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10 MAR 29 AM 11:34

COMMISSION
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A SOUTHERN COMPANY

March 29, 2010

Mr. David L. Dowds
Supervisor, Cost Analysis Section
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Dear Mr. Dowds:

Re: Docket No. 090319-EI

10 MAR 29 AM 7:41
INDUCTION CENTER

This letter follows your letter dated February 23, 2010, addressed to Susan D. Ritenour. The purpose of your letter was to provide copies of the Staff Report on the depreciation study for Gulf Power Company to the Company for review and comment. Your letter requested that the Company submit its written review and response to you by March 29, 2010.

The Staff Report attached to your letter is primarily a series of questions or requests for additional information. Attached to this letter are the Company's responses to these questions or requests.

In several areas, the Company has some concern with regard to the direction the Staff may be heading when it prepares its recommendation to the Commission. The fact that we have answered the questions or supplied the additional information requested should not be interpreted as an indication that the Company agrees with the direction indicated by the narrative associated with the questions.

First, from some of the information that the Staff has requested it appears that the Staff may be contemplating the use of a short amortization period for the net unrecovered plant relating to capital items that are being replaced. Such a course of action would be contrary to the Commission's practice of utilizing Group Accounting procedures for depreciation purposes.

In order to be consistent with the practice utilized in past depreciation studies, the original cost of an asset retired, using the Group Accounting Concept, would be charged against the accumulated provision for depreciation without regard to whether the item is retired early, at the estimated average service life, or beyond the average. Any variances (surplus or deficiency) which may be created as a result of the retirement will be allocated over the remaining life of the assets still in-service. Group accounting enables utilities to efficiently maintain depreciation accounting records in a cost-effective manner. If capital recovery schedules are used for property nearing retirement and amortized, the efficiencies gained by using group depreciation diminish. Further, this practice can result in distortion of not only the average service life, but also the group's depreciation rate. As a result, Gulf recommends continued use of the remaining life of each depreciable category as the appropriate recovery period for items retired earlier than the average service life of the group.

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Another specific area of concern to the Company relates to the indication in the report that Staff apparently intends to move towards a requirement with regard to production plant that depreciation rates be established by generating unit by site as an incremental step towards a future requirement that depreciation rates be established by account, by unit, and by site at the next re prescription of depreciation rates. This would materially increase the record keeping and accounting activities the Company would have to perform. The application of depreciation rates at the subaccount level, as apparently contemplated by Staff, will increase Gulf's administrative costs in order to accommodate the additional level of otherwise unnecessary detail. A decision to further stratify the accounts should be made only in situations where the benefits derived outweigh the accounting costs involved. As discussed in the responses enclosed with this letter, the use of a composite rate results in the same accrual and corresponding reserve as would result from application of rates by unit. Therefore, the costs of the additional accounting would certainly exceed any benefits that might be achieved by the additional level of detail provided.


We appreciate the opportunity to respond to the questions raised in the Staff Report. We hope that the attached responses and the additional information provided in this letter with regard to specific areas of concern to the Company will enable the Staff to recommend approval of the Company's proposed depreciation rates and dismantlement accruals as presently filed.

Sincerely,

Connie Erickson

lw

Attachment

cc w/enc: Florida Public Service Commission
Ann Cole, Commission Clerk 
Katherine Fleming, Office of General Counsel
Marshall Willis, Division of Economic Regulation
Gulf Power Company
Susan D. Ritenour
Office of Public Counsel
Patricia Ann Christensen

The investment and reserve amounts shown in the depreciation study are projected as of December 31, 2009. Tabs 10 and 11 present 2009 Budget investment and reserve activity by function and account. Please provide the actual 2009 plant investment and reserve activity by function and account, as well as each amortization schedule in effect. Also, please update the pro forma depreciation expense under Tab 5 using actual December 31, 2009, investment and reserve amounts

"Please provide the actual 2009 Tabs 10 and 11 plant investment and reserve activity by function and account, as well as each amortization schedule in effect. Update the pro forma depreciation expense under Tab 5 using actual December 31, 2009, investment and reserve amounts"

GULF'S RESPONSE:

Please see the following attachments:

- Attachment A – Tab 5**
- Attachment B – Tab 10**
- Attachment C – Tab 11**

I. CAPITAL RECOVERY SCHEDULES

Order No. PSC-02-1396-PAA-EI, issued October 9, 2002, directed GPC to depreciate/amortize Crist Units 1, 2, and 3 to reflect a December 31, 2011 retirement date. GPC's forecast analysis determines the life and salvage for each Crist unit and then develops the parameters on a site basis. By applying one depreciation rate to all the Crist units, those retiring in 2011 will not be fully recovered, thus creating a negative reserve component that will not be recovered until the last Crist unit is retired. Given that units 1, 2, and 3 are to be recovered reflecting a December 31, 2011 retirement date, staff believes the associated net investments should be withdrawn from the other Crist investments and recovered over the next two years. According to the current study, the investment associated with Crist Units 1, 2, and 3 is \$11,012,950. Provide the actual December 31, 2009 investment and reserve associated with these units. Staff proposes to place the unrecovered net investments associated with Crist Units 1, 2, and 3 on a two-year capital recovery schedule and amortized over two years to match the retirement date previously directed by the Commission.

"Provide the actual December 31, 2009 investment and reserve associated with these units."

GULF'S RESPONSE:

The actual December 31, 2009 investment and reserve associated with Crist Units 1, 2 and 3 are as follows:

Investment \$10,692,669

Reserve \$10,648,149

"Staff proposes to place the unrecovered net investments associated with Crist Units 1, 2, and 3 on a two-year capital recovery schedule and amortized over two years to match the retirement date previously directed by the Commission."

GULF'S RESPONSE:

Considering Crist Units 1, 2, and 3 have been fully removed from service, Gulf concurs with the Staff proposal to place the unrecovered net investments associated with these units on a two-year capital recovery schedule.

According to GPC's depreciation study, Plant Scholtz is planned for retirement in 2011. GPC has proposed a depreciation rate for this investment. Staff believes a capital recovery schedule is more appropriate. Staff recommends a two-year recovery schedule for the net remaining investment (investment less reserve less net salvage). Provide an estimate of the gross additions planned at Plant Scholtz during 2010 and 2011 and the specific reasons the additions are needed.

"Staff recommends a two-year recovery schedule for the net remaining investment (investment less reserve less net salvage)."

GULF'S RESPONSE:

Gulf does not believe a prescribed capital recovery schedule is appropriate on a unit whose retirement is not date certain. Gulf expects this plant to be operational into the remainder of this Depreciation Study period.

The retirement date used for Scholz in this study is for planning purposes and may not necessarily represent the day the unit will cease operation. When new assets are placed in-service an initial "Retirement Date" is forecast or assumed by management based on the information known at that time. These initial retirement assumptions are subject to review and adjustment over time as additional information is developed and experience with the asset or similar assets is obtained. This is true for each generating unit that Gulf has constructed to meet its customers' needs. The retirement dates set forth in this study, as has been the case in past studies, do not necessarily mean that a unit will actually be retired and cease operations on a particular date.

The decision to actually retire a generating unit will be based on management's evaluation of the continuing economic viability of the unit as compared to alternatives at a particular point in time. In the interim, whenever a depreciation study is updated, management examines the current assumptions regarding retirement dates and makes a determination whether they continue to reflect current information related to the unit operations, maintenance, and equipment conditions that have become available over time. The changes that Gulf has made over the years to retirement date assumptions for its generating units have been based on management's judgment after considering such factors as operational experience, maintenance practices, and current equipment conditions. There are times when new laws or regulations may lead to a decision to retire a generating unit earlier than previously anticipated.

When such changes are certain enough to reflect in retirement date assumptions, changes in the assumed retirement dates can and will be made. There are times when new laws or regulations may lead to a decision to retire a generating unit earlier than previously anticipated. When such changes are certain enough to reflect in retirement date assumptions, changes in the assumed retirement dates can and will be made.

"Provide an estimate of the gross additions planned at Plant Scholtz during 2010 and 2011 and the specific reasons the additions are needed."

GULF'S RESPONSE:

Gross additions at plant Scholz are estimated to be \$840,000 in 2010 and \$1.7 million in 2011. The 2010 additions are for precipitator plates, wires, rappers, and controls. These additions are necessary to replace worn equipment and maintain compliance with environmental requirements. The 2011 additions are for intake structure modifications. These additions are driven by 316B EPA regulations to prevent impingement of fish and living organisms on the rotating screens.

In response to staff's First Data Request, No. 24, GPC identified major upgrades planned at Crist Units 6 and 7, Daniel Unit 1, and Smith Combined Cycle Unit 3 during the next four years. As a result, GPC identified that investment totaling \$29,830,151 and associated reserve of \$9,567,471 will retire in connection with these planned upgrades. Please explain what each identified upgrade will entail. Staff believes these identified unrecovered costs should be placed on a capital recovery schedule and amortized over four years. Please explain and provide any available work papers showing the development of the reserve associated with the retiring investments at each site. Also, please identify any gross salvage or cost of removal expected from these retirements.

"Please explain what each identified upgrade will entail."

GULF'S RESPONSE:

The planned capital projects shown in response to Staff's First Data Request No. 24 are as follows:

Unit 6 & 7 Reheaters - During the next 4 years Gulf is projecting to replace the Crist Unit 7 reheater and Crist Unit 6 reheater. The current reheaters are worn beyond repair.

Crist 7 Static Exciter and Voltage Regulator - Crist 7 generator is equipped with the original voltage regulator and rotating exciter. Due to the obsolescence of the equipment and the subsequent scarcity of spare parts these items are being replaced with more current technology.

Daniel 1 HP/IP Rotor - Daniel 1 HP/IP rotor had an event on April 18, 2008 that required extensive but temporary repairs. At that time it was deemed that the rotors were worn beyond further repair.

Smith 3 Major Turbine Generator Outage - As part of our scheduled outage plan the gas turbine will be disassembled, inspected, and re-assembled. The outage is projected to include replacing buckets, nozzles, shrouds, and fuel supply components.

"Staff believes these identified unrecovered costs should be placed on a capital recovery schedule and amortized over four years."

GULF'S RESPONSE:

Gulf disagrees. Such a course of action would be contrary to the Commission's practice of utilizing Group Accounting procedures for depreciation purposes.

In order to be consistent with the practice utilized in past depreciation studies using the Group Accounting Concept, the original cost of an asset retired would be charged against the accumulated provision for depreciation without regard to whether the item is retired early, at the estimated average service life, or beyond the average. Any variances (surplus or deficiency) which may be created as a result of the retirement will be allocated over the remaining life of the assets still in-service. Group accounting enables utilities to efficiently maintain depreciation accounting records in a cost-effective manner.

If capital recovery schedules are used for property nearing retirement and amortized, the efficiencies gained by using group depreciation diminish. Further, this practice can result in distortion of not only the average service life, but also the group's depreciation rate. As a result, Gulf recommends continued use of the remaining life of each depreciable category as the appropriate recovery period for items retired earlier than the average service life of the group.

"Please explain and provide any available work papers showing the development of the reserve associated with the retiring investments at each site."

GULF'S RESPONSE:

Gulf's calculation of the reserve associated with the components being retired is provided in Attachment D.

"Please identify any gross salvage or cost of removal expected from these retirements".

GULF'S RESPONSE:

Cost of removal expected from these retirements are as follows:

	2010	2011	2012	2013
CRIST 7 REHEATER	-	-	\$350,000	-
CRIST 6 STATIC EXCITER AND VOLTAGE REGULATOR	-	-	-	\$220,000
CRIST 6 REPL REHEATER	-	-	-	\$250,000
DANIEL 1 HP/IP TURBINE UPGRADE	\$284,308	-	-	-

Salvage expected from these retirements is as follows:

CRIST 6 REPL REHEATER	-	-	-	\$30,000
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Staff notes the existence of a negative reserve at the Plant Smith Combined Cycle Plant. Pending receipt of additional information requested in this report, staff believes this negative reserve should be corrected through either a corrective reserve transfer or a recovery schedule. The negative reserve represents non-existent plant for which ratepayers continue to pay until the situation is corrected.

GULF'S RESPONSE:

The negative reserve referred to by Staff is associated with FERC 343 and was calculated in the study to be approximately \$23 million. The actual reserve for this FERC at year-end 2009 was a negative \$3 million. This change resulted from the movement of a major Smith CC outage out of the study period.

Gulf believes it is appropriate to continue to rely on the Group Accounting Concept to take care of this minor reserve variance over the remaining life of the Smith Combined Cycle generating unit.

In the instant depreciation study, GPC has identified meter investments of \$12,179,647 that will retire over the 2010-2013 period in connection with the AMI program. The reserve associated with the retiring investment is estimated as \$7,753,319. Staff believes the associated net investments should be withdrawn from the meter account and separately amortized of the remaining service period of four years. Staff assumes some removal cost will be incurred with these retiring meters. Please provide the estimated net salvage expected from the retirement of these meters so they can be included with net unrecovered costs to amortize. Please explain and provide the work papers showing the development of the reserve associated with the investments planned for near-term retirement.

"Staff believes the associated net investments should be withdrawn from the meter account and separately amortized of the remaining service period of four years.

GULF'S RESPONSE:

Gulf disagrees. We believe it is appropriate to rely on the Group Accounting Concept to take care of any reserve variance created by these retirements. Gulf's implementation schedule for the AMI program goes beyond the period covered by this study and is subject to change.

"Staff assumes some removal cost will be incurred with these retiring meters."

GULF'S RESPONSE:

Removal costs for the retiring meters are expected to be approximately 15% as filed in the current Depreciation Study.

"Please provide the estimated net salvage expected from the retirement of these meters so they can be included with net unrecovered costs to amortize."

GULF'S RESPONSE:

Since the filing of the current Depreciation Study, Gulf now expects no salvage value on the retiring meters. This is due to an influx in the world market of mechanical meters due to the large number of utilities implementing automated meters.

"Please explain and provide the work papers showing the development of the reserve associated with the investments planned for near-term retirement."

GULF'S RESPONSE:

In the review of the development of the investment and associated reserve to retire, Gulf discovered an assumption error that changes the retiring investment and associated reserve. Originally, the assumption was made incorrectly that all of the FERC 370 investment and reserve was associated with the AMI project. This is not the case. Gulf has recalculated these estimates using actual year-end 2009 numbers. The revised estimates now show retiring meter investment of \$12,176,660 with associated reserves totaling \$4,352,459 over the period 2010 – 2013.

The requested workpapers have been revised to reflect the correct assumptions and are provided in Attachment E.

II. Reserve Allocations

GULF'S RESPONSE:

No Gulf Power response necessary.

III. PRODUCTION PLANT

Staff notes GPC's proposal to maintain depreciation rates at the total plant site level even though the development of its life parameters are provided for each account within each unit for each site. The rationale for subcategorization is to provide more homogeneous categories thereby providing more accurate rates of recovery, not a proliferation of record-keeping. To the extent there are homogeneous groups within the plant site or unit that consist of substantial portions of investment expected to have inherently different life patterns than the group average, those homogeneous groups should be given a separate depreciation rate. If not, recovery will be achieved over a shorter or longer period of time depending on the group average life. The matching of expenses to consumption will no longer be accomplished and any inherent reserve imbalances will not be recovered until the demise of the associated group. However, if homogeneity exists at a site level, then further subcategorization would perhaps be unnecessary. Staff is considering developing depreciation rates for each account within the plant site and request GPC's thoughts or concerns.

"Staff is considering developing depreciation rates for each account within the plant site and request GPC's thoughts or concerns."

GULF'S RESPONSE:

Gulf believes this would materially increase the record keeping and accounting activities the Company would have to perform. The application of depreciation rates at the sub account level, as apparently contemplated by Staff, will increase Gulf's administrative costs in order to accommodate the additional level of otherwise unnecessary detail.

A. *Estimated Retirement Dates*

1. GPC continues to extend the retirement dates of its plants. What possible impacts does GPC foresee that climate change legislation, like cap-and-trade, will have on the life of its coal plants? In deciding to extend the retirement dates, did GPC factor in the possible impacts from such legislation (both state and federal)? If so, please explain how. If no, please explain why not.

GULF'S RESPONSE:

When new assets are placed in-service an initial "Retirement Date" is forecast or assumed by management based on the information known at that time. These initial retirement assumptions are subject to review and adjustment over time as additional information is developed and experience with the asset or similar assets is obtained. This is true for each generating unit that Gulf has constructed to meet its customers' needs. The retirement dates set forth in this study, as has been the case with past studies, do not necessarily mean that a unit will actually be retired and cease operations on a particular date. The decision to actually retire a generating unit will be based on management's evaluation of the continuing economic viability of the unit as compared to alternatives at a particular point in time. In the interim, whenever a Depreciation Study is updated, management examines the current assumptions regarding retirement dates and makes a determination whether they continue to reflect current information related to the unit operations, maintenance, and equipment conditions that have become available over time. The changes that Gulf has made over the years to retirement date assumptions for its generating units have been based on management's judgment after considering such factors as operational experience, maintenance practices, and current equipment conditions. There are times when new laws or regulations may lead to a decision to retire a generating unit earlier than previously anticipated. When such changes are certain enough to reflect in retirement date assumptions, changes in the assumed retirement dates can and will be made. Although it is clear that actual changes in legislation such as climate change or carbon tax might affect the actual date on which a generating facility might no longer be economical to operate, currently there are no laws or regulations in place that would require a shift in the retirement dates of Gulf's generating facilities.

A. *Estimated Retirement Dates*

2. In GPC's 2005 depreciation study, the Company projected longer lives for the coal-fired generating Plant Crist Units 4, 5, 6, and 7, and Plant Smith Units 1 and 2, and the combined cycle Plant Smith Unit 3 to reflect GPC's strategy for complying with new EPA and FDEP regulations for compliance with the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR). In the current study, GPC is extending the estimated date of retirement for Smith Unit 3 combined cycle from 35 years to 40 years. Additionally, GPC is extending the estimated retirement dates for the coal-fired Plant Daniel and Plant Scherer by 10 years. Please explain in detail what has occurred since the last depreciation study to cause the retirement dates of these units to be extended, including applicable timeline of assumptions, regulatory requirements, Company planning, and any other applicable clarifying information.

GULF'S RESPONSE:

The same decision process as stated in answer to item A. 1 is used for jointly owned plants in Mississippi (Daniel) and Georgia (Scherer).

A. *Estimated Retirement Dates*

3. In the instant study, the retirement dates for Plant Daniel Units 1 and 2 and Plant Scherer Unit 3 are extended ten years and the life span for the Plant Smith Combined Cycle unit is extended five years. The narrative states that these life spans are consistent with the life estimates and trends used within the Southern Company's electric system. Please provide the life spans for the Southern Company's electric system that GPC is referencing along with supporting docket and order numbers from the requisite state commission. Also, please explain in detail the specific reasons why the life spans were extended for each affected plant from the standpoint of unit utilization and economic dispatch.

