersion, and net salvage and found them to be reasonable and in line with Florida industry practices.

Distribution

For 2006, Gulf requests approval for the establishment of a 50 year average service life, net salvage value of zero, and a whole life rate of 2 percent for distribution account 360.2 Easements and Rights of Way. Staff finds this to be acceptable and in line with Florida industry practices for a new account.

The recommended remaining lives for general plant reflect an update of each account's activity since the last review. Underlying service lives and mortality dispersions are still considered appropriate and reasonable. Also, the amortized general plant investments represent high volume items of small value which do not warrant individual tracking. These investments represent less than 0.5 per cent of Gulf's proposed January 1, 2006 total plant in service. The use of amortization is consistent with the Commission's efforts to simplify the depreciation study process, where possible, and is reasonable and acceptable.

In summary, staff recommends that Gulf's proposed life and salvage parameters are reasonable and acceptable and appear to be in line with industry practices for transmission, distribution, and general plant.

Issue 4: Should the current amortization of investment tax credits (ITC) and the flow back of excess deferred income taxes be revised to reflect the approved depreciation rates and recovery schedules?

Recommendation: Yes. The current amortization of investment tax credits (ITC) and the flowback of excess deferred income taxes (EDIT) should be revised to match the actual recovery periods for the related property. The utility should file detailed calculations of the revised ITC amortization and flowback of EDIT at the same time it files its surveillance report covering the period ending December 31, 2006. (KYLE)

Staff Analysis: In earlier issues, staff has recommended approval of the company's proposed remaining lives, to be effective January 1, 2006. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flowback of EDIT in order to comply with the normalization requirements of the Internal Revenue Code (IRC) and its underlying Regulations found in Sections 46, 167, and 168, and 1.46, 1.67, and 1.68, respectively.

Staff, the Internal Revenue Service, and independent outside auditors look at a company's books and records and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in the appropriate manner and to determine the intent of the regulatory bodies in regard to normalization. Therefore, staff recommends the current amortization of ITC and the flowback of EDIT be revised to reflect the approved remaining lives.

Section 46(f)(6), IRC, states that "the amortization of ITC should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility." Since staff is recommending approval of the company's proposed remaining lives, it is also important to change the amortization of ITC to avoid violation of the provisions of Sections 46, IRC and 1.46, REGs.

Section 203(3) of the Tax Reform Act of 1986 (the Act) prohibits rapid flowback of depreciation related (protected) EDIT. Further, Rule 25-14.013, Florida Administrative Code, Accounting for Deferred Income Taxes Under SFAS 109, generally prohibits EDIT from being written off any faster than allowed under the Act. The Act, SFAS 109, and Rule 25-14.013, regulate the flowback of EDIT. Therefore, staff recommends that the flowback of EDIT be adjusted to comply with the Act, SFAS 109, and Rule 25-14.013.

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Issue 5: Should this docket be closed?

Recommendation: 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 should be closed upon the issuance of a consummating order. (BROWN)

Staff Analysis: 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 should be closed upon the issuance of a consummating order.

FOSSIL DISMANTLEMENT ACCRUAL

PLANT	CURRENT ACCRUAL (01/01/2002)	COMPANY PROPOSED ACCRUAL (5/31/2005)	CHANGE IN ACCRUAL	STAFF RECOMMENDED ACCRUAL (01/01/2006)	CHANGE IN ACCRUAL
	(\$)	(\$)	(\$)	(\$)	(\$)
Plant Crist	2,866,326	3,026,105	159,779	3,053,458	187,132
Plant Smith	1,240,212	1,128,506	(111,706)	1,139,444	(100,768)
Plant Scholz	527,395	514,117	(13,278)	521,738	(5,657)
Plant Daniel	724,822	751,989	27,167	754,764	29,942
Total Steam (non-UPS)	5,358,755	5,420,717	61,962	5,469,404	110,649
Plant Smith CT	11,259	4,545	(6,714)	4,612	(6,647)
Plant Pace (Pea Ridge)	24,927	6,048	(18,879)	6,102	(18,825)
Smith Combined Cycle	251,316	297,504	46,188	299,223	47,907
Total Other Production	287,502	308,097	20,595	309,937	22,435
Total non-UPS Dismantlement	5,646,257	5,728,814	82,557	5,779,341	133,084
Plant Scherer (UPS)	185,846	107,858	(77,988)	107,319	(78,527)
Total Dismantlement	5,832,103	5,836,672	4,569	5,886,660	54,557