GULF'S RESPONSE:

The same decision process as stated in the answer to item A. 1 is used for jointly owned plants in Mississippi (Daniel) and Georgia (Scherer).

The life spans for Southern Company's generating fleet are as follows:

Coal	46 - 66 years
Oil and gas	34 - 67 years
Combustion Turbine	20 - 65 years

Gulf's comments in the 2009 Depreciation Study were not meant to imply that all of Southern Company's units had the same life span. The comments were intended to convey that Gulf's unit lives are trending longer and are consistent with the range used by the Southern Company.

Life span assumptions are generally not based on unit utilization and economic dispatch. Life span plays no part in utilization and dispatch. As discussed in the answer to Item A.1, assumptions are based on factors such as operational experience, maintenance practices, and current equipment conditions.

A. *Estimated Retirement Dates*

4. Please describe the type of studies GPC performed in determining the life spans of its production units.

GULF'S RESPONSE:

See answer to item A. 1

Gulf did not perform a formal study to determine the retirement dates for its generating facilities. The original retirement dates were estimated when the facilities were originally constructed based on information known at that time. As new information related to the unit operation, maintenance, and equipment conditions becomes available over time, assumptions related to the forecasted retirement dates may change. The changes that Gulf has made over the years to retirement dates were based on operational experience, maintenance practices, and current equipment.

A. *Estimated Retirement Dates*

5. Please provide GPC's most current environmental compliance strategy and indicate when the strategy was last updated.

GULF'S RESPONSE:

Gulf's 2010 Environmental Compliance Program Update for the Clean Air Interstate Rule and Clean Air Visibility is being prepared to be submitted to the FPSC on April 1, 2010.

A. *Estimated Retirement Dates*

6. For each plant, please summarize GPC's actions taken since the 2005 depreciation study and those planned to be taken in the future to comply with existing and emerging environmental law and regulations. Please indicate the impact those actions have on GPC's proposed life and salvage parameters.

GULF'S RESPONSE:

A summary of Gulf's Compliance Program capital projects will be provided in the 2010 Environmental Compliance Program Update that is being prepared to be submitted to the FPSC on April 1, 2010.

Gulf Power has placed the following completed environmental capital projects over \$1 million in-service since January of 2005.

Plant Crist

Crist Unit 7 Selective Catalytic Reduction (SCR)

Crist Units 4 through 6 Selective Non-Catalytic Reduction (SNCR) installations

Crist Unit 6 Condenser Tubes

Crist Unit 4 precipitator upgrade

Crist Unit 5 precipitator upgrade

Crist Units 4 through 7 flue gas desulfurization (FGD) scrubber

Plant Scherer

Scherer Unit 3 baghouse

Scherer Unit 3 radiant reheat project

Scherer Unit 3 mercury monitor

Plant Scholz

Plant Scholz mercury monitor

Plant Smith

Smith Unit 2 precipitator upgrade

Smith Unit 1 precipitator upgrade

Smith Unit 2 SNCR

Smith Unit 1 SNCR

Plant Daniel
Plant Daniel ash management project
Plant Daniel Unit 2 low NOx burners

These environmental actions have no impact on Gulf's proposed life and salvage parameters.

A. *Estimated Retirement Dates*

7. Are the retirement dates shown in GPC's current study the same as those in the Company's 2009 Ten Year Site Plan? If no, please explain why not.

GULF'S RESPONSE:

No. The decision to change the estimated retirement dates of the units was made after filing the 2009 Ten Year Site Plan (TYSP) on April 1, 2009, but prior to filing the Depreciation Study in May 2009. The 2010 TYSP will reflect the new estimated retirement dates of the units.

B. *Stratification*

1. Please explain how the three stratified life categories were determined.

GULF'S RESPONSE:

Gulf used engineering life estimates and the company's continuing property records to determine that three strata (short, medium and long-lived) were sufficient to provide the rates at a plant level. The life of each retirement unit is determined by Gulf's engineers and then grouped into one of the three life categories by Property Accounting.

This approach is consistent with previous studies by Gulf and Tampa Electric.

B. Stratification

2. Please provide an example of assets contained in each stratified life category.

GULF'S RESPONSE:

FERC	SUB	RUC	
20 Year Life			
311	2752	3032	Plumbing System - Water Cooler
312	6581	4906	Condensate Piping System - Flow Meter
314	7526	0105	Hydraulic Filter
315	8204	1461	D.C. Inverter - 24/48 Volts
316	1640	2002	Plant Heating - Air Conditioner
20 to 35 Year Life			
311	2313	0840	Lighting System
312	4803	0037	Air Heaters, Steam Generating System - Hoist, Basket Removal
314	7525	0081	Turning Gear
315	8142	1020	Main Switching Control System Complete
316	1543	0103	Air Storage and Drying – Dryer
36 Year Life to Life of Plant			
311	2121	0351	Water Piping System – Complete
312	4800	0001	Boiler Enclosure - Structural Metal and Trusses
314	7522	0011	Turbine Generating System Casing
315	8062	0420	Generator Ground - Ground System Complete
316	1660	2103	Plant Washdown System – Foundation

B. *Stratification*

3. Please indicate whether the make-up of the different strata for each plant site has changed since the 2005 depreciation study. If so, please explain how.

GULF'S RESPONSE:

No, the make-up of the strata groups has not changed since the 2005 Depreciation Study. The assets included in each group continue to be classified by Gulf using the retirement units included in the Company's Continuing Property Records and the Retirement Unit Code (RUC) lives determined by engineering. While new retirement units have been added and retirements from existing RUCs have been made, the classification of the retirement units continues to match the lives to their respective strata.

B. Stratification

4. In response to staff's First Data Request, No. 20, GPC states that the negative investment amount for the 21 to 35-year life category for Account 316, Plant Daniel Unit 1, is due to rounding. Staff is concerned with any mechanism where negative investment is considered appropriate.

GULF'S RESPONSE:

The negative \$1 investment was caused by rounding of the data that is uploaded in the software used to stratify Gulf's investments. The data is only rounded in order to fit specific formatting requirements when running the stratification software. The stratification is only used in developing the depreciation rates during the preparation of the Depreciation Study. Gulf's property accounting records, where the detailed data is extracted from, properly reflect a zero balance instead of the negative \$1 caused by the rounding during the stratification process as shown below.

FERC	SUB	RUC	VIN	Bal per Accounting Records	Rounded For Strata Program
316	1587	9998	2005	(\$6,483.32)	(\$6,483)
316	1587	9998	2005	(\$29.73)	(\$30)
316	1587	9998	2005	\$11.42	\$11
316	1587	9998	2005	\$369.99	\$370
316	1587	9998	2005	\$990.40	\$990
316	1587	9998	2005	\$1,290.08	\$1,290
316	1587	9998	2005	\$3,851.16	\$3,851
TOTAL ALL				\$0.00	(\$1)

B. *Stratification*

5. Group 1 property includes items of plant expected to live 20 years or less. In other words, this property can be expected to be changed out in this pattern. If we look at Group 1 property for Plant Crist Common, Account 316, each vintage is expected to live 20 years. About 28 percent of the property in this group was placed in service prior to 1989. Assuming a 20-year life expectancy, we would have expected that this given investment would have already been replaced. Since it has not retired, the question that arises is whether these investments should be placed in a longer lived group since it appears clear they are living more than 20 years.

GULF'S RESPONSE:

If all investment was moved to a longer life strata when its age reached the average service life (ASL), the recognition of the symmetrical nature of ASL would be lost. The life of strata is an "average life." An average life recognizes that some of the investment retires before the average life and that some investment retires after the average life. At a study date, the longer than average life investment is noticeable because it is still included in the plant accounts, but the shorter than average life investment is not noticeable because it has been retired and removed from the plant accounts.

B. Stratification

6. Looking at Group 2 property for Plant Crist Common, Account 312, we note that 97 percent of the surviving investment is forecasted to be replaced within the last five years of plant operations. Is it really realistic that this property will be replaced so near the end of the unit's life? Please explain.

GULF'S RESPONSE:

The table of Group 2 property for Plant Crist Common, Account 312, reflects retirement assumptions as discussed in the response to question A. 1 above, and therefore do not reflect an actual decision to retire Plant Crist in 2038. As also discussed in the response to question A. 1 above, the decision to actually retire a plant will not be made by management until such time as it is determined that it would not be cost effective to continue to operate the plant. As reflected in the table, less than 1% of the surviving investment of Group 2 property of Plant Crist Common, Account 312, is forecast to be replaced within the last five years of plant operations if the assumed retirement date of 2038 were to occur. Approximately 96% of the surviving investment is shown in the table as retiring coincident with the assumed retirement of the plant in 2038.

B. *Stratification*

7. The age distributions show the surviving dollars by vintage as of December 31, 2009. Each vintage contains the survivors of the various retirement units placed in that vintage. Are we sure that each of the items represented by the vintage will live in the same fashion? Please explain.

GULF'S RESPONSE:

The service lives of the various retirement units of a particular vintage from a Group represent an average life. The procedure does not assume or require that the lives of the retirement units of a vintage will all be the same. The procedure of using an average life for a vintage recognizes that some of its retirement unit lives will be shorter than the average life and some will be longer. The use of an average life is a reasonable assumption for the stratification procedure used by Gulf. An average life made up of some shorter and some longer lives is the assumption made in a vintage based or broad group based depreciation process.

B. *Stratification*

8. Staff is concerned with the depiction of growing vintage survivors in GPC's stratified groups. Since the surviving investment for a given vintage represents the portion of the gross additions placed in that vintage that are still in service, vintage survivors growing from study to study is not logical.

GULF'S RESPONSE:

There are valid reasons that would cause vintage survivors to grow from study to study. For example:

- 1) 2005 vintage projected vs. actual investment - In the previous study, investment balances in the 2005 vintage reflected the projected investment, whereas in the 2009 Study the 2005 vintage balances have been updated to reflect actual investment activity.

- 2) Closed work orders may continue to accept charges after the job has been moved to plant in service – Charges to work orders may continue to be posted during subsequent years after the job has been moved into plant in service; however, these charges will retain the original in service date. For example, a work order to replace a precipitator was placed in service in 2004. These costs are in a “non-unitized” status for 2004, 2005 and most of 2006. This indicates that charges are still being received and posted during this timeframe. In 2006, when the last of the charges are posted, the work order will be unitized and all costs moved to the various retirement units added on the job, such as precipitator, ductwork, valves, supports, etc. On this job, investment was added during each of the three years but was assigned to the 2004 in service date because that was the date it began serving the customer.

While the examples shown below illustrate staff's concern, they do not depict all such occurrences. Comparing the 2005 Group 3 age distributions with those shown in the current study for the Smith Combined Cycle Unit 3:

- a. In the 2005 study, Account 341 showed \$6,000 surviving in the 2005 vintage. This same vintage in the 2009 study shows \$2,476,425 surviving.

GULF'S RESPONSE:

As mentioned in Gulf's response to B. 8 on page 17 of 47, item #1 above, the \$6,000 reflected in the 2005 Study for the 2005 vintage reflected the projected investment, whereas in the 2009 Study the 2005 vintage balance has been updated to reflect actual investment of \$2,476,425.

- b. Account 342 showed 2005 vintage survivors of \$6,000 and 2002 vintage survivors of \$529,102 in the 2005 study. Those same vintages in the 2009 study show survivors of \$1,654,428 and \$1,205,399, respectively.

GULF'S RESPONSE:

As mentioned in Gulf's response to B. 8 on page 17 of 47, item #1 above, the \$6,000 as reflected in the 2005 Study for the 2005 vintages reflected the projected investment, whereas in the 2009 Study the 2005 vintage balances have been updated to reflect actual investment activity of \$1,654,428.

As mentioned in Gulf's response to B. 8 on page 17 of 47, item #2, closed work orders may continue to accept charges after the job has been moved to plant in service. The projected plant in service balance at the time the 2005 Study was created was \$529,102. Additional charges were received, bringing the total actual charges to \$1,205,399.

- c. Account 343 showed 2005 vintage survivors of \$8,004 in the 2005 study. In the current study, that same vintage shows \$14,584,664 surviving.

GULF'S RESPONSE:

Account 343 showed 2005 vintage survivors of \$39,998 in the 2005 Study. In the current study, that same vintage shows \$48,445,669 surviving. This increase was the result of an adjustment that

incorrectly reclassified part of the 2002 vintage to 2005. While this transaction had no impact on the depreciation rate for Unit 3, the vintages will be corrected for future depreciation studies.

- d. Account 345 showed no survivors for the 2001 vintage in the 2005 study. However, in the current study, the 2001 vintage shows \$265,660 survivors. Also, the 2005 vintage showed \$8,004 survivors in the 2005 study but \$49,307 survivors in the 2009 study.

GULF'S RESPONSE:

The \$265,660 represents a 2008 correcting transfer of two circuit breakers from the Smith Unit #3 substation to Unit #3. The vintage of this equipment is 2001. As mentioned in Gulf's response to B. 8 on page 17 of 47, Item #1 above, the \$8,004 as reflected in the 2005 Study for the 2005 vintages reflected the projected investment. In the 2009 Study the 2005 vintage balances have been updated to reflect actual investment of \$49,307.

- e. Account 346 showed 2005 vintage survivors of \$179,673 in the 2005 study. That same vintage in the 2009 study shows \$201,234 survivors.

GULF'S RESPONSE:

As mentioned in Gulf's response to B. 8 on page 17 of 47, item #1 above, the \$179,673 as reflected in the 2005 Study for the 2005 vintages reflected the projected investment, whereas in the 2009 Study the 2005 vintage balances have been updated to reflect actual investment of \$201,234.

C. *General Production Plant Questions*

1. Has Gulf's planning changed since the current study was filed that would impact the resulting lives and salvage values? If so, please indicate the changes and impacts to life and salvage values for each affected plant.

GULF'S RESPONSE:

Gulf has made no changes to its planning that would impact the lives and salvage values of its generating plants.

C. *General Production Plant Questions*

2. On page 2, Tab 6, Analysis Results, GPC shows the calculations performed on the schedules presented behind the Production tab in Volume 2 and summarized in Tab 7 of Volume 1. One of those calculations shown is for the calculated reserve that is said to be the Accrual x Age. The calculated reserve for Plant Scherer Unit 3 shown on pages 20 and 123-127 behind the Production tab in Volume 2 totals \$63,206,129. The summary schedules shown on pages 12-13 behind Tab 7 indicate a calculated reserve for Plant Scherer Unit 3 totaling \$63,608,738. The reserve for Plant Scherer Unit 3 shown on page 7 behind Tab 6 indicates \$95,319,563.
 - a. Please reconcile the differences in the reserve for Plant Scherer Unit 3 indicated in the three sections of the depreciation study.

GULF'S RESPONSE:

The \$63,206,129 in Volume 2 page 127, represents the Calculated Reserve for only Unit 3 accounts 311 - 315.

The \$63,608,738 in Tab 7 page 13, represents the Calculated Reserve for Unit 3 accounts 311-315 plus Unit 3 account 316.

The \$95,319,563 in Tab 7 page 13, represents the Total Allocated Book Reserve for Scherer Common A, Common B, and Unit 3.

- b. Please provide the schedules shown behind the Production tab in Volume 2 in Excel-compatible format with formulas intact.

GULF'S RESPONSE:

This section of the study represents a text output that is generated from a separate stratification program. This output does not contain formulas and is not available in excel compatible format.

- c. In the schedules shown behind the Production tab in Volume 2, which calculation does the computer program first perform - the Calculated Reserve or the Accrual for each vintage of each strata?

GULF'S RESPONSE:

The calculated reserve is performed first.

- d. In the schedules shown behind the Production tab in Volume 2, please explain how the calculated reserve is determined.

GULF'S RESPONSE:

The calculated reserve is calculated by dividing the plant balance by the average service life and multiplying this amount times the actual age of the investment. The calculated reserve cannot be higher than the plant balance for each line.

- e. Does GPC maintain its production plant depreciation reserves for each unit at each site?

GULF'S RESPONSE:

Yes. Gulf's property accounting system maintains depreciation reserves by unit at each site.

- f. Does GPC maintain its production plant depreciation reserves for each life category for each account for each unit?

GULF'S RESPONSE:

No. This level is attained through stratification in the Depreciation Study.

- g. If the purpose of the schedules behind the Production tab in Volume 2 of the depreciation study is to show the stratification into the three life groups and development of the composite average service life and average remaining life for each life grouping for each account for each unit for each site, is the information shown on these schedules used for any other purpose in the depreciation study? If yes, please explain in detail.

GULF'S RESPONSE:

The information shown on these schedules is not used for any other purpose in the Depreciation Study.

C. *General Production Plant Questions*

3. Please explain in detail how the amortization expenses for the 5-year and the 7-year amortization for Plants Crist, Scherer, and Smith were developed.

GULF'S RESPONSE:

Investment for Plant Crist, Scherer, and Smith for 5 and/or 7 year property is amortized by the straight line method over 60 or 84 months respectively. The amortization begins in January of the year following the in-service year of the expenditure.

C. *General Production Plant Questions*

4. Please describe the types of property included in the 5-year and the 7-year amortizations for each production site.

GULF'S RESPONSE:

Amortizable property under Power Generation is of a general plant nature and mirrors the 390 series of FERC accounts. These items consist of the following:

- **Office furniture and equipment**
- **Stores equipment**
- **Tools**
- **Shop and garage equipment**
- **Laboratory equipment**
- **Power operated equipment**
- **Communication equipment**
- **Miscellaneous equipment**

C. General Production Plant Questions

5. Under Tab 7 of Volume 1, Parameter Schedules, the estimated investment and reserve for each strata of each account for each production unit and site are shown as of December 31, 2009. At the top of each page, however, it states "DEPRECIATION STUDY AS OF Estimated 12/31/05." Please confirm that these schedules are reflective of December 31, 2009 information rather than December 31, 2005.

GULF'S RESPONSE:

Yes, these schedules are reflective of December 31, 2009 information. The date in the heading is incorrect and should read 12/31/2009.

C. General Production Plant Questions

6. Under Tab 10 of Volume 1, Plant Investment Activity, please explain what is associated with the Asset Retirement Obligation shown for each of the steam plants and also for the Pace Plant. Please include in your response how these obligations are determined and the nature and cause of the 2007 and 2008 retirements recorded for each plant.

GULF'S RESPONSE:

Gulf uses a questionnaire to determine if a potential Asset Retirement Obligation (ARO) exists or if an existing ARO should be settled.

As required by SFAS 143, Gulf recognizes the fair value of a liability for an ARO in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability for an ARO is the amount at which the liability could be settled in a current transaction between willing parties. Upon initial recognition of a liability for an ARO, Gulf capitalizes the asset retirement cost by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Gulf subsequently allocates that asset retirement cost to expense using a systematic and rational method over its useful life (depreciation expense). Gulf measures changes in the liability for an ARO due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. This amount is recognized as an increase (or decrease) in the carrying amount of the liability and as an expense (accretion expense) classified as an operating item in the income statement.

Gulf recognizes a liability for any existing or transition AROs. This liability must be adjusted for cumulative accretion from the initial date to the date of adoption. Gulf recognizes the related ARO asset along with accumulated depreciation. Amounts resulting from transition AROs are measured using the current information. Cumulative accretion and depreciation is measured for the time period from the date the liability would have been recognized.

Existing AROs and Potential Settlements -

Gulf Power Company has the following categories of AROs: asbestos, landfills, ash ponds, SCR catalyst, coal unloading dock, and PCBs. If any

of these listed items are permanently disposed of, Property Accounting is required to record a settlement. For example, if the landfill or ash pond is no longer in use and remediation efforts are underway, a settlement will need to be recorded. Any cost of removal associated with these identified AROs should be recorded with the activity code "ARO." In regards to asbestos, all removal costs should be charged to existing expense and capital accounts. Based upon the response to this quarterly questionnaire, Property Accounting will make a journal entry to move the costs to an ARO work order. Any questions regarding potential removal costs or settlements should be directed to the ARO Property Accountant.

These are the AROs for each Plant:

Plant Crist AROs are associated with the following:

- Crist Plant Coal Combustion Product Landfills
- Crist Coal Unloading Dock
- Crist Plant Asbestos Removal and Disposal
- SCR Catalyst Layer 2 Removal and Disposal
- Crist Ash Pond Removal – Grading & Capping – Common
- SCR Catalyst Layer 3 Removal and Disposal – 2007 replacement of original layer #3
- SCR Catalyst Layer 4 Removal and Disposal – 2009 addition of a new layer

Plant Daniel AROs are associated with the following:

- MPC's Plant Daniel Ash Pond ARO
- MPC's Plant Daniel Ash Pond ECO ARO
- MPC's Plant Daniel Ash Pond ECO ARO #2

Plant Scherer AROs are associated with the following:

- GPC's Environmental Decommissioning Costs for Solid Waste Landfills
- GPC's Ash Handling Facilities
- Scherer Asbestos Removal and Disposal – Gulf's portion

Plant Smith AROs are associated with the following:

- Smith Plant Coal Combustion Product Landfills
- Smith Plant Asbestos
- Smith Ash Pond Removal – Grading & Capping – Common

Plant Scholz AROs are associated with the following:

- Scholz Plant Asbestos Removal and Disposal

- **Scholz Ash Pond Removal – Grading & Capping – Common**

Plant Pace ARO is associated with the following:

- **Contractually required to remove 3 CT's from the customer's site**

2007 Retirements

Plant Crist: (\$212,497.88) – Plant settled part of the obligation for asbestos and SCR Catalyst layer 3

Plant Daniel: No retirement booked in 2007

Plant Scherer: No retirement booked in 2007

Plant Smith: (\$39,246.98) - Plant settled part of the obligation for asbestos

Plant Scholz: No retirement booked in 2007

Plant Pace: No retirement booked in 2007

2008 Retirements

Plant Crist: (\$108,709.96) – Plant settled part of the obligation for asbestos

Plant Daniel: No retirement booked in 2008

Plant Scherer: (\$1,465.54) – Plant settled part of the obligation for asbestos

Plant Smith: (\$1,304.53) – Plant settled part of the obligation for asbestos

Plant Scholz: (\$7,641.61) – Plant settled part of the obligation for asbestos

Plant Pace: No retirement booked in 2008

D. Plant- Specific Questions

Plant Crist

2. Under Tab 6 of Volume 1, Analysis Results, page 3, the investment associated with the Crist site has more than doubled since the 2006 amended study, from \$540.8 million to \$1,132 million. The 2008 plant activity shown under Tab 10, page 1, indicates total investment at December 31, 2008 of \$586.9 million. Please reconcile. Please identify the major additions comprising this growth and the reasons for those additions.

GULF'S RESPONSE:

The significant increase in plant investment from \$540.8 million in the 2006 Amended Study to \$1,132 million since the 2009 Study is attributed to the addition of the Crist Plant scrubber in 2009.

Major additions since the 2006 Amended Study were as follows:

2007 Addition - Relocation of Unit #7 cooling tower totaling approximately \$27 million.

2009 Addition – Installation of scrubber totaling approximately \$500 million.

D. *Plant- Specific Questions*

Plant Crist

3. While the life span for the Crist units did not change since the last study, the average remaining life increased nearly 2.5 years. Please identify the specific reasons for this increased remaining life.

GULF'S RESPONSE:

As shown on Volume 1, Tab 6, page 3 of the study, the average remaining life (ARL) of Plant Crist increased approximately 1.4 years (23.7 years less 22.3 years) from the prior study, even though the life spans did not change. This is due to the significant scrubber investment of approximately \$500 million made at Plant Crist since the last study. The vast majority of this investment has an average remaining life of 28.5 years. In the prior study, the Plant Crist ARL was 22.3 years. The ARL of the 2009 Study can be conceptually thought of as the weighted average of the current ARL of the prior study surviving investment and the ARL of the recent investment. Weighting the mostly 28.5-year ARL of the large recent investment with the lower ARL of the surviving investment of the prior study will result in a longer average remaining life than that of the surviving investment of the prior study.

D. *Plant- Specific Questions*

Plant Daniel

4. Under Tab 10 of Volume 1, Plant Investment Activity, please explain the nature of the 2007 and 2008 additions and retirements. In your response, please identify what equipment was added and retired.

GULF'S RESPONSE:

Plant Daniel 2007	Additions	Retirements	Reason
Economizer tubes	3,900,121	232,386	Worn beyond repair
Voltage regulator	295,755		Worn beyond repair
Units 1 & 2 tripper wash system	343,866		New system
Unit 1 superheater tubes		921,928	Worn beyond repair
Economizer sonic blower		275,210	Worn beyond repair
Air heater baskets		236,518	Worn beyond repair
Unit 2 superheater tubes and headers		914,557	Worn beyond repair
Coal mill piping		597,930	Worn beyond repair
Unit 12 & 3 metal, conveyor & pusher		766,325	Worn beyond repair
Other less than \$200K (excludes AROs)	1,144,662	1,054,899	Worn beyond repair
Totals 2007	5,684,404	4,999,753	

Plant Daniel 2008	Additions	Retirements	Reason
Unit 2 voltage regulator	240,920		Worn beyond repair
Unit 2 economizer	3,524,189		Worn beyond repair
Unit 2 low NOx burners	3,264,864		Environ. compliance
Unit 2 exciter	1,367,928		Worn beyond repair
Unit 1 economizer soot blower tubes		1,783,626	Worn beyond repair
Other less than \$200K	1,024,705	606,618	Worn beyond repair
Totals 2008	9,422,606	2,390,244	

D. Plant- Specific Questions

Plant Daniel Rail Tracks

6. Please provide all supporting detail showing the development of the 67.4 year average service life and 36.5 year average remaining life proposed for the Plant Daniel Rail Tracks.

GULF'S RESPONSE:

The average remaining life (ARL) for Plant Daniel Rail Tracks was set equal to the longest ARL of Plant Daniel, which was derived from the retirement date of 2046. The average service life (ASL) of Plant Daniel Rail Tracks of 67.4 years was the prior study's ASL of 57.4 years increased by the 10-year increase in the Plant Daniel lifespan from the prior study.

D. Plant- Specific Questions

Plant Scherer

7. As staff understands, GPC has a 25 percent ownership in Scherer Unit 3 which is dedicated entirely to wholesale unit power sale contracts. Is this still the case?

GULF'S RESPONSE:

Yes. The capacity related to Gulf's ownership of 25% Plant Scherer Unit 3 is dedicated to existing wholesale contracts.

D. Plant- Specific Questions

Plant Scherer

8. The investment for Plant Scherer as of December 31, 2008 is shown as \$183.3 million under Tab 10, Volume 1, Plant Investment Activity, page 1. The estimated investment as of December 31, 2009 shown on page 7 of Tab 6, Analysis Results, is \$234.5 million. This indicates additions of about \$50 million in 2009. Please explain the nature and identify the specific reasons for the 2009 additions.

GULF'S RESPONSE:

The major portion of the additions is related to environmental controls designed to comply with new laws and regulations associated with NOx, SOx, and particulate matter. The major items included \$19.2 million related to selective catalytic reduction (SCR), \$29.7 million related to the scrubber, and \$1.9 million related to a baghouse.

D. *Plant- Specific Questions*

Plant Scherer

9. Staff notices in the Production Plant Forecast Analysis, Volume 2, page 114, Scherer Common is 12.5 percent. On page 118, Scherer Common is 6.5 percent. Please explain the difference and how each is used in the life development for Scherer Common.

GULF'S RESPONSE:

Gulf owns 12.5% of Scherer Common "A" and 6.25% of Scherer Common "B". The 6.5% is a typographical error and should have read 6.25%. Percentage ownership plays no part in the life development calculation.

D. Plant- Specific Questions

Plant Smith

11. Please explain the nature of the additions booked in 2007, 2008, and 2009. Please include in your response the reasons why the additions were needed.

GULF'S RESPONSE:

Additions	Reason
2007	
Unit 1DCS/control room upgrade	Equipment worn beyond repair
Superheater	Equipment worn beyond repair
Blades HP turbine and IP stationary	Equipment worn beyond repair
Reheat piping	Equipment worn beyond repair
Precipitator upgrade	Environmental compliance
Low pressure feed water heater	Equipment worn beyond repair
Wall Blower	Equipment worn beyond repair
Expansion joint	Equipment worn beyond repair
Capped ash landfill cells	Environmental compliance
2008	
ECRC Air CEMS flow monitoring	Environmental compliance
SNCR	Environmental compliance
Air Compressor	Equipment worn beyond repair
ID system expansion joints	Equipment worn beyond repair
Coal Tractor	Equipment worn beyond repair
#6 Deep well and piping	Environmental compliance
Water treatment capacity upgrade	Environmental compliance
Fish exclusion device	Environmental compliance
Install seawalls and flood gates	Reduce risk of wind and storm surge damage
Tornado shelter	Improve safety during extreme weather
Capped ash landfill cells	Environmental compliance
2009	
ECRC Air CEMS flow monitoring	Environmental compliance
SNCR	Environmental compliance
ECRC Air Mercury Monitor	Environmental compliance
Expansion joints	Due to cracking
Capped ash landfill cells	Environmental compliance

D. *Plant- Specific Questions*

Plant Smith

12. Please explain the nature of the retirements booked in 2007. Please include in your response a description of the equipment retired.

GULF'S RESPONSE:

The 2007 Plant Smith retirements are represented by the following replacements:

- **Unit 1 precipitator upgrade - \$2,524,415**
These retirements include replacing the precipitator, precipitator controls, transformer/rectifier set, outer shell of the precipitator house and all insulation because they were worn beyond repair.
- **Unit 1 enclosure walls replace - \$701,142**
(U1 horizontal superheater replacement)
The tubes were replaced based on testing and tube thickness for wear.
- **Unit 1 DCS ("Digital Control System") control room upgrade \$517,907**
Replaced the DCS due to the inability to get replacement parts and technical support for the old system. Items retired were the system controls, control console, local racks and panels, central computer system, WDPF control system and the barge unloading controls.
- **Unit 1 Soot Blowers Replacement - \$214,551**
The soot blowers were worn beyond repair.

D. *Plant- Specific Questions*

Plant Smith Combustion Turbine

13. The Company continues to assume a 46-year life span for this combustion turbine. Given this, please explain the reasons supporting the 13.5-year decrease in average service life. Please identify the specific location in the depreciation study where development of the proposed average service life and average remaining life are shown.

GULF'S RESPONSE:

The average service life (ASL) decreased from the prior study because of significant investment that was made in 2007, nearly \$0.8 million. This recent investment has an ASL of only 10 years (age at study date of 2.5 years + ARL of 7.5 years). When this significant recent investment is weighted with the higher ASL of the surviving prior study investment, the composite or weighted ASL must decrease.

The development of the proposed ASL and average remaining life (ARL) of Plant Smith CT is shown in Tab 7, Page 10 with its supporting calculations shown on Pages 23-26 of the Stratification Information in Volume 2 of the Study.

D. Plant- Specific Questions

Plant Scholtz

14. Is it still the Company's plans to convert Scholtz to a biomass facility following its retirement in December 2011? If no, please provide current planning.

GULF'S RESPONSE:

Gulf continues to study the conversion of Plant Scholz to biomass as new regulations develop. Gulf plans to operate Plant Scholz on coal beyond 2011 until such operation is no longer economically feasible due to required compliance costs.

D. Plant- Specific Questions

Plant Pace (Pea Ridge)

15. GPC continues to assume a 20-year life span for this plant. Please explain the rationale supporting a 20-year life span for these combustion turbines. Please explain the reasons supporting the 13.5-year decrease in average service life. Please identify the specific location in the depreciation study where development of the proposed average service life and average remaining life are shown.

GULF'S RESPONSE:

In Order No. PSC-98-0790-FOF-EQ, issued June 8, 1998, the Commission found that Gulf's investment in the cogeneration facility should be depreciated at a whole life rate of 5%, calculated by use of a 20-year service life and zero net salvage. Nothing has changed with the life of this facility since the Commission decision.

There has been no change in the average service life in the Pea Ridge generating facility. The parameter schedule developing the average service life and the average remaining life is located behind Tab 7, page 14 of Volume I in Gulf's Depreciation Study.

D. Plant- Specific Questions

Plant Pace (Pea Ridge)

16. Comparing the December 2008 investment shown under Tab 10 of Volume 1, Plant Investment Activity, with the 2009 investment shown under Tab 6, Plant Investment Activity, page 11, there appears to have been a \$400,000 retirement in 2009. Please explain the nature and cause of this retirement. Please include in your response what specific equipment retired.

GULF'S RESPONSE:

This difference in investment does not represent a retirement. It represents the \$397,195 Asset Retirement Obligation (ARO) balance that is included in Tab 10 but excluded from Tab 6 since it is a non-depreciable asset.

D. Plant- Specific Questions

Plant Smith Combined Cycle

17. Comparing the investment as of December 31, 2008, shown under Tab 10 of Volume 1, Plant Investment Activity, with the estimated December 31, 2009 investment shown on page 12 of Tab 6, Analysis Results, it appears as though \$10 million was expected to be added at Plant Smith in 2009. Please explain the reasons for the additions recorded in 2009. Please explain the logic supporting the negative addition recorded in 2008 in Account 343, Prime Movers.

GULF'S RESPONSE:

The \$10 million budgeted to be spent in 2009 was for a scheduled outage for the Smith Unit 3 Combined Cycle. This planned outage was completed in the first quarter 2010.

The negative addition recorded in 2008 in Account 343 was related to a correction in \$1.4 million in plant additions recorded in 2007. As the outage was completed, Gulf determined the \$1.4 million was related to the refurbishment of the turbine rotor blades recovered from the unit. The adjustment in 2008 was made to move the investment from the 343 prime mover account to inventory to properly account for the refurbished rotor.

D. Plant- Specific Questions

Plant Smith Combined Cycle

18. The December 31, 2009, estimated reserve for the Plant Smith combined cycle unit is estimated in the study (Tab 6 of Volume 1, Analysis Results, page 12) as negative \$1,334,917. From the depreciation reserve activity shown in Tab 11, it appears that the negative reserve originated in Account 343, Prime Movers, in 2005 as a result of a large retirement and then was exacerbated by additional large retirements in 2006 and 2007, and budgeted for 2009. Please explain the nature and cause for the large retirements in 2006 and 2007. Please provide and explain the nature of the actual retirements booked in 2009.

GULF'S RESPONSE:

In 2005, the Smith Unit 3A Hot Gas Path ("HGP") inspection was completed in conjunction with the rotor replacement.

In 2006, Smith Unit 3B reached 24,000 fired operating hours ("FOH"). This resulted in a HGP inspection with associated retirements totaling approximately \$7 million. The remaining balance of the retirements was related to smaller isolated equipment issues.

Retirements in 2007 of \$4 million were related to the turbine failure in 2005. The remaining retirement of \$10 million was related to the Smith Unit 3B turbine/compressor rotor. Concerns related to corrosion pitting of the equipment resulted in the replacement of the entire turbine/compressor rotor.

Actual retirements in 2009 of approximately \$62,000 were related to replacing valves and air conditioning.

E. *Net Salvage*

2. Please explain GPC's analysis of actual historical salvage and cost of removal of interim retirements shown on page 3 of Tab 8 of Volume 1 and indicate how that analysis supports a negative net salvage amount of 20%.

GULF'S RESPONSE:

As expected for this plant category, the historical net salvage as a percent of retirements varies from year to year. As an aid to the analysis, period bands were developed and utilized. The period bands indicate that average net salvage has been relatively flat for a number of years, including the net salvage results of the prior study. In 2005, net salvage was increased by five percentage points, because an increase of net salvage was indicated by the historical data. Because the net salvage was significantly increased in the prior study and because net salvage indications have essentially not changed since the prior study, it is reasonable to keep the negative net salvage at 20%.

In addition to the above summarized analysis, industry experience was considered for this plant category as well as a review of the historical data arranged in five-year rolling bands. These other considerations supported the reasonableness of the conclusion.

E. *Net Salvage*

3. In response to staff's First Data Request, No. 15, GPC states that the increase in cost of removal in 2008 was primarily driven by precipitator work on Plant Crist Unit 4 and Unit 5. Please explain the specific precipitator work referenced, including a description of the tasks that incurred cost of removal and a breakdown of the removal costs between labor, materials, and overheads.

GULF'S RESPONSE:

The precipitator change out work required the removal of all plates, wires, transformers and sections of the roof.

Below is the breakdown of the removal costs between labor, materials, and overheads:

Replace Unit 4 & 5 precipitator

Materials	\$	1,478
Labor	\$	1,068,396
Overhead	\$	17,913
Total	\$	<u>1,087,787</u>

E. *Net Salvage*

4. On page 4 of Tab 8 in Volume 1, the narrative states that interim negative net salvage is low "consistent with the nature of Other Production."
- a. Please explain the nature of Other Production that realizes low negative net salvage.

GULF'S RESPONSE:

Under the terms of the Long Term Service Agreement (LTSA) in place for the Smith CC, there is no net salvage because ownership of the removed parts transfers to the service provider.

- b. Please explain the cause for the negative cost of removal incurred in 2006 for other production plant shown on page 4 of Tab 8.

GULF'S RESPONSE:

The negative cost of removal (COR) in 2006 is related to a correction of an error in 2005. In 2005, materials were mistakenly charged to COR. This error was corrected in 2006 with a credit to COR.

- c. In reviewing the net removal cost data for Other Production Plant shown on page 4 of Tab 8, very minimal retirements occurred prior to 2004. In fact, during the 1981–2003 period, only about \$300,000 retirements were booked. In the 2004-2008 period, retirements exceeded \$43 million. According to the study narrative, these large retirements were from the "unexpected breakdown of Smith CC." Please explain this "unexpected breakdown" of the combined cycle unit and describe the equipment retired as a result of the breakdown.