GULF POWER COMPANY
2005 STUDY
DATA ENTRY

ATTACHMENT B

ACCOUNT NUMBER	ACCOUNT	CURRENT				COMPANY PROPOSAL				STAFF RECOMMENDATION					
		1/1/06	1/1/06	AVERAGE SERVICE	AVERAGE REMAINING	AVERAGE SERVICE	AVERAGE REMAINING	AVERAGE SERVICE	AVERAGE REMAINING						
		INVESTMENT	RESERVE	LIFE (YRS.)	LIFE (YRS.)	SALVAGE (%)	CURVE	LIFE (YRS.)	LIFE (YRS.)	SALVAGE (%)	CURVE	LIFE (YRS.)	LIFE (YRS.)	SALVAGE (%)	CURVE
STEAM PRODUCTION PLANT															
	PLANT DANIEL	220,517,115	105,865,183	37	19.8	-4	FORE	39	19.6	-8	FORE	39	19.6	-8	FORE
	PLANT CRIST	518,682,603	198,899,001	29	14.1	-3	FORE	29	17.9	-7	FORE	29	17.9	-7	FORE
	PLANT SCHOLZ	29,783,586	24,008,789	30	9.3	-3	FORE	27	5.4	-3	FORE	27	5.4	-3	FORE
	PLANT SMITH	137,759,076	61,790,048	29	14	-3	FORE	27	15.2	-4	FORE	27	15.2	-4	FORE
	PLANT SCHERER	181,465,813	81,341,215	46	32.8	-4	FORE	46	31.3	-5	FORE	46	31	-5	FORE
	TOTAL STEAM PRODUCTION	1,088,208,193	471,904,236												
OTHER DEPRECIABLE STEAM PRODUCTION															
310	Plant Daniel Easements	77,160	50,749	49	24.5	0	SQ	59	30.5	0	SQ	59	31	0	SQ
311	Plant Daniel Rail Tracks	2,741,620	1,864,720	48	24.5	0	FORE	57	30.5	0	FORE	57	31	0	FORE
316	Production Pit Furniture Equip.	48,026	24,996	5 Year Amortization				5 Year Amortization				5 Year Amortization			
316	Production Pit Furniture Equip.	4,337,744	1,176,171	7 Year Amortization				7 Year Amortization				7 Year Amortization			
	Plant Daniel Cooling Lake	8,954,192	8,954,192	23 Year Amortization				23 Year Amortization				23 Year Amortization			
	TOTAL OTHER STEAM	16,158,742	12,070,828												
	TOTAL STEAM PRODUCTION	1,104,366,935	483,975,064												
OTHER PRODUCTION															
	Smith CT	4,353,688	4,174,319	30	4.5	0	FORE	41	11.5	0	FORE	41	11.5	0	FORE
	Face ("Pea Ridge")	10,481,919	3,950,814	20	16.5	0	FORE	20	12.5	0	FORE	20	12.5	0	FORE
	Smith CC	186,643,425	8,743,357	25	25	0	FORE	25	21.3	0	FORE	25	21	0	FORE
	Subtotal	201,479,032	16,868,490												
	TOTAL PRODUCTION PLANT	1,305,845,967	500,843,554												
TRANSMISSION PLANT															
350	Easements	10,936,134	5,100,268	60	32.2	0	SQ	60	33	0	SQ	60	33	0	SQ
352	Structures & Improvements	6,317,601	2,186,207	45	28.9	-5	R3	45	30.7	-5	R3	45	30	-5	R3
353	Station Equipment	82,385,451	23,789,112	45	36.9	-5	R.5	45	35	-5	R0	45	35	-5	R0
354	Towers and Fixtures	35,253,619	20,172,450	50	24.7	-30	R5	50	28.9	-25	R5	50	29	-25	R5
355	Poles and Fixtures	59,120,786	17,377,828	35	26.2	-40	S0	35	27.2	-40	S0	35	27	-40	S0
356	Overhead Conduct. & Devices	51,954,281	19,789,409	50	40.2	-30	R2	50	37.7	-35	R2	50	38	-35	R2
358	Underground Conductors & Devices	14,094,209	5,108,739	45	32.7	0	R3	45	29	0	R3	45	29	0	R3
359	Roads & Trails	64,917	26,799	50	24.4	0	SQ	50	25.1	0	SQ	50	26	0	SQ
	TOTAL TRANSMISSION PLANT	260,126,998	93,550,812												
DISTRIBUTION PLANT															
361	Structures & Improvements	13,348,284	4,809,742	45	29.3	-5	R3	45	29.5	-5	R3	45	30	-5	R3