GULF'S RESPONSE:

In 2005, Smith 3A experienced a blade failure which resulted in a complete rotor change out. In 2007, pitting and cracking on the Smith 3B equipment resulted in a complete rotor change out.

Equipment retired due to rotor change out in 2005:

- Shroud

- Compressor diaphragms
- Fuel nozzle
- Combustion liners
- Compressor disc or stub shaft
- Turbine blades
- Compressor blades
- Turbine nozzles
- Compressor tie bolts

Equipment retired due to rotor change out in 2007

- Compressor rotor
- Turbine rotor
- Compressor blades
- Compressor disc or stub
- Compressor tie bolts

- d. Please explain why the 2004-2008 unusual activity should be considered indicative of future interim activity.

GULF'S RESPONSE:

The concluded net salvage of -5% for Other Production is the same as what was concluded in the prior studies. In the prior studies, it was recognized that limited historical net salvage information was available for analysis. The concluded net salvages in the prior studies were based on industry experience and practice. The recent historical net salvage data supports the -5% net salvage conclusion. With or without reliance on the recent historical net salvage data, a -5% net salvage is an appropriate net salvage for the 2009 Study.

IV. FOSSIL DISMANTLEMENT

GPC's last dismantlement study was filed on May 27, 2005, and an amended study was submitted on October 9, 2006; the Commission approved an annual accrual of \$5,239,243 based on the latter study. In the 2009 study, GPC has proposed an annual dismantlement accrual of \$9,801,731. This is an increase from the last study by \$4,562,488. At this time, staff is unable to propose a dismantlement accrual, pending receipt and review of GPC's responses to this staff report.

1. In GPC's current Dismantling Study, Volume 1, page 2, entitled Revision Sheet, it states that Crist Units 1, 2, and 3 were dismantled prior to 2009. However, in response to staff's First Data Request, Item No. 3, GPC states that partial dismantlement should be completed by year-end of 2009. Please reconcile these two statements.

GULF'S RESPONSE:

As discussed in Gulf's response to Staff's First Data Request, Item No. 3, the Company should not have removed Units 1-3 from the Dismantlement Study because they were only partially dismantled. While a degree of dismantlement took place, the major portion of the dismantlement has yet to take place.

2. GPC states that "recent" dismantlement is 3 years or less. However, partial dismantlement of Crist Units 1-3 has taken place since the company's last study. Were the costs associated with partial dismantlement charged to the dismantlement reserve? If no, please explain why not.

GULF'S RESPONSE:

Yes. The costs associated with partial dismantlement of Crist Units 1-3 were charged to the dismantlement reserve.

3. Please clarify the dates as to when dismantlement began and was completed for Plant Crist Units 1, 2, and 3.

GULF'S RESPONSE:

As noted in Gulf's response to Dismantlement Item No. 1, the dismantlement of Crist Units 1-3 has not been completed with no current completion date estimate. Only a partial dismantlement has taken place. The dismantlement began in May 2005.

4. In Volume 1, Section 2.0, page 5 of the Dismantlement study, Gulf shows an increase of \$90.8 million. \$74 million is associated with FGD for Plant Crist Units 4-7. Please indicate what comprises the remaining \$16.8 million.

GULF'S RESPONSE:

The \$16.8 million is associated with Plant Smith (\$7.9 million), Plant Scholz (\$1.9 million) and Plant Crist (\$7.0 million) as shown on page 5 of the Dismantlement Study. For Plant Smith, \$2.7 million of the \$7.9 million increase was due to the added dismantlement costs of capital additions of selective non catalytic reduction (SNCR) equipment on Units 1 and 2, and an Air Intake System on Unit 3. The remaining increase in dollars for Plant Smith and the other plants was due to the increase in labor costs between the prior 2005 Dismantlement Study and the current 2009 Study.

5. In Volume 1, Section 4.2, page 15 of the Dismantlement study entitled Scholz, GPC states that some removal has taken place prior to dismantlement. Are the costs associated with this removal charged to the dismantlement reserve? If no, please explain why not.

GULF'S RESPONSE:

No. The costs associated with this removal have not been charged to the dismantlement reserve. It was booked as normal cost of removal. The last paragraph of the section referenced above states: "Foundations still remain for the scrubber test facilities. The tanks, equipment, and ductwork have already been removed. It is assumed that the baghouse test facilities will also be removed prior to dismantling." The deconstruction costs for these test facilities were not included in the dismantlement costs for Plant Scholz.

6. In Volume 1, Section 7.6, page 26 of the Dismantlement study entitled Discussion of recoverable costs, GPC states preparation costs for ferrous scrap could cost \$61 to \$66 per gross ton. This is an increase of \$41 from the last filed study. Please justify the increase in preparation cost for ferrous scrap.

GULF'S RESPONSE:

The preparation costs for ferrous scrap are calculated by multiplying the current scrap price by 30% to account for a scrap dealer's work involved in loading, transporting to a yard, and preparing the scrap to designated size and re-handling the material for shipment. Since the ferrous scrap value increased from \$85 per ton to \$213 per ton, the preparation costs also increased proportionally. This methodology is consistent with the 2005 Dismantlement Study.

7. In Volume 1, Section 7.6, page 26 of the Dismantlement study, GPC states that the scrap value per gross ton of ferrous scrap has increased to \$128.21 since the last filed study, while non-ferrous scrap copper has increased by \$0.05 per pound. Please clarify why ferrous scrap has had a sufficient increase while non-ferrous scrap has not.

GULF'S RESPONSE:

As stated on page 26 of the Study, scrap value per ton is estimated to be \$213.21. This is an increase of \$128.21 from the previous study.

As stated on page 25 of the Study, scrap values were estimated from current market value published information. The scrap values assigned for the 2009 Dismantlement Study were those available at the time the study was published.

8. Has the methodology used in converting the current estimated dismantlement cost to future estimated dismantlement costs changed since the last study? If so, how has the methodology changed?

GULF'S RESPONSE:

No. The methodology has not changed since the last study.

9. The pull down methodology in unit pricing is used by GPC. GPC explains that this method literally pulls down a structure. According to the company, this method is intended to remove scrap materials in a more cost-effective manner. For a site where this methodology could not be used, what alternative dismantling process would the company use?

GULF'S RESPONSE:

If it is not possible to use the "pull down" methodology at a plant, then the likely alternative method would be a "reverse construction" method. Materials would be removed by the systematic dismantlement of the plant without the use of methods to literally "pull down" the structures. This method would be more costly since it would be more labor intensive.

10. Other than escalation rates and incorporating the change in the price of scrap, what are the main items that account for the increased costs in this updated study?

GULF'S RESPONSE:

The majority of the increase in dismantlement cost between the previous and current Dismantlement Studies is the addition of the Plant Crist Units 4-7 FGD (Scrubber). The Crist FGD accounts for \$74 million of the \$92 million increase between the 2005 and 2009 Dismantlement Studies.

11. Please identify the main drivers for the increase/decrease in annual dismantlement expenses for each plant (base cost, inflation rates, scrap, etc.).

GULF'S RESPONSE:

For Plant Smith, the addition of SNCR equipment on Units 1 and 2, and an Air Intake System on Unit 3 contributed to the increased dismantlement cost. For Plant Crist, the addition of the FGD contributed to the increased dismantlement cost. The remaining increase in dollars for all the plants in the 2009 Dismantlement Study was due to the increase in labor costs and the changes in scrap values. See Volume 1, Section 2.2, pages 4 – 10 for the increase or decrease by plant due to escalation and scrap pricing. For Plant Smith, the added dismantlement costs from the new SNCR equipment and Air Intake System were included with the increase shown for escalation. The table below is a more detailed summary of this increase.

\$ X 1000 increase in cost (Scrap Pricing and Total Increase/Decrease not shown) as shown in Volume 1, Section 2, Page 6

<u>Reason for Change</u>	<u>Unit 1</u>	<u>Unit 2</u>	<u>Common</u>
SNCR Equipment	48	309	1,392
<u>Escalation Only</u>	<u>1,066</u>	<u>1,162</u>	<u>2,209</u>
Total Shown as Escalation on Page 6	1,114	1,471	3,601

<u>Reason for Change</u>	<u>Unit 3 CT</u>	<u>Unit 3 CC</u>	<u>Total</u>
Air Intake System	-	946	2,695
<u>Escalation Only</u>	<u>26</u>	<u>820</u>	<u>5,282</u>
Total Shown as Escalation on Page 6	26	1,766	7,977

12. Please provide an itemized list of the increases/decreases in the annual accrual expenses by plant between the original Schedule 1 filed on May 27, 2009, and the annual accrual expenses as detailed on the updated Schedule 1 (Item 55, Page 2 of 18) with the updated January 2010 indices filed on February 11, 2010.

GULF'S RESPONSE:

Please see Attachment F.

13. Please clarify all entities owning an interest in each generating unit and the percentage of ownership by each entity.

GULF'S RESPONSE:

Gulf Power owns a portion of three generating units located at two facilities outside Florida:

- **Gulf Power has a 50% ownership interest in Unit 1 and Unit 2 at Plant Daniel. Mississippi Power Company owns the remaining portion of Unit 1 and Unit 2.**
- **Gulf Power has a 25% ownership interest in Unit 3 at Plant Scherer. Georgia Power Company owns the remaining portion of Unit 3.**

All other Gulf generating units are solely owned by Gulf and are located either at one of Gulf's three Florida facilities (Plant Crist, Plant Scholz and Plant Smith) or at the plant site for one of Gulf's customers (Pea Ridge).

14. Please identify any material differences between the current study and the last filed study, including changes in methodology. If there are any material differences or methodology differences, please explain why such changes were made.

GULF'S RESPONSE:

The primary difference between the 2005 and 2009 Dismantlement Studies represents the addition of dismantlement costs associated with the following capital additions not present in the 2005 Study:

- **Plant Crist scrubber - approximately \$74 million**
- **Plant Crist Units 1-7, and Common and SCR – approximately \$7 million**
- **Plant Smith Unit 1 and 2 SNCR equipment and Unit 3 Air Intake System – approximately \$8 million**
- **Other Plants – approximately \$2 million**

There were no methodology changes made between the 2005 and 2009 Dismantlement Studies.

15. Please clarify if the projected date that each generating unit will cease operation is the same as the unit's retirement date. If not, please provide the dates at which all generating units will cease operation.

GULF'S RESPONSE:

The retirement dates shown in the Depreciation Study may not be the actual dates that the generating units cease operation and therefore are retired. Whenever management determines to cease operating a generating unit, the generating unit will be retired.

16. Please provide justification, supporting documentation, and all work papers for including materials at 40 percent of the labor cost for the calculation of scrap. In addition, please provide descriptions of the kinds of materials to which reference is being made.

GULF'S RESPONSE:

The 40% estimate was derived by engineering to properly assign amounts of labor and scrap to account for materials used in the take down and handling of recyclable materials. While the labor is moved to the salvage category, no additional expense is incurred in the process.

17. Please clarify why Plant Daniel, Plant Scherer, and Plant Smith CT annual accrual costs decreased in the fossil dismantlement study.

GULF'S RESPONSE:

The decrease in the annual accrual for these plants is primarily attributed to lower inflationary indices used in the 2009 Study when compared to the 2005 Study and the movement of the retirement dates out 10 years for Plant Daniel and Plant Scherer in the 2009 Study.

The impact of higher salvage values due to increased scrap prices also reduced the overall dismantlement cost of the plants.

18. In GPC's current Depreciation Study, Volume 1, section 9, entitled Fossil Dismantlement, page 1, the company states that actual dismantlement is expected to take three years. Eighty five percent of the total cost will occur in the first two years after each unit's retirement date and the remaining 15% will occur during the year after the retirement date of the last unit on the site. Please explain why GPC takes this approach as opposed to dismantling the entire plant after the retirement date. Does this differ from the last study? If so, briefly discuss how and why this approach is different.

GULF'S RESPONSE:

Much of the dismantlement process is unit specific and does not involve the plant as a whole. The 85% work is directed at the removal of this equipment. This reduces the dismantlement expense accrual by performing the most expensive work as early as possible. The 15% of work performed after the retirement of the final unit is related to the common equipment. This equipment is dismantled post retirement to keep from impacting the final unit's operations. This approach does not differ from the approach used in previous studies.

V. TRANSMISSION, DISTRIBUTION & GENERAL ACCTS.

1. Please explain why Tab 8, Net Removal Costs, excluded pre-1981 data for the analyses.

GULF'S RESPONSE:

Using data beginning with 1981 allows up to 28 years of historical data for the net salvage analysis. This is consistent with Gulf's prior studies and includes more years of data than typical industry practice. The practice of net salvage analysis tends to rely on relatively recent historical data in order to discern current conditions and trends. Data prior to 1981 would not add to the estimation process of net salvage.

2. Gulf's response to staff's First Data Request, Item No. 34, describes the increase in the removal man-hour rates for Account 369.1 (Overhead Services) as due to, in part, "increased labor and associated benefits, and transportation costs allocated as a percentage of labor charged." Is this true for all the transmission, distribution, and general accounts? Please explain. Also in this response Gulf refers to a recently added allocation for crew travel and headquarter time. Does this new allocation apply to all transmission, distribution, and general accounts? Please explain and include a detailed description of how this allocation was developed.

GULF'S RESPONSE:

Subsequent to the 2005 Study, Gulf began allocating headquarter and travel time to all distribution work order estimates. This change in allocation results in the observed increase in the removal man-hour rates for account 369.1 Overhead Services. This new allocation applies to distribution only. The allocation was developed using Gulf's electronic time system, E-Stars, to track actual crew headquarter and travel time. Based on limited historical data, an allocation percentage was added to distribution work order estimates.

3. Gulf's response to staff's First Data Request, Item No. 27, states that removal costs for distribution poles (Account 364) are labor only. Is this true for all the mass property accounts? Are loading factors included in the cost of removal for any of these accounts? Please explain. If loading factors are used for some of the accounts, please explain what they are, why they are used, and how they are developed, by account.

GULF'S RESPONSE:

Yes. Removal for all mass property accounts consists of labor and labor related charges. Loading factors are used to determine the labor related charges. Loading factors include pension, insurance, payroll taxes, direct payroll benefits (vacation, holidays, sick leave, etc.), employee savings plan costs, and small tools. These payroll loading factors are applied based on the labor. If labor is capitalized, then the loaders / benefits are capitalized. If 20% of the labor is capitalized, then 20% of the benefits would be capitalized. The current year loading factors are developed based on the previous year's actual data. For example insurance loading factors are calculated by taking the previous year's insurance costs divided by the previous year's straight time payroll labor.

A. *Transmission Plant*

Account 350.2, Easements

1. Although there were retirements in 2008, there was no Net Removal Cost page for this account in Tab 8 of Volume 1. Please explain why the analysis was omitted and the basis for Gulf's proposal of 0 percent net salvage.

GULF'S RESPONSE:

2008 retirements were only \$158. Net salvage indications from small retirements are inconclusive for estimating purposes. Industry practice is to use zero net salvage, based on there being no cost of removal associated with the retirement (abandonment) of easements.

A. *Transmission Plant*

Account 350.2, Easements

2. What proportion of Gulf's easements is perpetual? Are perpetual easements Gulf's goals when it acquires easements? It seems reasonable that more perpetual easements result in a longer average service life. Staff believes that Gulf's proposed life 60 years is on the low side compared to recent Commission decisions.

GULF'S RESPONSE:

94% of Gulf's easements are perpetual. The remaining 6% relates to licenses or permits to cross military property. The typical life of the licenses or permits to cross military property is 20-25 years.

A. *Transmission Plant*

Account 350.2, Easements

3. There was a positive adjustment of \$1,868,821 to the account in 2008. Please explain what the adjustment represents and why it occurred.

GULF'S RESPONSE:

The adjustment represents a payment from Gulf Power to landowners for enhanced and expanded easement rights related to existing easements.

A. *Transmission Plant*

Account 350.2, Easements

4. There were negative additions recorded in 2005 (\$328,448) and 2006 (\$288,445). Please explain what the negative additions were and why they occurred.

GULF'S RESPONSE:

Gulf purchased land in May 2004. This land was subsequently sold in May 2005 while the work order was still receiving charges. The transaction resulted in a credit to the work order. This credit, when combined with other minor work order charges, nets to a negative addition of \$328,448 for 2005.

During 2006, three work orders totaling \$1,108,202 were closed and all costs were unitized to individual retirement units, resulting in a credit to FERC 350.2. Regular additions from work orders totaled \$819,757. This resulted in a net negative addition of \$288,445.

A. *Transmission Plant*

Account 355.0, Poles and Fixtures

5. The Notes in Volume 2 state that the "observed data is well fitted by various curves, typically lower mode and between 35 and 40 years." Gulf concluded that an S0 curve with a 38-year ASL is a "good fit." Please explain why Gulf rejected an S0 curve with a 40-year ASL.

GULF'S RESPONSE:

While a 40-year average service life (ASL) was within the life range, it was deemed prudent for this study to increase the ASL from the prior study by only three years rather than the more dramatic five year increase if a 40-year ASL had been selected. However, Gulf agrees that a 40-year ASL would also be within our target life range.

A. *Transmission Plant*

Account 355.0, Poles and Fixtures

6. According to Gulf's response to Staff's First Data Request, Item No. 31, 68.2 percent of these poles are concrete, with the remainder wood. It seems reasonable to staff that with the majority of poles concrete, longer lives (i.e., longer than Gulf's proposed 38-year ASL) would be expected and reasonable. Please explain why a 38-year ASL is appropriate when the majority of poles are concrete.

GULF'S RESPONSE:

While one may reasonably expect a longer average service life (ASL) for concrete poles than for wood poles, the 38-year ASL was based on historical retirement data of the Company, which would reflect the lives of both wood and concrete poles.

A. *Transmission Plant*

Account 359.0, Roads and Trails

7. Although there were retirements in 2007 and 2008, there was no Net Removal Cost page for this account in Tab 8 of Volume 1. Please explain why the analysis was omitted and the basis for Gulf's proposal of 0 percent net salvage.

GULF'S RESPONSE:

2008 and 2007 retirements were less than \$3,500. Net salvage indications from small retirements are inconclusive for estimating purposes. Industry practice is to use zero net salvage, based on there being no cost of removal associated with the retirement (abandonment) of Roads and Trails. This account has a study date plant balance of only \$61,000.

A. *Transmission Plant*

Account 359.0, Roads and Trails

8. Gulf's proposed ASL is 50 years. Staff believes that Gulf's proposed ASL is on the low side compared to the industry. Please address why a 50-year ASL is appropriate even though it is relatively low compared to recent Commission decisions.

GULF'S RESPONSE:

A 50-year average service life (ASL) has been used historically in Gulf's studies and is within industry range. Nothing compelling has occurred since the prior study to change the ASL used in the prior studies. However, Gulf agrees that the proposed ASL is on the lower side of industry range.

B. *Distribution Plant*

General Questions on SPR (Volume 2)

1. What "Index" is being used? How should the results of the Index be evaluated?

GULF'S RESPONSE:

An "Index of Variation" is being used, which is a least-squares based procedure used by the Simulated Plant Record (SPR) to indicate the relative "goodness of fit" of the curves to the historical data. Lower index numbers indicate better fits.

B. Distribution Plant

General Questions on SPR (Volume 2)

2. Please explain why Ivan-adjusted data is displayed only for the SPR accounts. Was Ivan-adjusted data used for the actuarial method accounts?

GULF'S RESPONSE:

Because the Ivan retirements for Account 365 represented more than \$5 million, or 4% of the then plant balance, it was deemed to have a possible material effect on ASL. While the Ivan retirements of the other Simulated Plant Record (SPR) accounts were much smaller, it was decided to run the SPR with Ivan-adjusted data to confirm that the effect on average service life (ASL) was not material.

The actuarial method accounts were not adjusted for Ivan as those retirements appeared to not be material to the analysis.

B. *Distribution Plant*

General Questions on SPR (Volume 2)

3. Why wasn't Ivan-adjusted data used in the 30-year and five-year bands?

GULF'S RESPONSE:

The Ivan-adjusted data was not used for every band because the purpose of running Simulated Plant Record (SPR) on it was to confirm that it did not have a material effect on the average service life (ASL), or if it did, to indicate its effect. Not every band needed to be run to indicate the Ivan-adjusted effect on ASL.

B. Distribution Plant

General Questions on SPR (Volume 2)

4. When Ivan-adjusted data is shown, was that used instead of the non-adjusted data? Please explain.

GULF'S RESPONSE:

The Ivan-adjusted data was used to supplement (add to) or confirm the base analysis of the non-adjusted data.

B. *Distribution Plant*

General Questions on SPR (Volume 2)

5. Please explain and describe the "retirements method" and explain what is meant by the phrase "[it] was given due consideration in the life analysis."

GULF'S RESPONSE:

The simulated plant retirement method is a SPR method that is essentially the same as the balance method, except that retirements are simulated, instead of balances. The "Index of Variation" is similar in concept to that used in the balances method, though somewhat differently calculated. A lower index indicates a better fit.

The balance method was relied upon as it provides more indicative long-term life indications and its use is the typical industry practice. The retirement method can be more responsive to changes in retirements and short-term life indications. The retirement method was used to supplement (add to) the relied-upon balance method analysis.

B. Distribution Plant

Account 361.0, Structures and Improvements

6. Notes from Volume 2 state that "representative curve/life fits to the data are middle modes with lives from high 40's to approximately 55 years." Please explain why Gulf is proposing an increase in the ASL from 45 to 48 years instead of from, for example, 45 to 50 or 55 years.

GULF'S RESPONSE:

In summary, the life indications were not conclusive, probably due to the relatively limited retirement data. While a 50-year average service life (ASL) would be reasonable given the data, it was deemed prudent for this study to move towards the middle of the indicated range by increasing the ASL from the prior study by three years, rather than the more dramatic five year increase. The thought was that the ASL could be further increased in the next study if the historical life indications continued.

B. Distribution Plant

Account 364, Poles

7. Please explain and describe how the median indicated life of 30-35 years was calculated.

GULF'S RESPONSE:

Using 2008 as a base, the median indicated life was developed from each curve type (S, L, and R). For example, using the 20-year balance band of the unadjusted data, the median of the S curves is the average of the indicated lives of S1.5 and S2, 29.55 and 28.77, or 29.2 years.

Median life of L curves is the average of the indicated lives of L1.5 and L2, 32.30 and 30.83, or 31.6 years.

Median life of R curves is the average of the indicated lives of R2 and R2.5, 30.27 and 29.32, or 29.8 years.

For this particular band of the balances method, the median indicated life range was 29-32 years. The median results from doing the above calculations for all of the balances methods bands gave the approximate median indicated life range of 30-35 years.

B. *Distribution Plant*

Account 365, Overhead Conductors

8. According to Plant Investment Activity (Volume 1, Tab 10), between 2005 and 2008, there were transfers from Account 365 to Accounts 367 (Underground Conductors). Please explain why the transfers occurred and describe the corresponding reserve transfers.

GULF'S RESPONSE:

Because more of Gulf's construction is overhead, all ground rod additions are initially recorded to Account 365 (overhead). The actual annual additions for ground rods are multiplied times the ratio of underground distribution line mile additions to total line mile additions to derive the underground rod additions. The estimated underground additions are then transferred from Account 365 to Account 367 along with the associated depreciation reserve.

B. *Distribution Plant*

Account 365, Overhead Conductors

9. Notes from Volume 2 state that life indications run from 29 to 40 years while the curves' median life indications run from 32 to 36 years. Please explain and describe how those ranges were calculated.

GULF'S RESPONSE:

The approximate range of the life indications were from the highest and lowest indicated life of the curves of the base balances method bands, generally excluding the lowest L curve mode. The median life indications were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications from the balances method as the basic data point.

B. Distribution Plant

Account 367, Underground Conductors

10. Notes from Volume 2 state that the median life indications are 31-36 years. Please explain and describe how those numbers were calculated.

GULF'S RESPONSE:

The median life indications of Account 367 were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications as the basic data point.

B. Distribution Plant

Account 368, Line Transformers

11. Notes from Volume 2 state that the range of median life indications is 27 to 32 years. Please explain and describe how those numbers were calculated.

GULF'S RESPONSE:

The median life indications of Account 368 were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications as the basic data point.

B. Distribution Plant

Account 369.1, Overhead Services

12. Notes from Volume 2 state that the range of the median life indications is 32 to 36 years. Please explain and describe how those numbers were calculated.

GULF'S RESPONSE:

The median life indications of Account 369.1 were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications as the basic data point.

B. Distribution Plant

Account 369.2, Underground Services

13. Notes from Volume 2 state that the median curve life ranges from 35 to 41 years. Please explain and describe how those numbers were calculated.

GULF'S RESPONSE:

The median life indications of Account 369.2 were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications as the basic data point.

B. Distribution Plant

Account 369.3, House Power Panels

14. Although there were retirements in 2005-2008 and budget 2009, there was no Net Removal Cost page for this account in Tab 8 of Volume 1. Please explain why the analysis was omitted and the basis for Gulf's proposal of 0 percent net salvage. Does Gulf expect to incur any cost of removal or realize gross salvage for this account?

GULF'S RESPONSE:

Gulf incurs no cost of removal nor realizes gross salvage for this account; therefore, no net removal cost page was needed. When these panels are removed, it is typically done by a contractor working on behalf of the customer to upgrade the home electrical service.

B. Distribution Plant

Account 369.3, House Power Panels

15. Notes from Volume 2 state that this is a dying account with no additions. Why is this a dying account?

GULF'S RESPONSE:

The House Power Panels in account 369.3 were offered to the public in a program to replace the old style 60 amp meter cans. These cans were replaced with a power pack which included space for breakers. The old cans pre-dated many of today's appliances such as the electric range and clothes dryer. This program was canceled by the early 1980's since today's electrical codes and standards now require higher ampacity ratings, making any investment to this account unnecessary.

B. Distribution Plant

Account 369.3, House Power Panels

16. Gulf is recommending an average service life of 27 years, with a remaining life of approximately five years. What are Gulf's plans with regard to the remaining investment? Does Gulf expect the remaining plant to be in service for five more years? Would a four-year capital recovery schedule be a reasonable approach for this plant? Why or why not?

GULF'S RESPONSE:

The use of a four year recovery plan would be a viable approach for this plant due to the near term retirement expectations and known account activity. With the current investment balance and the requested accrual it will take Gulf approximately 5 years to recover the remaining investment balance. This account will see no additional investment or reserve adjustments. The nature of this investment does not allow for an easy verification of the meters active and serving the customer. The meter cans were installed by contractors and appear identical to others of similar vintages. For this reason Gulf used a survivor curve to develop an orderly retirement over the asset's remaining life. These scheduled retirements have not kept up with the class depreciation rate since the account will be fully depreciated in a little over 5 years.

B. Distribution Plant

Account 369.3, House Power Panels

17. Does Gulf anticipate replacing these panels with any other equipment? If yes, with what equipment in what account? If no, why not?

GULF'S RESPONSE:

Gulf has no plans to replace this equipment. As explained in our response to item B. 15, this account will have no further additions.

B. Distribution Plant

Account 370.0, Meters

18. Notes from Volume 2 state that the range of the median life indications is 26 to 35 years, with a median life of 30 years. Please explain and describe how those numbers were calculated.

GULF'S RESPONSE:

The median life indications of Account 370 were developed the same as was explained in Gulf's response to B.7 above for Account 364, Poles, using 2008 life indications as the basic data point. The range of the median lives from the various curves and bands was approximately 26 to 35 years. The median life from the life indications was 30 years.

B. Distribution Plant

Account 370.0, Meters

19. According to its response to staff's First Data Request, Item No 23, Gulf states that it plans to implement AMI across its territory in the next five years. Please explain and describe the planned implementation.

GULF'S RESPONSE:

The first stage of deployment focused on a pilot area and the majority of the basic antenna infrastructure needed. At the end of 2009 there were over 8,000 AMI meters installed. The current plan for deploying the remainder of the AMI meters at customer premises is as follows:

2010: Deploy approximately 32,000 AMI meters.

2011: Deploy approximately 50,000 AMI meters.

2012 - 2015: Deploy approximately 100,000 AMI meters per year until deployment is complete (approximately 450,000 meters in total).

B. Distribution Plant

Account 370.0, Meters

20. Gulf also states in its response to Item No. 23, that AMI meters will allow it to better control the cost associated with reading meters and will add features to the distribution system for future customer enhancements and improvements. Please explain how AMI meters will allow Gulf to better control meter reading costs. Also, explain what features AMI meters will add to the distribution system and how these features will provide future customer enhancements and improvements.

GULF'S RESPONSE:

The cost of operating an AMI system is largely driven by the carrying cost of the up-front capital investment required, which is relatively fixed throughout the expected life of the AMI system. The cost of continuing to manually read meters is largely driven by variable expense costs, principally labor and vehicle transportation (including fuel), but also includes the liability aspects of vehicle accident risks and dog-bite and other customer premise risks. The AMI meters help control the total costs of meter reading over time.

AMI meters will provide opportunities in the future for automatic outage (and restoration) notification, voltage anomaly alerts, meter tamper alerts, daily/hourly customer consumption data, feeder tap loading analysis, etc., all of which can be utilized to provide customer value through enhanced power restoration response, customer load analysis to enhance energy conservation, and optimized distribution system operations.

C. *General Plant*

Account 392.3, Heavy Trucks

1. Notes from Volume 2 state that the ASL is 11, "an increase of one year from the prior study." However, the current ASL is 11 years. Given that the notes also state that representative, lives are from 10 to 12 years, is Gulf proposing a 12-year ASL? Please explain your reasoning. Staff believes a 12-year ASL is reasonable.

GULF'S RESPONSE:

The phrase "an increase of one year from the prior study" is incorrect. It should be "which is the same as the prior study". An 11-year average service life (ASL) is being proposed for the 2009 Study. The range of reasonable lives does include 12 years and a 12-year ASL would not be unreasonable to use. The 11-year ASL was deemed to be more appropriate, based on the actuarial-based analysis. Specifically, the L4-11 curve fits the age-intervals associated with the highest retirement rates, approximately ages 9.5 through 16.5, better than a 12-year ASL curve.

C. *General Plant*

Account 396, Power Operated Equipment

2. Notes from Volume 2 state that the historical data indicate lives of 16-17 years. Gulf's proposal is to keep the 15-year ASL. Please explain the assertion that "[c]onsidering the data, no change in the life is indicated." Why is Gulf proposing to retain the 15-year ASL? Staff believes that a slightly longer ASL is reasonable.

GULF'S RESPONSE:

As shown in Volume 2, the data points of the observed curves from the long retirement band from 2005 and 2009 are essentially the same shape, indicating no material change in the historical data since the last study. The historical data does indicate lives of 16-17 years and, more broadly, 15-18 years. Gulf believes that the 15-year ASL is appropriate; however, a slightly longer ASL such as 16 years would not be unreasonable. Considering that a change in ASL from the last study is not indicated, the 15-year ASL is within the range of the fits to the historical data, and the 15-year ASL is well within the typical range of the industry for this short life property, the 15-year ASL is appropriate.

C. *General Plant*

Amortizations

3. Please refer to Tab 7, Parameters, page 20, General Plant Amortization. Please explain how the amortizations are calculated, e.g., are additions in a specific year all amortized according to the specified length of the amortization?

GULF'S RESPONSE:

Amortizable General Plant property is amortized by the straight line method over 60 or 84 months. The amortization begins in January of the year following the in-service year of the expenditure.

C. *General Plant*

Amortizations

4. Please refer to Tab 7, Parameters, page 20, General Plant Amortization. Account 397.0, Communication Equipment is shown with a seven-year amortization; however, the Commission's published List of Retirement Units (available at <http://www.floridapsc.com/publications/pdf/electricgas/retirementunits.pdf>), page 103, provides for a five-year amortization. Is the seven-year amortization a typographical error or is a seven-year amortization Gulf's proposal? Please explain your answer.

GULF'S RESPONSE:

The seven-year amortization was approved by the Commission in Order No. PSC-93-1808-FOF-EI, Docket No. 930221-EI, issued 12/20/93, on page 26 of Attachment B.

Gulf Power Company

Proforma Change in Depreciation Expense Update with Actual 12/31/2009 Investment

Function/Group	Actual 12/31/2009 Investment	Current Rate	Current Expense	Proposed Rate	Proposed Expense	Increase (Decrease)
Steam Prod Excl Dismantlement						
Crist Plant	1,109,816,351	3.2%	35,514,123	3.4%	37,733,756	2,219,633
Crist Units 1, 2 & 3 Retired	10,692,669	3.2%	342,165	3.4%	363,551	21,386
Easements	5,103	(A)	(A)	3.8%	194	194
Amort - 5 Year	74,905	5 Yr	5,497	5 Yr	5,497	0
Base Coal, 5 Years (Fully Amortized)	141,840	5 Yr	0		0	0
Amort - 7 Year	4,488,860	7 Yr	597,327	7 Yr	597,327	0
Total Crist	<u>1,125,219,728</u>		<u>36,459,112</u>		<u>38,700,325</u>	<u>2,241,213</u>
Daniel Plant	240,203,220	3.1%	7,446,300	2.8%	6,725,690	(720,610)
Daniel RR Track	2,741,618	1.0%	27,416	0.8%	21,933	(5,483)
Easements	77,160	1.1%	849	0.8%	617	(232)
Cooling Lake-23 year Amort (Fully Amortized)	8,954,192		0		0	0
Total Daniel	<u>251,976,190</u>		<u>7,474,565</u>		<u>6,748,240</u>	<u>(726,325)</u>
Scherer Plant	233,800,883	1.9%	4,442,217	2.0%	4,676,018	233,801
Amort - 7 Year	186,463	7 Yr	8,268	7 Yr	8,268	0
Total Scherer	<u>233,987,346</u>		<u>4,450,485</u>		<u>4,684,286</u>	<u>233,801</u>
Scholz Plant	31,074,395	4.2%	1,305,125	7.0%	2,175,208	870,083
Amort - 5 Year (Fully Amortized)	71,300	5 Yr	0	5 Yr	0	0
Amort - 7 Year	174,495	7 Yr	20,388	7 Yr	20,388	0
Total Scholz	<u>31,320,190</u>		<u>1,325,513</u>		<u>2,195,596</u>	<u>870,083</u>
Smith Plant	170,587,642	2.5%	4,264,691	3.3%	5,629,392	1,364,701
Amort - 5 Year	115,832	5 Yr	4,577	5 Yr	4,577	0
Amort - 7 Year	1,029,933	7 Yr	153,610	7 Yr	153,610	0
Total Smith	<u>171,733,407</u>		<u>4,422,878</u>		<u>5,787,579</u>	<u>1,364,701</u>
Total Steam Prod Excl Dismantlement	<u>1,814,236,861</u>		<u>54,132,553</u>		<u>58,116,025</u>	<u>3,983,472</u>
Steam Prod Dismantlement						
Crist			2,659,829		6,153,381	3,493,552
Daniel			754,764		598,065	(156,699)
Scherer			107,319		76,722	(30,597)
Scholz			521,738		1,005,669	483,931
Smith			950,810		1,206,414	255,604
Total Steam Production Dismantlement			<u>4,994,460</u>		<u>9,040,251</u>	<u>4,045,791</u>
Other Prod Excl Dismantlement						
Smith CT	4,963,481	0.4%	19,854	3.2%	158,831	138,977
Pace ("Pea Ridge")	10,481,920	5.0%	524,096	5.0%	524,096	0
Smith CC	187,471,269	3.1%	5,811,609	3.2%	5,999,081	187,472
Total Other Prod Excl Dismantlement	<u>202,916,670</u>		<u>6,355,559</u>		<u>6,682,008</u>	<u>326,449</u>
Other Prod Dismantlement						
Smith CT			4,612		3,246	(1,366)
Pace ("Pea Ridge")			6,102		17,307	11,205
Smith CC			234,069		262,635	28,566
Total Other Production Dismantlement			<u>244,783</u>		<u>283,188</u>	<u>38,405</u>

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Transmission Plant						
Easements	12,707,117	1.7%	216,021	1.9%	241,435	25,414
Structures and Improvements	8,426,310	2.3%	193,805	2.1%	176,953	(16,852)
Station Equipment	100,888,004	2.2%	2,219,536	2.3%	2,320,424	100,888
Towers and Fixtures	38,868,886	2.3%	893,984	2.2%	855,115	(38,869)
Poles and Fixtures	76,122,945	4.1%	3,121,041	3.6%	2,740,426	(380,615)
Overhead Conductors and Devices	63,854,916	2.6%	1,660,228	2.5%	1,596,373	(63,855)
Underground Conductors	14,094,502	2.2%	310,079	2.1%	295,985	(14,094)
Roads and Trails	61,447	2.2%	1,352	1.4%	860	(492)
Total Transmission Plant	315,024,127		8,616,046		8,227,571	(388,475)
Distribution Plant						
Easements	204,176	(A)	(A)	2.0%	4,084	4,084
Structures and Improvements	16,745,219	2.3%	385,140	2.1%	351,650	(33,490)
Station Equipment	159,050,636	2.4%	3,817,215	2.2%	3,499,114	(318,101)
Poles, Towers, and Fixtures	119,993,792	5.4%	6,479,665	5.0%	5,999,690	(479,975)
Overhead Conductors and Devices	118,489,613	2.8%	3,317,709	3.1%	3,673,178	355,469
Underground Conduit	1,217,455	1.4%	17,044	1.3%	15,827	(1,217)
Underground Conductors	111,391,188	3.3%	3,675,909	3.4%	3,787,300	111,391
Line Transformers	208,399,324	4.2%	8,752,772	3.8%	7,919,174	(833,598)
Overhead Services	49,215,768	3.7%	1,820,983	3.8%	1,870,199	49,216
Underground Services	41,248,654	2.4%	989,968	2.6%	1,072,465	82,497
Service Entrances - House Power Panels	1,666,102	2.6%	43,319	2.3%	38,320	(4,999)
Meters	51,269,486	2.8%	1,435,546	2.4%	1,230,468	(205,078)
Street Lighting	56,904,426	5.1%	2,902,126	4.9%	2,788,317	(113,809)
Total Distribution Plant	935,795,839		33,637,396		32,249,785	(1,387,611)
General Plant						
Structures and Improvements	64,301,502	2.3%	1,478,935	2.4%	1,543,236	64,301
Power Operated Equipment	593,660	4.9%	29,089	4.2%	24,934	(4,155)
Communications Equipment	18,363,156	4.7%	863,068	5.2%	954,884	91,816
Transportation Equipment						
Light Trucks	5,939,851	8.3%	493,008	10.0%	593,985	100,977
Heavy Trucks	19,768,862	7.2%	1,423,358	9.7%	1,917,580	494,222
Trailers	1,069,871	4.6%	49,214	4.5%	48,144	(1,070)
Total Transportation Equipment	26,778,584		1,965,580		2,559,709	594,129
Total Depreciable General Plant	110,036,902		4,336,672		5,082,763	746,091
Total Depreciable Excl Dismantlement	3,378,010,399		107,078,226		110,358,153	3,279,927

(A) Land Rights were added subsequent to the 2005 Study.