362	Station Equipment	135,057,654	43,255,379	40	28.8	-5	R1.5	43	31.2	-5	R1.5	43	31	-5	R1.5
364	Poles, Towers & Fixtures	101,873,827	48,177,032	30	22.4	-70	R0.5	32	23.8	-75	R1	32	24	-75	R1
365	Overhead Conductors	107,769,923	36,228,445	34	28.2	-5	R0.5	37	27.1	-10	R1	37	27	-10	R1
366	Underground Conduit	1,210,865	719,594	60	33.2	0	R3	60	30.2	0	R3	60	30	0	R3
367	Underground Conduct. & Devices	82,823,981	24,803,963	28	20.1	-10	R4	30	21.4	0	S3	30	21	0	S3
368	Line Transformers	172,944,752	62,872,759	29	20.5	-25	S0	30	21.3	-25	S0	30	21	-25	S0
369.1	Overhead Services	43,049,741	21,352,841	32	22.8	-25	R0.5	34	23.4	-35	R1	34	23	-35	R1
369.2	Underground Services	33,761,265	9,299,301	35	29.4	0	R0.5	40	33.2	-5	R1	40	33	-5	R1
369.3	Service-House power Boxes	3,013,871	2,527,353	27	6.7	0	R3	27	6.1	0	R3	27	6.1	0	R3
370	Meters	43,775,714	13,535,934	32	25.6	0	L0	33	25.4	0	R1	33	25	0	R1
373	Street Lights	47,747,011	19,584,887	16	10.8	0	R1	18	12.5	-5	L1	18	12.5	-5	L1
	TOTAL DISTRIBUTION PLANT	786,376,888	287,166,930												
GENERAL PLANT															
390	Structures & Improvements	55,837,194	21,911,560	45	30.3	-5	R1.5	45	28.2	-5	R1.5	45	28	-5	R1.5
392.2	Transportation Equip.-Light Trucks	5,199,397	2,537,938	9	5	15	L3	9.5	4.6	13	S3	9.5	4.6	13	S3
392.3	Transportation Equip.-Heavy Trucks	21,390,426	8,727,715	10	4.7	20	L4	11	5.9	17	L4	11	5.9	17	L4
392.4	Transportation Equip.-Trailers	1,183,060	508,818	16	8.7	20	R2	17	9.2	15	S1	17	9.2	15	S1
396	Power Operated Equip.	593,660	255,611	15	9.8	20	SQ	15	7.6	20	R5	15	7.6	20	R5
397	Communication Equipment	16,881,168	9,935,284	12	7.1	0	L2	15	8.7	0	L2	15	8.7	0	L2
	Subtotal-Depreciable General Plant	101,084,905	43,876,926												
AMORTIZABLE PLANT															
391.1	Office Furniture- Non Computer	2,038,163	717,345	7 Year Amortization				7 Year Amortization				5 Year Amortization			
391.2	Office Furniture - Computer	1,201,328	333,780	5 Year Amortization				5 Year Amortization				7 Year Amortization			
392	Marine and Other Equip.	93,567	41,236	5 Year Amortization				5 Year Amortization				5 Year Amortization			
393	Stores Equipment - Portable	357,096	86,395	7 Year Amortization				7 Year Amortization				7 Year Amortization			
394	Tools, Shop, & Garage Equip. - Portable	2,179,073	956,905	7 Year Amortization				7 Year Amortization				7 Year Amortization			
395	Laboratory Equipment - Portable	2,460,054	857,672	7 Year Amortization				7 Year Amortization				7 Year Amortization			
397	Communication Equipment - Office	1,360,595	262,055	7 Year Amortization				7 Year Amortization				7 Year Amortization			
398	Miscellaneous Equipment	2,131,092	894,135	7 Year Amortization				7 Year Amortization				7 Year Amortization			
	Subtotal-Amortizable General Plant	11,820,968	4,149,523												
	Total General & Amortizable Plant	112,905,873	48,026,449												
	GRAND TOTAL	2,465,255,726	929,587,745												