General Plant Amortization (Estimated 2009)

Office Furniture & Equipment

Furniture/Non-Computer	2,595,115	7 Yr	359,255	7 Yr	359,255	0
Computer Equipment	3,968,040	5 Yr	584,293	5 Yr	584,293	0
Total Office Furn & Equip	<u>6,563,155</u>		<u>943,548</u>		<u>943,548</u>	<u>0</u>

Auxiliary General Equipment

Marine Equipment	58,760	5 Yr	0	5 Yr	0	0
Stores Equipment	796,336	7 Yr	96,019	7 Yr	96,019	0
Tools, Shop & Garage Equipment	1,502,347	7 Yr	262,973	7 Yr	262,973	0
Laboratory Equipment	3,364,133	7 Yr	358,162	7 Yr	358,162	0
Communications Equipment	3,010,141	7 Yr	258,466	7 Yr	258,466	0
Miscellaneous Equipment	4,352,298	7 Yr	283,511	7 Yr	283,511	0
Total Auxiliary General Equipment	<u>13,084,015</u>		<u>1,259,131</u>		<u>1,259,131</u>	<u>0</u>

Total Amortizable General	<u>19,647,170</u>		<u>2,202,679</u>		<u>2,202,679</u>	<u>0</u>
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Total Depreciable & Amortizable General Plant	<u>129,684,072</u>		<u>6,539,351</u>		<u>7,285,442</u>	<u>746,091</u>
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All Property

Total Depreciable and Amortizable Property	<u>3,397,657,569</u>		<u>109,280,905</u>		<u>112,560,832</u>	<u>3,279,927</u>
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Total Dismantlement			<u>5,239,243</u>		<u>9,323,439</u>	<u>4,084,196</u>
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Total Depreciable, Amortizable & Dismantlement	<u>3,397,657,569</u>		<u>114,520,148</u>		<u>121,884,271</u>	<u>7,364,123</u>
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GULF POWER COMPANY
ELECTRIC PLANT IN SERVICE
ACTUAL: DECEMBER, 2009

Sheet 1 of 3

		Balance First of Year	Additions	Retirements	Adjustments	Transfers	Balance End of Year
INTANGIBLE:							
Organization	301	7,417.45	187,397.14	0.00	0.00	0.00	194,814.59
Franchises and Consents	302	594.15	0.00	0.00	0.00	0.00	594.15
TOTAL INTANGIBLE:		<u>8,011.60</u>	<u>187,397.14</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>195,408.74</u>
STEAM PRODUCTION:							
DANIEL PLANT:							
Plant		241,955,417.19	1,211,340.46	(2,963,537.41)	0.00	0.00	240,203,220.24
Land		967,300.94	2,916,746.49	0.00	0.00	0.00	3,884,047.43
Easements		77,160.27	0.00	0.00	0.00	0.00	77,160.27
Cooling Lake, 23 Year		8,954,191.92	0.00	0.00	0.00	0.00	8,954,191.92
Rail Track System		2,741,618.37	0.00	0.00	0.00	0.00	2,741,618.37
Asset Retirement Obligation		2,020,605.65	0.00	0.00	0.00	0.00	2,020,605.65
TOTAL DANIEL PLANT:		<u>256,716,294.34</u>	<u>4,128,086.95</u>	<u>(2,963,537.41)</u>	<u>0.00</u>	<u>0.00</u>	<u>257,880,843.88</u>
CRIST PLANT:							
Plant		586,948,026.16	536,552,301.56	(13,683,976.79)	0.00	0.00	1,109,816,350.93
Land		6,023,266.27	4,203.66	0.00	0.00	0.00	6,027,469.93
Easements		0.00	5,102.76	0.00	0.00	0.00	5,102.76
Base Coal, 5 Year		141,840.00	0.00	0.00	0.00	0.00	141,840.00
- 5 Year		27,486.31	50,256.59	(2,837.50)	0.00	0.00	74,905.40
- 7 Year		4,181,291.03	931,021.91	(623,452.90)	0.00	0.00	4,488,860.04
Asset Retirement Obligation		1,206,809.08	224,426.31	(57,818.66)	0.00	0.00	1,373,416.73
TOTAL CRIST PLANT:		<u>598,528,718.85</u>	<u>537,767,312.79</u>	<u>(14,368,085.85)</u>	<u>0.00</u>	<u>0.00</u>	<u>1,121,927,945.79</u>
SCHOLZ PLANT:							
Plant		30,943,847.64	168,028.48	(37,481.42)	0.00	0.00	31,074,394.70
Land		44,578.61	0.00	0.00	0.00	0.00	44,578.61
Base Coal, 5 Year		71,300.00	0.00	0.00	0.00	0.00	71,300.00
- 5 Year		0.00	0.00	0.00	0.00	0.00	0.00
- 7 Year		175,034.68	(539.50)	0.00	0.00	0.00	174,495.18
Asset Retirement Obligation		350,800.41	0.00	(3,265.39)	0.00	0.00	347,535.02
TOTAL SCHOLZ PLANT:		<u>31,585,561.34</u>	<u>167,488.98</u>	<u>(40,746.81)</u>	<u>0.00</u>	<u>0.00</u>	<u>31,712,303.51</u>
SMITH PLANT:							
Plant		164,847,876.52	6,643,605.89	(903,840.69)	0.00	0.00	170,587,641.72
Land		1,363,923.52	0.00	0.00	0.00	0.00	1,363,923.52
Base Coal, 5 Year		108,300.00	0.00	0.00	0.00	0.00	108,300.00
- 5 Year		27,350.98	3,066.80	(22,885.67)	0.00	0.00	7,532.11
- 7 Year		1,378,771.67	71,447.15	(420,285.43)	0.00	0.00	1,029,933.39
Asset Retirement Obligation		514,683.40	0.00	(42,711.24)	0.00	0.00	471,972.16
TOTAL SMITH PLANT:		<u>168,240,906.09</u>	<u>6,718,119.84</u>	<u>(1,389,723.03)</u>	<u>0.00</u>	<u>0.00</u>	<u>173,569,302.90</u>
SCHERER PLANT:							
Plant		183,285,567.62	52,720,662.78	(2,205,347.19)	0.00	0.00	233,800,883.21
Land		826,259.26	21,798.53	0.00	(1,297.05)	0.00	846,760.74
- 7 Year		74,836.86	114,962.97	(3,337.08)	0.00	0.00	186,462.75
Asset Retirement Obligation		122,717.22	0.00	0.00	0.00	0.00	122,717.22
TOTAL SCHERER PLANT:		<u>184,309,380.96</u>	<u>52,857,424.28</u>	<u>(2,208,684.27)</u>	<u>(1,297.05)</u>	<u>0.00</u>	<u>234,956,823.92</u>
TOTAL STEAM PRODUCTION:		<u>1,239,380,861.58</u>	<u>601,638,432.84</u>	<u>(20,970,777.37)</u>	<u>(1,297.05)</u>	<u>0.00</u>	<u>1,820,047,220.00</u>

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GULF POWER COMPANY
ELECTRIC PLANT IN SERVICE
ACTUAL: DECEMBER, 2009

Sheet 2 of 3

		Balance First of Year	Additions	Retirements	Adjustments	Transfers	Balance End of Year
OTHER PRODUCTION:							
LAND - NON-DEPRECIABLE:							
Land - Non-Depreciable	340	337,695.94	0.00	0.00	0.00	0.00	337,695.94
TOTAL LAND - NON-DEPRECIABLE:		<u>337,695.94</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>337,695.94</u>
SMITH PLANT CT:							
Structures and Improvements	341	793,362.37	0.00	0.00	0.00	0.00	793,362.37
Fuel Holders and Accessories	342	513,015.22	0.00	0.00	0.00	0.00	513,015.22
Prime Movers	343	83,106.40	0.00	0.00	0.00	0.00	83,106.40
Generators	344	3,438,921.35	0.00	0.00	0.00	0.00	3,438,921.35
Accessory Electric Equipment	345	126,272.91	0.00	0.00	0.00	0.00	126,272.91
Miscellaneous Equipment	346	8,802.52	0.00	0.00	0.00	0.00	8,802.52
TOTAL SMITH PLANT CT:		<u>4,963,480.77</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,963,480.77</u>
SMITH PLANT UNIT 3 COMBINED CYCLE:							
Structures and Improvements	341	11,453,414.91	373,197.12	(113,762.94)	0.00	0.00	11,712,849.09
Fuel Holders and Accessories	342	2,913,767.34	28,696.01	0.00	0.00	0.00	2,942,463.35
Prime Movers	343	94,143,828.40	(21,218.11)	(61,960.64)	0.00	0.00	94,060,649.65
Generators	344	67,013,353.99	29,795.27	(1,806.14)	0.00	0.00	67,041,343.12
Accessory Electric Equipment	345	10,983,321.09	19,838.16	0.00	0.00	0.00	11,003,159.25
Miscellaneous Equipment	346	710,804.30	0.00	0.00	0.00	0.00	710,804.30
TOTAL SMITH PLANT UNIT 3 COMBINED CYCLE:		<u>187,218,490.03</u>	<u>430,308.45</u>	<u>(177,529.72)</u>	<u>0.00</u>	<u>0.00</u>	<u>187,471,268.76</u>
PACE PLANT:							
Prime Movers	343	6,790,595.44	0.00	0.00	0.00	0.00	6,790,595.44
Generators	344	3,107,233.23	0.00	0.00	0.00	0.00	3,107,233.23
Accessory Electric Equipment	345	584,090.42	0.00	0.00	0.00	0.00	584,090.42
Miscellaneous Equipment	346	0.00	0.00	0.00	0.00	0.00	0.00
Asset Retirement Obligation	347	397,194.35	0.00	0.00	0.00	0.00	397,194.35
TOTAL PACE PLANT:		<u>10,879,113.44</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,879,113.44</u>
TOTAL OTHER PRODUCTION:		<u>203,398,780.18</u>	<u>430,308.45</u>	<u>(177,529.72)</u>	<u>0.00</u>	<u>0.00</u>	<u>203,651,558.91</u>
TOTAL PRODUCTION:		<u>1,442,779,641.76</u>	<u>602,068,741.29</u>	<u>(21,148,307.09)</u>	<u>(1,297.05)</u>	<u>0.00</u>	<u>2,023,698,778.91</u>
TRANSMISSION:							
Land	350.0	2,270,399.22	1.40	0.00	0.00	(4,915.48)	2,265,485.14
Easements	350.2	12,647,665.29	53,081.51	0.00	6,369.73	0.00	12,707,116.53
Structures and Improvements	352	8,346,542.74	211,486.62	(921.14)	0.00	(130,797.84)	8,426,310.38
Station Equipment	353	97,865,003.42	5,837,647.48	(2,047,094.38)	0.00	(767,552.10)	100,888,004.42
Towers and Fixtures	354	37,945,127.99	1,438,335.78	(13,427.37)	0.00	(501,150.60)	38,868,885.80
Poles and Fixtures	355	70,906,224.10	6,671,200.53	(560,900.57)	0.00	(893,578.74)	76,122,945.32
Overhead Conductors & Devices	356	61,084,181.37	1,835,360.79	(466,843.66)	0.00	1,402,217.45	63,854,915.95
Underground Conductors & Devices	358	14,094,502.43	0.00	0.00	0.00	0.00	14,094,502.43
Roads and Trails	359	61,446.61	0.00	0.00	0.00	0.00	61,446.61
Asset Retirement Obligation	359.1	7,860.77	0.00	0.00	0.00	0.00	7,860.77
TOTAL TRANSMISSION:		<u>305,228,953.94</u>	<u>16,047,114.11</u>	<u>(3,089,187.12)</u>	<u>6,369.73</u>	<u>(895,777.31)</u>	<u>317,297,473.35</u>

GULF POWER COMPANY
ELECTRIC PLANT IN SERVICE
ACTUAL: DECEMBER, 2009

Sheet 3 of 3

		Balance First of Year	Additions	Retirements	Adjustments	Transfers	Balance End of Year
DISTRIBUTION:							
Land	360.0	2,491,470.89	83,026.26	0.00	(20,743.84)	0.00	2,553,753.31
Easements	360.2	204,175.64	0.00	0.00	0.00	0.00	204,175.64
Structures and Improvements	361	15,480,941.17	1,318,287.14	(54,009.29)	0.00	0.00	16,745,219.02
Station Equipment	362	149,588,918.19	10,627,063.47	(1,272,952.31)	0.00	107,607.05	159,050,636.40
Poles, Towers & Fixtures	364	114,389,597.81	6,559,068.79	(954,874.69)	0.00	0.00	119,993,791.91
Overhead Conductors & Devices	365	115,818,580.49	4,089,858.38	(671,569.75)	0.00	(747,256.09)	118,489,613.03
Underground Conduit	366	1,217,455.00	0.00	0.00	0.00	0.00	1,217,455.00
Underground Conductors & Devices	367	106,833,192.22	4,337,483.00	(526,743.05)	0.00	747,256.09	111,391,188.26
Line Transformers	368	200,184,624.34	10,956,476.21	(2,765,404.48)	(769.05)	24,397.16	208,399,324.18
Services:							
- Overhead	369.1	48,092,720.50	1,284,127.58	(161,080.07)	0.00	0.00	49,215,768.01
- Underground	369.2	40,047,031.12	1,308,068.05	(106,444.80)	0.00	0.00	41,248,654.37
- House Power Panel	369.3	1,962,386.87	0.00	(296,285.04)	0.00	0.00	1,666,101.83
Meters	370	48,773,807.19	4,228,351.61	(1,732,673.04)	0.00	0.00	51,269,485.76
Street Lighting & Signal Systems	373	55,664,375.49	2,294,258.21	(1,054,207.77)	0.00	0.00	56,904,425.93
Asset Retirement Obligation	374	43,465.35	0.00	0.00	0.00	0.00	43,465.35
TOTAL DISTRIBUTION:		<u>900,792,742.27</u>	<u>47,086,068.70</u>	<u>(9,596,244.29)</u>	<u>(21,512.89)</u>	<u>132,004.21</u>	<u>938,393,058.00</u>
GENERAL PLANT:							
Land	389.0	6,853,413.04	0.00	0.00	0.00	4,915.48	6,858,328.52
Structures and Improvements	390	61,105,302.68	2,762,316.90	(324,974.91)	0.00	758,857.62	64,301,502.29
Office Furniture & Equipment:							
- Computer, 5 Year	391	4,308,858.95	168,082.46	(713,582.71)	0.00	204,681.06	3,968,039.76
- Non-Computer, 7 Year	391	2,802,091.86	439,272.50	(441,567.98)	0.00	(204,681.06)	2,595,115.32
Transportation Equipment:							
- Automobiles	392.1	0.00	0.00	0.00	0.00	0.00	0.00
- Light Trucks	392.2	5,974,466.57	258,746.93	(293,362.27)	0.00	0.00	5,939,851.23
- Heavy Trucks	392.3	19,028,443.69	1,194,101.07	(453,682.18)	0.00	0.00	19,768,862.58
- Trailers	392.4	1,111,387.40	0.00	(41,515.94)	0.00	0.00	1,069,871.46
- Marine, 5 Year	392	69,611.71	0.00	(10,851.87)	0.00	0.00	58,759.84
Stores Equipment - 7 Year	393	673,034.75	190,336.38	(67,036.59)	0.00	0.00	796,334.54
Tools, Shop & Garage Equip. - 7 Year	394	2,481,908.48	170,924.15	(1,150,486.18)	0.00	0.00	1,502,346.45
Laboratory Equipment - 7 Year	395	2,971,302.83	396,894.59	(4,064.01)	0.00	0.00	3,364,133.41
Power Operated Equipment	396	593,660.89	0.00	0.00	0.00	0.00	593,660.89
Communication Equipment:							
- Other	397	17,913,967.91	2,248,413.47	(1,799,224.98)	0.00	0.00	18,363,156.40
- 7 Year	397	2,639,442.50	413,655.27	(42,956.30)	0.00	0.00	3,010,141.47
Miscellaneous Equipment - 7 Year	398	4,005,879.11	530,262.83	(183,844.07)	0.00	0.00	4,352,297.87
Asset Retirement Obligation	399.1	196,570.68	0.00	0.00	0.00	0.00	196,570.68
TOTAL GENERAL:		<u>132,729,343.05</u>	<u>8,773,006.55</u>	<u>(5,527,149.99)</u>	<u>0.00</u>	<u>763,773.10</u>	<u>136,738,972.71</u>
TOTAL ELECTRIC PLANT-IN-SERVICE:		<u>2,781,538,692.62</u>	<u>674,162,327.79</u>	<u>(39,360,888.49)</u>	<u>(16,440.21)</u>	<u>0.00</u>	<u>3,416,323,691.71</u>

**GULF POWER COMPANY
ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION
ACTUAL: DECEMBER, 2009**

	Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage and Other Credits	Transfers and Adjustments	Balance End of Year
STEAM PRODUCTION:							
DANIEL PLANT:							
Plant	115,358,661.44	7,477,977.41	(2,963,537.41)	(1,970,629.87)	72,964.00	0.00	117,975,435.57
Easements	53,295.24	848.76	0.00	0.00	0.00	0.00	54,144.00
Cooling Lake, 23 Year	8,954,191.92	0.00	0.00	0.00	0.00	0.00	8,954,191.92
Rail Track System	1,946,968.40	27,416.16	0.00	0.00	0.00	0.00	1,974,384.56
Dismantlement - Fixed	16,464,536.08	738,048.00	0.00	0.00	0.00	0.00	17,202,584.08
Asset Retirement Obligation	1,665,812.96	19,721.83	0.00	0.00	0.00	0.00	1,685,334.79
TOTAL DANIEL PLANT:	144,443,266.04	8,264,012.16	(2,963,537.41)	(1,970,629.87)	72,964.00	0.00	147,846,074.92
CRIST PLANT:							
Plant	216,251,354.27	19,058,088.16	(13,683,976.79)	(3,265,686.42)	70,464.06	691,275.79	219,121,519.07
Easements	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Base Coal, 5 Year	141,840.00	0.00	0.00	0.00	0.00	0.00	141,840.00
- 5 Year	8,136.72	4,929.82	(2,837.50)	0.00	0.00	0.00	10,229.04
- 7 Year	2,108,160.42	545,093.08	(623,452.90)	0.00	0.00	0.00	2,029,800.60
Dismantlement - Fixed	50,905,745.73	2,339,405.04	0.00	0.00	0.00	(691,275.79)	52,553,874.98
Asset Retirement Obligation	755,925.89	109,906.52	(57,818.66)	0.00	0.00	0.00	808,013.55
TOTAL CRIST PLANT:	270,171,162.83	22,057,422.62	(14,368,085.85)	(3,265,686.42)	70,464.06	0.00	274,665,277.24
SCHOLZ PLANT:							
Plant	27,492,166.38	1,301,788.41	(37,481.42)	(36,995.63)	0.00	0.00	28,719,477.74
Base Coal, 5 Year	71,300.00	0.00	0.00	0.00	0.00	0.00	71,300.00
- 5 Year	0.00	(6,020.13)	0.00	0.00	0.00	0.00	(6,020.13)
- 7 Year	66,842.55	16,165.50	0.00	0.00	0.00	0.00	83,008.05
Dismantlement - Fixed	10,438,695.19	463,706.04	0.00	0.00	0.00	0.00	10,902,401.23
Asset Retirement Obligation	323,389.43	9,136.96	(3,265.39)	0.00	0.00	0.00	329,261.00
TOTAL SCHOLZ PLANT:	38,392,393.55	1,784,776.78	(40,746.81)	(36,995.63)	0.00	0.00	40,099,427.89
SMITH PLANT:							
Plant	65,729,443.67	4,194,906.88	(903,840.69)	(243,343.19)	0.00	0.00	68,777,166.67
Base Coal, 5 Year	108,300.00	0.00	0.00	0.00	0.00	0.00	108,300.00
- 5 Year	22,674.00	1,104.71	(22,885.67)	0.00	0.00	0.00	893.04
- 7 Year	608,686.40	182,509.80	(420,285.43)	0.00	0.00	0.00	370,910.77
Dismantlement - Fixed	17,155,584.47	700,730.04	0.00	0.00	0.00	0.00	17,856,314.51
Asset Retirement Obligation	375,611.35	4,795.44	(42,711.24)	0.00	0.00	0.00	337,695.55
TOTAL SMITH PLANT:	84,000,299.89	5,084,046.87	(1,389,723.03)	(243,343.19)	0.00	0.00	87,451,280.54
SCHERER PLANT:							
Plant	90,881,145.47	4,270,353.37	(2,205,347.19)	(31,388.77)	72,910.85	0.00	92,987,673.73
- 7 Year	20,762.76	10,690.80	(3,337.08)	0.00	0.00	0.00	28,116.48
Dismantlement - Fixed	4,640,809.96	107,319.00	0.00	0.00	0.00	0.00	4,748,128.96
Asset Retirement Obligation	53,091.10	1,790.28	0.00	224.00	0.00	0.00	55,105.38
TOTAL SCHERER PLANT:	95,595,809.29	4,380,153.45	(2,208,684.27)	(31,164.77)	72,910.85	0.00	97,819,024.55
TOTAL STEAM PRODUCTION:	632,602,931.60	41,580,411.88	(20,970,777.37)	(5,547,819.88)	216,338.91	0.00	647,881,085.14

**GULF POWER COMPANY
ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION
ACTUAL: DECEMBER, 2009**

		Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage and Other Credits	Transfers and Adjustments	Balance End of Year
OTHER PRODUCTION:								
SMITH PLANT CT:								
Structures and Improvements	341	631,856.33	3,173.40	0.00	0.00	0.00	0.00	635,029.73
Fuel Holders and Accessories	342	238,531.62	2,052.12	0.00	0.00	0.00	0.00	240,583.74
Prime Movers	343	65,122.65	332.40	0.00	0.00	0.00	0.00	65,455.05
Generators	344	2,702,526.37	13,755.72	0.00	0.00	0.00	0.00	2,716,282.09
Accessory Electric Equipment	345	101,410.15	505.08	0.00	0.00	0.00	0.00	101,915.23
Miscellaneous Equipment	346	4,552.19	35.16	0.00	0.00	0.00	0.00	4,587.35
Dismantlement - Fixed		<u>159,135.61</u>	<u>4,611.96</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>163,747.57</u>
TOTAL SMITH PLANT CT:		<u>3,903,134.92</u>	<u>24,465.84</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,927,600.76</u>
SMITH PLANT UNIT 3 COMBINED CYCLE:								
Structures and Improvements	341	3,035,655.00	353,933.54	(113,762.94)	(175,260.98)	0.00	0.00	3,100,564.62
Fuel Holders and Accessories	342	834,911.47	90,326.76	0.00	(10,348.52)	0.00	0.00	914,889.71
Prime Movers	343	(6,148,075.10)	2,916,092.60	(61,960.64)	(1,867.87)	0.00	0.00	(3,295,811.01)
Generators	344	12,129,248.15	2,078,096.99	(1,806.14)	0.00	0.00	0.00	14,205,539.00
Accessory Electric Equipment	345	2,711,907.69	340,482.96	0.00	(74,662.36)	0.00	0.00	2,977,728.29
Miscellaneous Equipment	346	136,161.76	22,034.88	0.00	(10,472.12)	0.00	0.00	147,724.52
Dismantlement - Fixed		<u>1,672,884.00</u>	<u>234,069.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,906,953.00</u>
TOTAL SMITH PLANT UNIT 3 COMBINED CYCLE:		<u>14,372,692.97</u>	<u>6,035,036.73</u>	<u>(177,529.72)</u>	<u>(272,611.85)</u>	<u>0.00</u>	<u>0.00</u>	<u>19,957,588.13</u>
PACE PLANT:								
Prime Movers	343	3,578,396.90	339,529.80	0.00	0.00	0.00	0.00	3,917,926.70
Generators	344	1,637,399.40	155,361.72	0.00	0.00	0.00	0.00	1,792,761.12
Accessory Electric Equipment	345	307,305.76	29,204.52	0.00	0.00	0.00	0.00	336,510.28
Asset Retirement Obligation	347	210,182.19	19,859.69	0.00	0.00	0.00	0.00	230,041.88
Dismantlement - Fixed		<u>(14,254.00)</u>	<u>(1,098.00)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(15,352.00)</u>
TOTAL PACE PLANT:		<u>5,719,030.25</u>	<u>542,857.73</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,261,887.98</u>
TOTAL OTHER PRODUCTION:		<u>23,994,858.14</u>	<u>6,602,360.30</u>	<u>(177,529.72)</u>	<u>(272,611.85)</u>	<u>0.00</u>	<u>0.00</u>	<u>30,147,076.87</u>
TOTAL PRODUCTION:		<u>656,597,789.74</u>	<u>48,182,772.18</u>	<u>(21,148,307.09)</u>	<u>(5,820,431.73)</u>	<u>216,338.91</u>	<u>0.00</u>	<u>678,028,162.01</u>
TRANSMISSION:								
Land	350.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Easements	350.2	5,571,057.04	215,842.85	0.00	0.00	139,000.00	0.00	5,925,899.89
Structures and Improvements	352	2,650,861.38	191,332.49	(921.14)	0.00	0.00	(68,747.91)	2,772,524.82
Station Equipment	353	25,121,849.04	2,189,232.80	(2,047,094.38)	(146,025.08)	23,221.91	(363,574.14)	24,777,410.15
Towers and Fixtures	354	22,022,552.10	882,737.57	(13,427.37)	(96,589.57)	0.00	(60,500.75)	22,734,771.98
Poles and Fixtures	355	22,675,018.85	2,997,140.04	(560,900.57)	(1,001,740.67)	0.00	20,028.86	24,129,546.51
Overhead Conductors & Devices	356	21,740,038.03	1,608,886.62	(466,843.66)	(80,745.42)	0.00	41,706.33	22,843,041.90
Underground Conductors & Devices	358	6,038,975.61	310,079.04	0.00	0.00	0.00	0.00	6,349,054.65
Roads and Trails	359	27,551.19	1,351.80	0.00	0.00	0.00	0.00	28,902.99
Asset Retirement Obligation	359.1	3,983.16	143.04	0.00	0.00	0.00	0.00	4,126.20
TOTAL TRANSMISSION:		<u>105,851,686.40</u>	<u>8,396,746.25</u>	<u>(3,089,187.12)</u>	<u>(1,325,100.74)</u>	<u>162,221.91</u>	<u>(431,087.61)</u>	<u>109,565,279.09</u>

GULF POWER COMPANY
ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION
ACTUAL: DECEMBER, 2009

		Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage and Other Credits	Transfers and Adjustments	Balance End of Year
DISTRIBUTION:								
Easements	360.2	8,574.06	4,083.48	0.00	0.00	0.00	0.00	12,657.54
Structures and Improvements	361	5,735,680.45	363,527.00	(54,009.29)	(81,930.74)	0.00	0.00	5,963,267.42
Station Equipment	362	47,406,183.97	3,668,892.10	(1,272,952.31)	(216,094.82)	45,117.67	(13,894.93)	49,617,251.68
Poles, Towers & Fixtures	364	61,132,972.87	6,303,729.40	(954,874.69)	(1,178,477.28)	23,121.95	0.00	65,326,472.25
Overhead Conductors & Devices	365	40,381,593.31	3,282,966.04	(671,569.75)	(479,002.11)	168,888.68	(346,583.01)	42,336,293.16
Underground Conduit	366	770,682.22	17,044.32	0.00	0.00	0.00	0.00	787,726.54
Underground Conductors & Devices	367	32,971,192.62	3,578,010.93	(526,743.05)	(125,755.17)	31,545.72	346,583.01	36,274,834.06
Line Transformers	368	77,793,913.63	8,553,204.11	(2,765,404.48)	(1,124,548.40)	157,690.77	18,449.90	82,633,305.53
Services:								
- Overhead	369.1	25,014,536.98	1,799,776.55	(161,080.07)	(230,140.44)	15,401.30	0.00	26,438,494.32
- Underground	369.2	11,575,847.58	976,206.41	(106,444.80)	(15,898.49)	0.00	0.00	12,429,710.70
- House Power Panel	369.3	1,677,417.10	50,380.13	(296,285.04)	0.00	0.00	0.00	1,431,512.19
Meters	370	14,561,511.00	1,384,137.77	(1,732,673.04)	(274,373.09)	740,516.29	0.00	14,679,118.93
Street Lighting & Signal Systems	373	22,476,226.29	2,860,856.20	(1,054,207.77)	(331,271.55)	13,009.88	0.00	23,964,613.05
Asset Retirement Obligation	374	21,351.48	1,005.18	0.00	0.00	0.00	0.00	22,356.66
TOTAL DISTRIBUTION:		<u>341,527,683.56</u>	<u>32,843,819.62</u>	<u>(9,596,244.29)</u>	<u>(4,057,492.09)</u>	<u>1,195,292.26</u>	<u>4,554.97</u>	<u>361,917,614.03</u>
GENERAL PLANT:								
Structures and Improvements	390	20,828,991.39	1,442,463.71	(324,974.91)	(60,718.98)	0.00	426,532.64	22,312,293.85
Office Furniture & Equipment:								
- Computer, 5 Year	391	1,508,888.55	739,718.95	(713,582.71)	0.00	0.00	4,873.36	1,539,898.15
- Non-Computer, 7 Year	391	1,416,535.32	361,523.51	(441,567.98)	0.00	0.00	(4,873.36)	1,331,617.49
Transportation Equipment:								
- Automobiles	392.1	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Light Trucks	392.2	2,531,376.06	482,938.00	(293,362.27)	0.00	21,377.48	0.00	2,742,329.27
- Heavy Trucks	392.3	6,737,324.44	1,361,264.60	(453,682.18)	0.00	39,642.01	0.00	7,684,548.87
- Trailers	392.4	583,322.81	50,004.94	(41,515.94)	0.00	0.00	0.00	591,811.81
- Marine, 5 Year	392	34,365.92	13,922.40	(10,851.87)	0.00	0.00	0.00	37,436.45
Stores Equipment - 7 Year	393	260,472.44	96,147.84	(67,036.59)	0.00	0.00	0.00	289,583.69
Tools, Shop & Garage Equip. - 7 Year	394	1,464,863.56	284,203.96	(1,150,486.18)	0.00	0.00	0.00	598,581.34
Laboratory Equipment - 7 Year	395	1,515,404.94	423,890.88	(4,064.01)	0.00	0.00	0.00	1,935,231.81
Power Operated Equipment	396	342,879.75	29,089.44	0.00	0.00	0.00	0.00	371,969.19
Communication Equipment:								
- Other	397	10,167,495.76	848,365.71	(1,799,224.98)	(130,704.32)	8,648.32	0.00	9,094,580.49
- 7 Year	397	802,296.17	370,926.24	(42,956.30)	0.00	0.00	0.00	1,130,266.11
Miscellaneous Equipment - 7 Year	398	1,414,259.27	546,004.68	(183,844.07)	0.00	0.00	0.00	1,776,419.88
Asset Retirement Obligation	399.1	103,365.79	4,052.52	0.00	0.00	0.00	0.00	107,418.31
TOTAL GENERAL:		<u>49,711,842.17</u>	<u>7,054,517.38</u>	<u>(5,527,149.99)</u>	<u>(191,423.30)</u>	<u>69,667.81</u>	<u>426,532.64</u>	<u>51,543,986.71</u>
TOTAL ALL DEPRECIATION AND AMORTIZATION:		<u>1,153,689,001.87</u>	<u>96,477,855.43</u>	<u>(39,360,888.49)</u>	<u>(11,394,447.86)</u>	<u>1,643,520.89</u>	<u>0.00</u>	<u>1,201,055,041.84</u>

*The (6,020.13) in provision represents a depreciation expense adjustment that was booked in error to Scholz 316 - 5YR, instead of the correct group 316 - 7YR. This will be corrected in 2010.

Crist 7 Reheater

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00	4,922,724.91	4,922,724.91	2,461,362.46	0.0390	95,993.14
2003	4,922,724.91		4,922,724.91	4,922,724.91	0.0390	191,986.27
2004	4,922,724.91		4,922,724.91	4,922,724.91	0.0390	191,986.27
2005	4,922,724.91		4,922,724.91	4,922,724.91	0.0390	191,986.27
2006	4,922,724.91		4,922,724.91	4,922,724.91	0.0380	187,063.55
2007	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
2008	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
2009	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
2010	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
2011	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
2012	4,922,724.91		4,922,724.91	4,922,724.91	0.0320	157,527.20
						<u>\$ 1,804,178.70</u>

CRIST 7 STATIC EXCITER AND VOLTAGE REGULATOR

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
1973	0.00	354,661.15	354,661.15	177,330.58	0.0278	4,929.79
1974	354,661.15		354,661.15	354,661.15	0.0266	9,433.99
1975	354,661.15		354,661.15	354,661.15	0.0266	9,433.99
1976	354,661.15		354,661.15	354,661.15	0.0280	9,930.51
1977	354,661.15		354,661.15	354,661.15	0.0280	9,930.51
1978	354,661.15		354,661.15	354,661.15	0.0280	9,930.51
1979	354,661.15		354,661.15	354,661.15	0.0364	12,909.67
1980	354,661.15		354,661.15	354,661.15	0.0364	12,909.67
1981	354,661.15		354,661.15	354,661.15	0.0364	12,909.67
1982	354,661.15		354,661.15	354,661.15	0.0364	12,909.67
1983	354,661.15		354,661.15	354,661.15	0.0364	12,909.67
1984	354,661.15		354,661.15	354,661.15	0.0290	10,285.17
1985	354,661.15		354,661.15	354,661.15	0.0290	10,285.17
1986	354,661.15		354,661.15	354,661.15	0.0290	10,285.17
1987	354,661.15		354,661.15	354,661.15	0.0290	10,285.17
1988	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1989	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1990	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1991	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1992	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1993	354,661.15		354,661.15	354,661.15	0.0360	12,767.80
1994	354,661.15		354,661.15	354,661.15	0.0270	9,575.85
1995	354,661.15		354,661.15	354,661.15	0.0270	9,575.85
1996	354,661.15		354,661.15	354,661.15	0.0270	9,575.85
1997	354,661.15		354,661.15	354,661.15	0.0270	9,575.85
1998	354,661.15		354,661.15	354,661.15	0.0350	12,413.14
1999	354,661.15		354,661.15	354,661.15	0.0350	12,413.14
2000	354,661.15		354,661.15	354,661.15	0.0350	12,413.14
2001	354,661.15		354,661.15	354,661.15	0.0350	12,413.14
2002	354,661.15		354,661.15	354,661.15	0.0390	13,831.78
2003	354,661.15		354,661.15	354,661.15	0.0390	13,831.78
2004	354,661.15		354,661.15	354,661.15	0.0390	13,831.78
2005	354,661.15		354,661.15	354,661.15	0.0390	13,831.78
2006	354,661.15		354,661.15	354,661.15	0.0380	13,477.12
2007	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
2008	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
2009	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
2010	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
2011	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
2012	354,661.15		354,661.15	354,661.15	0.0320	11,349.16
						<u>\$ 460,740.29</u>