**GULF POWER COMPANY
2005 STUDY
COMPARISON OF RATE COMPONENTS**

ATTACHMENT C

ACCOUNT	ACCOUNT	CURRENT				COMPANY PROPOSAL				STAFF RECOMMENDATION			
		AVERAGE			REMAINING	AVERAGE			REMAINING	AVERAGE			REMAINING
		REMAINING	NET		LIFE	REMAINING	NET		LIFE	REMAINING	NET		LIFE
		LIFE	SALVAGE	RESERVE	RATE	LIFE	SALVAGE	RESERVE	RATE	LIFE	SALVAGE	RESERVE	RATE
(YRS.)	(%)	(%)	(%)	(YRS.)	(%)	(%)	(%)	(YRS.)	(%)	(%)	(%)		
STEAM PRODUCTION PLANT													
	PLANT DANIEL	19.8	-4	48	2.8	19.6	-8	48.01	3.2	19.6	-8	48.01	3.1
	PLANT CRIST	14.1	-3	48.33	3.9	17.9	-7	38.35	3.7	17.9	-7	38.35	3.8
	PLANT SCHOLZ	9.3	-3	75.60	2.9	5.4	-3	80.61	4.2	5.4	-3	80.61	4.2
	PLANT SMITH	14	-3	57.04	3.3	15.2	-4	44.85	3.9	15.2	-4	44.85	3.9
	PLANT SCHERER	32.8	-4	37.54	2	31.3	-5	44.82	1.9	31	-5	44.82	1.9
OTHER STEAM PRODUCTION													
310	Plant Daniel Easements	24.5	0	57.14	1.7	30.5	0	65.77	1.1	31	0	65.77	1.1
311	Plant Daniel Rail Tracks	24.5	0	60.33	1.6	30.5	0	68.02	1.0	31	0	68.02	1.0
316	Production Pit Furniture Equip.	5 Year Amortization				5 Year Amortization				5 Year Amortization			
316	Production Pit Furniture Equip.	7 Year Amortization				7 Year Amortization				7 Year Amortization			
OTHER PRODUCTION													
	Smith CT	4.5	0	95.96	0.9	11.5	0	95.88	0.3	11.5	0	95.88	0.4
	Pace ("Pea Ridge")	16.6	0	17.70	5	12.5	0	37.69	5.0	12.5	0	37.69	5.0
	Smith CC	25	0	0	4	21.3	0	4.68	4.0	21	0	4.68	4.0
TRANSMISSION PLANT													
350	Easements	32.2	0	45.68	1.7	33	0	46.64	1.7	33	0	46.64	1.7
352	Structures & Improvements	28.9	-5	41.86	2.2	30.7	-5	34.61	2.2	30	-5	34.61	2.3
353	Station Equipment	36.9	-5	28.68	2.1	35	-5	28.88	2.2	35	-5	28.88	2.2
354	Towers and Fixtures	24.7	-25	71.62	2.4	28.9	-25	57.22	2.3	29	-25	57.22	2.3
355	Poles and Fixtures	26.2	-40	29.79	4.2	27.2	-40	29.39	4.1	27	-40	29.39	4.1
356	Overhead Conduct. & Devices	40.2	-35	29.34	2.6	37.7	-35	38.09	2.6	38	-35	38.09	2.6
358	Underground Conductors & Devices	32.7	0	29.31	2.2	29	0	36.25	2.0	29	0	36.25	2.2
359	Roads & Trails	24.4	0	38.49	2.5	25.1	0	41.28	2.3	25	0	41.28	2.2
DISTRIBUTION PLANT													
361	Structures & Improvements	29.3	-5	40.74	2.2	29.5	-5	36.03	2.2	30	-5	36.03	2.3
362	Station Equipment	28.8	-5	32.24	2.5	31.2	-5	32.03	2.3	31	-5	32.03	2.4
364	Poles, Towers & Fixtures	22.4	-70	40.51	5.8	23.8	-75	47.29	5.6	24	-75	47.29	5.4
365	Overhead Conductors	25.2	-5	41.94	2.5	27.1	-10	33.62	2.8	27	-10	33.62	2.8
366	Underground Conduit	33.2	0	59.54	1.2	30.2	0	59.43	1.2	30	0	59.43	1.4
367	Underground Conduct. & Devices	20.1	10	28.99	3	21.4	0	29.95	3.3	21	0	29.95	3.3
368	Line Transformers	20.5	-25	38.14	4.2	21.3	-25	36.35	4.1	21	-25	36.35	4.2
369.1	Overhead Services	22.8	-25	56.79	3	23.4	-35	49.60	3.5	23	-35	49.60	3.7
369.2	Underground Services	29.4	0	28.86	2.4	33.2	-5	27.54	2.3	33	-5	27.54	2.4
369.3	Service-House power Boxes	6.7	0	80.15	3	6.1	0	83.86	2.3	6.1	0	83.86	2.6
370	Meters	25.6	0	40.24	2.3	25.4	0	30.92	2.7	25	0	30.92	2.8
373	Street Lights	10.8	0	36.5	5.8	12.5	-5	41.02	5.2	12.5	-5	41.02	5.1
GENERAL PLANT													
390	Structures & Improvements	30.3	-5	39.24	2.2	28.2	-5	39.24	2.2	28	-5	39.24	2.3
392.2	Transportation Equip.-Light Trucks	5	15	48.81	7.7	4.6	13	48.81	9.5	4.6	13	48.81	8.3
392.3	Transportation Equip.-Heavy Trucks	4.7	20	40.5	9.4	5.9	17	40.80	8.1	5.9	17	40.80	7.2
392.9	Transportation Equip.-Trailers	8.7	20	43.01	5.6	9.2	15	43.01	5.5	9.2	15	43.01	4.6
396	Power Operated Equipment	9.8	20	43.06	5.7	7.6	20	43.06	4.8	7.6	20	43.06	4.9
397	Communication Equipment	7.1	0	58.85	9.4	8.7	0	58.85	5.4	8.7	0	58.85	4.7
General Plant Amortizable													
391.1	Office Furniture- Computer	7 Year Amortization				5 Year Amortization				5 Year Amortization			
391.2	Office Furniture- Non Computer	5 Year Amortization				7 Year Amortization				7 Year Amortization			
392	Marine and Other Equip.	5 Year Amortization				5 Year Amortization				5 Year Amortization			
393	Stores Equipment - Portable	7 Year Amortization				7 Year Amortization				7 Year Amortization			
394	Tools, Shop, & Garage Equip. - Portable	7 Year Amortization				7 Year Amortization				7 Year Amortization			
395	Laboratory Equipment - Portable	7 Year Amortization				7 Year Amortization				7 Year Amortization			
397	Communication Equipment - Official	7 Year Amortization				7 Year Amortization				7 Year Amortization			
398	Miscellaneous Equipment	7 Year Amortization				7 Year Amortization				7 Year Amortization			

**GULF POWER COMPANY
2005 STUDY
COMPARISON OF EXPENSES**

ATTACHMENT D

ACCOUNT NUMBER	ACCOUNT	1/1/2006 INVESTMENT	1/1/2006 RESERVE	CURRENT		COMPANY PROPOSAL			STAFF RECOMMENDATION		
				RATE (%)	EXPENSES (\$)	RATE (%)	EXPENSES (\$)	CHANGE IN EXPENSES (\$)	RATE (%)	EXPENSES (\$)	CHANGE IN EXPENSES (\$)
STEAM PRODUCTION PLANT											
	PLANT DANIEL	220,517,116	105,865,183	2.8	6,174,479	3.2	7,056,548	882,069	3.1	6,836,031	661,552
	PLANT CRIST	518,682,603	198,899,001	3.9	20,228,622	3.7	19,191,256	(1,037,366)	3.8	19,709,939	(518,683)
	PLANT SCHOLZ	29,783,586	24,008,785	2.9	863,724	4.2	1,250,911	387,187	4.2	1,250,911	387,187
	PLANT SMITH	137,759,076	61,790,048	3.3	4,546,050	3.9	5,372,604	826,554	3.9	5,372,604	826,554
	PLANT SCHERER	181,465,813	81,341,218	2.0	3,629,316	1.9	3,447,850	(181,466)	0	-	(3,629,316)
	Subtotal	1,088,208,193	471,904,236		35,442,191		36,319,169	876,978		33,169,486	(2,272,706)
OTHER DEPRECIABLE STEAM PRODUCTION											
310	Plant Daniel Easements	77,160	50,749	1.7	1,312	1.1	849	(463)	1.1	849	(463)
311	Plant Daniel Rail Tracks	2,741,620	1,864,720	1.6	43,866	1.0	27,416	(16,450)	1.0	27,416	(16,450)
316	Production Pit Furniture Equip.	48,026	24,996	5 Yr Amort.	9,605	5 Yr Amort.	9,605	-	5 Yr Amort.	9,605	-
316	Production Pit Furniture Equip.	4,337,744	1,176,171	7 Yr Amort.	615,058	7 Yr Amort.	615,058	-	7 Yr Amort.	615,058	-
	Daniel Cooling Lake	8,954,192	8,954,192	23 Yr Amort.	-	23 Yr Amort.	-	-	23 Yr Amort.	-	-
	Subtotal	16,158,742	12,070,828		669,841		652,928	(16,913)		652,928	(16,913)
OTHER PRODUCTION											
	Smith CT	4,353,688	4,174,319	0.9	39,183	0.3	13,061	(26,122)	0.4	17,415	(21,768)
	Pace ("Paa Ridge")	10,481,919	3,950,814	5.0	524,096	5.0	524,096	-	5.0	524,096	-
	Smith CC	186,643,428	8,743,357	4.0	7,465,737	4.0	7,465,737	-	4.0	7,465,737	-
	Subtotal	201,479,035	16,868,490		8,029,016		8,002,894	(26,122)		8,007,248	(21,768)
	TOTAL PRODUCTION PLANT	1,305,846,967	500,843,554		44,141,048		44,974,991	833,943		41,829,661	(2,311,387)
TRANSMISSION PLANT											
350	Easements	10,936,134	5,100,268	1.7	185,914	1.7	185,914	-	1.7	185,914	-
352	Structures & Improvements	6,317,601	2,186,207	2.2	138,987	2.2	138,987	-	2.3	145,305	6,318
353	Station Equipment	82,385,451	23,789,112	2.1	1,730,094	2.2	1,812,480	82,386	2.2	1,812,480	82,386
354	Towers and Fixtures	35,253,619	20,172,450	2.4	846,087	2.3	810,833	(35,254)	2.3	810,833	(35,254)
355	Poles and Fixtures	59,120,786	17,377,828	4.2	2,483,073	4.1	2,423,952	(59,121)	4.1	2,423,952	(59,121)
356	Overhead Conduct. & Devices	51,954,281	19,789,405	2.5	1,298,857	2.6	1,350,811	51,954	2.6	1,350,811	51,954
358	Underground Conductors & Devices	14,094,205	6,108,739	2.2	310,073	2.0	281,884	(28,189)	2.2	310,073	-
359	Roads & Trails	64,917	26,799	2.5	1,623	2.3	1,493	(130)	2.2	1,428	(195)
	TOTAL TRANSMISSION PLANT	260,126,998	93,550,812		6,994,708		7,006,354	11,646		7,040,796	46,088
DISTRIBUTION PLANT											
361	Structures & Improvements	13,348,284	4,809,742	2.2	293,662	2.2	293,662	-	2.3	307,011	13,349
362	Station Equipment	135,057,654	43,255,379	2.5	3,376,441	2.3	3,106,326	(270,115)	2.4	3,241,384	(135,057)
364	Poles, Towers & Fixtures	101,873,827	48,177,032	5.8	5,908,682	5.6	5,704,934	(203,748)	5.4	5,501,187	(407,495)
365	Overhead Conductors	107,769,923	36,228,445	2.5	2,694,248	2.8	3,017,558	323,310	2.8	3,017,558	323,310
366	Underground Conduit	1,210,865	719,594	1.2	14,530	1.2	14,530	-	1.4	16,952	2,422
367	Underground Conductors & Devices	82,823,981	24,803,963	3.0	2,484,719	3.3	2,733,191	248,472	3.3	2,733,191	248,472
368	Line Transformers	172,944,752	62,872,785	4.2	7,263,680	4.1	7,090,735	(172,945)	4.2	7,263,680	-
369.1	Overhead Services	43,049,741	21,352,541	3.0	1,291,492	3.5	1,506,741	215,249	3.7	1,592,840	301,348
369.2	Underground Services	33,761,265	9,299,301	2.4	810,270	2.3	776,509	(33,761)	2.4	810,270	-
369.3	Service-Housepower Boxes	3,013,871	2,527,353	3.0	90,416	2.3	69,319	(21,097)	2.6	78,361	(12,055)
370	Meters	43,775,714	13,335,934	2.3	1,006,841	2.7	1,181,944	175,103	2.8	1,225,720	218,879
373	Street Lights	47,747,011	19,584,887	5.8	2,769,327	5.2	2,482,845	(286,482)	5.1	2,435,098	(334,229)
	TOTAL DISTRIBUTION PLANT	786,376,888	287,166,930		28,004,308		27,978,294	(26,014)		28,223,252	218,944
GENERAL PLANT											
390	Structures & Improvements	55,837,194	21,911,560	2.2	1,228,418	2.2	1,228,418	-	2.3	1,284,256	55,837
392.2	Transportation Equip.-Light Trucks	5,199,397	2,537,938	7.7	400,354	9.5	493,943	93,589	8.3	431,550	31,196
392.3	Transportation Equip.-Heavy Trucks	21,390,426	8,727,715	9.4	2,010,700	8.1	1,732,625	(278,075)	7.2	1,540,111	(470,589)
392.4	Transportation Equip.-Trailers	1,183,060	808,818	5.6	66,251	5.5	65,068	(1,183)	4.6	54,421	(11,830)
396	Power Operated Equipment	593,660	255,611	5.7	33,839	4.8	28,496	(5,343)	4.9	29,089	(4,750)
397	Communication Equipment	16,881,168	9,935,284	9.4	1,586,830	5.4	911,583	(675,247)	4.7	793,415	(793,415)
	Subtotal	101,084,908	43,876,926		5,326,392		4,460,133	(866,259)		4,132,841	(1,193,551)
391.1	Office Furniture- Computer	2,038,163	717,345	5 Yr Amort.	292,431	5 Yr Amort.	292,431	-	5 Yr Amort.	292,431	-
391.2	Office Furniture -Non Computer	1,201,328	333,780	7 Yr Amort.	239,520	7 Yr Amort.	239,520	-	7 Yr Amort.	239,520	-
392	Marine and Other Equip.	93,567	41,236	5 Yr Amort.	18,703	5 Yr Amort.	18,703	-	5 Yr Amort.	18,703	-
393	Stores Equipment	357,096	86,398	7 Yr Amort.	55,263	7 Yr Amort.	55,263	-	7 Yr Amort.	55,263	-
394	Tools, Shop & Garage Equipment	2,179,073	956,905	7 Yr Amort.	301,276	7 Yr Amort.	301,276	-	7 Yr Amort.	301,276	-
395	Laboratory Equipment	2,460,054	857,672	7 Yr Amort.	361,008	7 Yr Amort.	361,008	-	7 Yr Amort.	361,008	-
397	Communication Equipment	1,360,595	262,053	7 Yr Amort.	192,713	7 Yr Amort.	192,713	-	7 Yr Amort.	192,713	-
398	Miscellaneous Equipment	2,131,092	894,135	7 Yr Amort.	301,976	7 Yr Amort.	301,976	-	7 Yr Amort.	301,976	-
	Subtotal	11,820,968	4,149,523		1,762,890		1,762,890	-		1,762,890	-
	Total General & Amortizable Plant	112,905,873	48,026,449		7,089,282		6,223,023	(866,259)		5,895,731	(1,193,551)
	Total Plant	2,465,255,724	929,587,745		86,229,346		86,182,662	(46,684)		82,989,444	(3,239,906)
	FOSSIL DISMANTLEMENT		101,186,418		5,832,103		5,836,672	4,569		5,886,660	54,557
	GRAND TOTAL	2,465,255,724	1,030,774,163		92,061,449		92,019,334	(42,115)		88,876,104	(3,185,349)