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Daniel 1 Turbine Upgrade

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
1977	0.00	2,425,000.00	2,425,000.00	1,212,500.00	0.0320	38,800.00
1978	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1979	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1980	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1981	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1982	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1983	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1984	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1985	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1986	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1987	2,425,000.00		2,425,000.00	2,425,000.00	0.0320	77,600.00
1988	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1989	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1990	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1991	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1992	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1993	2,425,000.00		2,425,000.00	2,425,000.00	0.0340	82,450.00
1994	2,425,000.00		2,425,000.00	2,425,000.00	0.0250	60,625.00
1995	2,425,000.00		2,425,000.00	2,425,000.00	0.0250	60,625.00
1996	2,425,000.00		2,425,000.00	2,425,000.00	0.0250	60,625.00
1997	2,425,000.00		2,425,000.00	2,425,000.00	0.0250	60,625.00
1998	2,425,000.00		2,425,000.00	2,425,000.00	0.0240	58,200.00
1999	2,425,000.00		2,425,000.00	2,425,000.00	0.0240	58,200.00
2000	2,425,000.00		2,425,000.00	2,425,000.00	0.0240	58,200.00
2001	2,425,000.00		2,425,000.00	2,425,000.00	0.0240	58,200.00
2002	2,425,000.00		2,425,000.00	2,425,000.00	0.0280	67,900.00
2003	2,425,000.00		2,425,000.00	2,425,000.00	0.0280	67,900.00
2004	2,425,000.00		2,425,000.00	2,425,000.00	0.0280	67,900.00
2005	2,425,000.00		2,425,000.00	2,425,000.00	0.0280	67,900.00
2006	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00
2007	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00
2008	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00
2009	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00
2010	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00
2011	2,425,000.00		2,425,000.00	2,425,000.00	0.0310	75,175.00

\$ 2,507,450.00

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Smith LTSA

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	2,100,000.00	2,100,000.00	1,050,000.00	0.0310	32,550.00
2010	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2011	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2012	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2013	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
						<u>\$ 292,950.00</u>

Smith LTSA RUC 40

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	7,500,000.00	7,500,000.00	3,750,000.00	0.0310	116,250.00
2010	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2011	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2012	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2013	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
						<u>\$ 1,046,250.00</u>

Smith LTSA RUC 41

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	4,600,000.00	4,600,000.00	2,300,000.00	0.0310	71,300.00
2010	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2011	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2012	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2013	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
						\$ 641,700.00

Smith LTSA RUC 43

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	1,500,000.00	1,500,000.00	750,000.00	0.0310	23,250.00
2010	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2011	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2012	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2013	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
						<u>\$ 209,250.00</u>

Smith LTSA RUC 48

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	1,600,000.00	1,600,000.00	800,000.00	0.0310	24,800.00
2010	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2011	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2012	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2013	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
						<u>\$ 223,200.00</u>

Smith LTSA RUC 35

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	1,925,000.00	1,925,000.00	962,500.00	0.0310	29,837.50
2010	1,925,000.00		1,925,000.00	1,925,000.00	0.0310	59,675.00
2011	1,925,000.00		1,925,000.00	1,925,000.00	0.0310	59,675.00
2012	1,925,000.00		1,925,000.00	1,925,000.00	0.0310	59,675.00
2013	1,925,000.00		1,925,000.00	1,925,000.00	0.0310	59,675.00
						\$ 268,537.50

Smith LTSA RUC 36

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	2,100,000.00	2,100,000.00	1,050,000.00	0.0310	32,550.00
2010	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2011	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2012	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
2013	2,100,000.00		2,100,000.00	2,100,000.00	0.0310	65,100.00
						\$ 292,950.00

Smith LTSA RUC 40

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	7,500,000.00	7,500,000.00	3,750,000.00	0.0310	116,250.00
2010	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2011	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2012	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
2013	7,500,000.00		7,500,000.00	7,500,000.00	0.0310	232,500.00
						\$ 1,046,250.00

Smith LTSA RUC 41

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	4,600,000.00	4,600,000.00	2,300,000.00	0.0310	71,300.00
2010	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2011	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2012	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
2013	4,600,000.00		4,600,000.00	4,600,000.00	0.0310	142,600.00
						\$ 641,700.00

Smith LTSA RUC 43

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	1,500,000.00	1,500,000.00	750,000.00	0.0310	23,250.00
2010	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2011	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2012	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
2013	1,500,000.00		1,500,000.00	1,500,000.00	0.0310	46,500.00
						\$ 209,250.00

Smith LTSA RUC 48

VnYr	Beginning Balance	Addition/ Retirement	Ending Balance	Average Depr Base	Depr Rates	\$ Depreciation
2001						
2002	0.00		0.00	0.00	0.0400	0.00
2003	0.00		0.00	0.00	0.0400	0.00
2004	0.00		0.00	0.00	0.0400	0.00
2005	0.00		0.00	0.00	0.0400	0.00
2006	0.00		0.00	0.00	0.0400	0.00
2007	0.00		0.00	0.00	0.0310	0.00
2008	0.00		0.00	0.00	0.0310	0.00
2009	0.00	1,600,000.00	1,600,000.00	800,000.00	0.0310	24,800.00
2010	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2011	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2012	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
2013	1,600,000.00		1,600,000.00	1,600,000.00	0.0310	49,600.00
						\$ 223,200.00

TOTAL \$ 2,681,887.50

Estimate of AMI Related Investment to Retire (Net Book)
Based on Year end Actual 2009

Year	Estimated Meters To Retire A	Total Meters B	Adjusted Meter Ratio C = A/B	Composite Unit Cost D	Investment To Retire E = A * D	12/31/09 Actual Total Reserve FERC 370 F	Meter Investment Ratio G	Meter Reserve H = F * G	Allocated Meter Reserve I = C * H
2009		467,313							
2010	22,000	445,313	4.7%	\$ 47.38	\$ 1,042,360	\$ 14,679,119	42.65%	6,260,644	\$ 294,736
2011	45,000	400,313	10.1%	\$ 47.38	\$ 2,132,100	\$ 14,679,119	42.65%	6,260,644	\$ 632,654
2012	90,000	310,313	22.5%	\$ 47.38	\$ 4,264,200	\$ 14,679,119	42.65%	6,260,644	\$ 1,407,544
2013	100,000	210,313	32.2%	\$ 47.38	\$ 4,738,000	\$ 14,679,119	42.65%	6,260,644	\$ 2,017,526
	<u>257,000</u>				<u>\$ 12,176,660</u>				<u>\$ 4,352,459</u>

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Actual 2009 Meter Quantity by RUC

1001	391,253
1002	12,297
3001	40,250
3002	23,588
Not Repl	(75)
Total	<u>467,313</u>

Actual 2009 Meter Investment Ratio

Meter Investment in FERC 370	\$ 21,942,609
Meter Investment not Replaced	\$ 75,000
Adjusted Meter Investment	\$ 21,867,609
Total FERC 370 Investment	\$ 51,269,486
Meter Investment to Total	42.65%

Actual 2009 Composite Meter Cost

80%	27.63	22.10
10%	86.64	8.66
8%	144.93	11.59
2%	251.46	5.03
		<u>47.38</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
Unit 4	Labor				
	Total Labor	6,358,000	<u>151,635</u>	<u>155,724</u>	<u>4,089</u>
	Disposal				
	Total Disposal	279,000	<u>10,313</u>	<u>10,547</u>	<u>234</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(1,211,000)</u>	<u>51,337</u>	<u>54,127</u>	<u>2,790</u>
Total Unit 4		<u>5,426,000</u>	<u>213,285</u>	<u>220,398</u>	<u>7,113</u>
Unit 5	Labor				
	Total Labor	6,411,000	<u>147,598</u>	<u>151,919</u>	<u>4,321</u>
	Disposal				
	Total Disposal	301,000	<u>10,664</u>	<u>10,909</u>	<u>245</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(1,211,000)</u>	<u>50,075</u>	<u>52,793</u>	<u>2,718</u>
Total Unit 5		<u>5,501,000</u>	<u>208,337</u>	<u>215,621</u>	<u>7,284</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
Unit 6					
	Labor				
	Total Labor	15,659,000	<u>299,892</u>	<u>319,272</u>	<u>19,380</u>
	Disposal				
	Total Disposal	588,000	<u>16,732</u>	<u>17,429</u>	<u>697</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(2,911,000)</u>	<u>100,825</u>	<u>108,380</u>	<u>7,555</u>
Total Unit 6		<u>13,336,000</u>	<u>417,449</u>	<u>445,081</u>	<u>27,632</u>
Unit 7					
	Labor				
	Total Labor	26,618,000	<u>598,792</u>	<u>637,019</u>	<u>38,227</u>
	Disposal				
	Total Disposal	1,540,000	<u>50,835</u>	<u>52,421</u>	<u>1,586</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(4,465,000)</u>	<u>216,813</u>	<u>230,884</u>	<u>14,071</u>
Total Unit 7		<u>23,693,000</u>	<u>866,440</u>	<u>920,324</u>	<u>53,884</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Common</u>					
	Labor				
	Total Labor	103,693,000	<u>2,825,683</u>	<u>2,958,959</u>	<u>133,276</u>
	Disposal				
	Total Disposal	1,377,000	<u>55,062</u>	<u>55,888</u>	<u>826</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(4,589,000)</u>	<u>1,567,125</u>	<u>1,642,677</u>	<u>75,552</u>
Total Common		<u>100,481,000</u>	<u>4,447,870</u>	<u>4,657,524</u>	<u>209,654</u>
<u>Total Plant Crist</u>					
	Labor				
	Total Labor	158,739,000	<u>4,023,600</u>	<u>4,222,893</u>	<u>199,293</u>
	Disposal				
	Total Disposal	4,085,000	<u>143,606</u>	<u>147,194</u>	<u>3,588</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(14,387,000)</u>	<u>1,986,175</u>	<u>2,088,861</u>	<u>102,686</u>
Total Plant Crist		<u>148,437,000</u>	<u>6,153,381</u>	<u>6,458,948</u>	<u>305,567</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

<u>PLANT/UNIT</u>	<u>ITEM</u>	<u>COST ESTIMATE 12/31/09</u>	<u>As Originally Filed FOUR YEAR AVERAGE EXPENSE</u>	<u>Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE</u>	<u>INCREASE (DECREASE)</u>
<u>Plant Smith</u>					
Unit 1					
	Labor				
	Total Labor	6,516,000	<u>144,781</u>	<u>148,148</u>	<u>3,367</u>
	Disposal				
	Total Disposal	604,000	<u>20,470</u>	<u>20,817</u>	<u>347</u>
	Scrap <i>(incl. Materials @ 40% of Labor)</i>				
	Total Scrap	<u>(1,204,000)</u>	<u>49,751</u>	<u>52,110</u>	<u>2,359</u>
Total Unit 1		<u>5,916,000</u>	<u>215,002</u>	<u>221,075</u>	<u>6,073</u>
Unit 2					
	Labor				
	Total Labor	7,297,000	<u>162,276</u>	<u>167,162</u>	<u>4,886</u>
	Disposal				
	Total Disposal	741,000	<u>24,917</u>	<u>25,404</u>	<u>487</u>
	Scrap <i>(incl. Materials @ 40% of Labor)</i>				
	Total Scrap	<u>(1,242,000)</u>	<u>59,209</u>	<u>62,204</u>	<u>2,995</u>
Total Unit 2		<u>6,796,000</u>	<u>246,402</u>	<u>254,770</u>	<u>8,368</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Common</u>					
	Labor				
	Total Labor	19,560,000	<u>462,958</u>	<u>477,061</u>	<u>14,103</u>
	Disposal				
	Total Disposal	38,000	<u>1,360</u>	<u>1,387</u>	<u>27</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(355,000)</u>	<u>280,692</u>	<u>294,994</u>	<u>14,302</u>
Total Common		<u>19,243,000</u>	<u>745,010</u>	<u>773,442</u>	<u>28,432</u>
<u>Total Plant Smith</u>					
	Labor				
	Total Labor	33,373,000	<u>770,015</u>	<u>792,371</u>	<u>22,356</u>
	Disposal				
	Total Disposal	1,383,000	<u>46,747</u>	<u>47,608</u>	<u>861</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(2,801,000)</u>	<u>389,652</u>	<u>409,308</u>	<u>19,656</u>
Total Plant Smith		<u>31,955,000</u>	<u>1,206,414</u>	<u>1,249,287</u>	<u>42,873</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

<u>PLANT/UNIT</u>	<u>ITEM</u>	<u>COST ESTIMATE 12/31/09</u>	<u>As Originally Filed FOUR YEAR AVERAGE EXPENSE</u>	<u>Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE</u>	<u>INCREASE (DECREASE)</u>
<u>Plant Scholz</u>					
Unit 1					
	Labor				
	Total Labor	3,553,000	<u>133,026</u>	<u>131,792</u>	<u>(1,234)</u>
	Disposal				
	Total Disposal	237,000	<u>15,352</u>	<u>15,275</u>	<u>(77)</u>
	Scrap				
	(incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(807,000)</u>	<u>42,258</u>	<u>42,637</u>	<u>379</u>
Total Unit 1		<u>2,983,000</u>	<u>190,636</u>	<u>189,704</u>	<u>(932)</u>
Unit 2					
	Labor				
	Total Labor	3,467,000	<u>130,840</u>	<u>129,664</u>	<u>(1,176)</u>
	Disposal				
	Total Disposal	248,000	<u>16,191</u>	<u>16,116</u>	<u>(75)</u>
	Scrap				
	(incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(777,000)</u>	<u>42,290</u>	<u>42,681</u>	<u>391</u>
Total Unit 2		<u>2,938,000</u>	<u>189,321</u>	<u>188,461</u>	<u>(860)</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
Common					
	Labor				
	Total Labor	7,032,000	<u>368,796</u>	<u>369,364</u>	<u>568</u>
	Disposal				
	Total Disposal	17,000	<u>1,542</u>	<u>1,552</u>	<u>10</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	(163,000)	<u>255,374</u>	<u>260,479</u>	<u>5,105</u>
Total Common		<u>6,886,000</u>	<u>625,712</u>	<u>631,395</u>	<u>5,683</u>
Total Plant Scholz					
	Labor				
	Total Labor	14,052,000	<u>632,662</u>	<u>630,820</u>	<u>(1,842)</u>
	Disposal				
	Total Disposal	502,000	<u>33,085</u>	<u>32,943</u>	<u>(142)</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	(1,747,000)	<u>339,922</u>	<u>345,797</u>	<u>5,875</u>
Total Plant Scholz		<u>12,807,000</u>	<u>1,005,669</u>	<u>1,009,560</u>	<u>3,891</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Plant Daniel (Gulf %)</u>					
Unit 1					
	Labor				
	Total Labor	6,961,000	<u>102,395</u>	<u>120,388</u>	<u>17,993</u>
	Disposal				
	Total Disposal	0	<u>0</u>	<u>0</u>	<u>0</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(2,860,000)</u>	<u>(1,710)</u>	<u>(1,981)</u>	<u>(271)</u>
Total Unit 1		<u>4,101,000</u>	<u>100,685</u>	<u>118,407</u>	<u>17,722</u>
Unit 2					
	Labor				
	Total Labor	7,077,500	<u>100,765</u>	<u>121,816</u>	<u>21,051</u>
	Disposal				
	Total Disposal	0	<u>0</u>	<u>0</u>	<u>0</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(2,907,500)</u>	<u>(1,661)</u>	<u>(1,957)</u>	<u>(296)</u>
Total Unit 2		<u>4,170,000</u>	<u>99,104</u>	<u>119,859</u>	<u>20,755</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Common</u>					
	Labor				
	Total Labor	13,778,500	<u>260,343</u>	<u>294,340</u>	<u>33,997</u>
	Disposal				
	Total Disposal	157,500	<u>4,202</u>	<u>4,474</u>	<u>272</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(870,000)</u>	<u>133,731</u>	<u>147,366</u>	<u>13,635</u>
Total Common		<u>13,066,000</u>	<u>398,276</u>	<u>446,180</u>	<u>47,904</u>
<u>Total Plant Daniel</u>					
	Labor				
	Total Labor	27,817,000	<u>463,503</u>	<u>536,544</u>	<u>73,041</u>
	Disposal				
	Total Disposal	157,500	<u>4,202</u>	<u>4,474</u>	<u>272</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(6,637,500)</u>	<u>130,360</u>	<u>143,428</u>	<u>13,068</u>
Total Plant Daniel		<u>21,337,000</u>	<u>598,065</u>	<u>684,446</u>	<u>86,381</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
Plant Scherer					
Unit 3					
	Labor				
	Total Labor	4,168,125	<u>50,569</u>	<u>67,560</u>	<u>16,991</u>
	Disposal				
	Total Disposal	0	<u>0</u>	<u>0</u>	<u>0</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(2,272,875)</u>	<u>(11,031)</u>	<u>(14,122)</u>	<u>(3,091)</u>
Total Unit 3		<u>1,895,250</u>	<u>39,538</u>	<u>53,438</u>	<u>13,900</u>
Common					
	Labor				
	Total Labor	1,667,125	<u>22,774</u>	<u>28,328</u>	<u>5,554</u>
	Disposal				
	Total Disposal	82,250	<u>1,544</u>	<u>1,774</u>	<u>230</u>
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	<u>(39,500)</u>	<u>12,866</u>	<u>15,338</u>	<u>2,472</u>
Total Common		<u>1,709,875</u>	<u>37,184</u>	<u>45,440</u>	<u>8,256</u>

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

<u>PLANT/UNIT</u>	<u>ITEM</u>	<u>COST ESTIMATE 12/31/09</u>	<u>As Originally Filed FOUR YEAR AVERAGE EXPENSE</u>	<u>Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE</u>	<u>INCREASE (DECREASE)</u>
Total Plant Scherer					
	Labor				
	Total Labor	5,835,250	73,343	95,888	22,545
	Disposal				
	Total Disposal	82,250	1,544	1,774	230
	Scrap (incl. Materials @ 40% of Labor)				
	Total Scrap	(2,312,375)	1,835	1,216	(619)
Total Plant Scherer		3,605,125	76,722	98,878	22,156
<u>Plant Smith Combustion Turbine</u>					
	Labor	183,000	2,134	2,113	
	Disposal	0	0	0	
	Scrap (incl. Materials @ 40% of Labor)	(17,000)	1,112	1,145	
Total Smith CT		166,000	3,246	3,258	12

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Pace (Pea Ridge) Plant</u>					
Unit 1					
	Labor	55,000	3,793	3,748	
	Disposal	0	0	0	
	Scrap <small>(incl. Materials @ 40% of Labor)</small>	(5,000)	1,976	2,030	
Total Unit 1		50,000	5,769	5,778	9
Unit 2					
	Labor	55,000	3,793	3,748	
	Disposal	0	0	0	
	Scrap <small>(incl. Materials @ 40% of Labor)</small>	(5,000)	1,976	2,030	
Total Unit 2		50,000	5,769	5,778	9
Unit 3					
	Labor	55,000	3,793	3,748	
	Disposal	0	0	0	
	Scrap <small>(incl. Materials @ 40% of Labor)</small>	(5,000)	1,976	2,030	
Total Unit 3		50,000	5,769	5,778	9

**Dismantlement Annual Accrual Comparison
 GULF POWER COMPANY**

PLANT/UNIT	ITEM	COST ESTIMATE 12/31/09	As Originally Filed FOUR YEAR AVERAGE EXPENSE	Updated For Staff 3rd Data Request FOUR YEAR AVERAGE EXPENSE	INCREASE (DECREASE)
<u>Total Pace (Pea Ridge) Plant</u>					
	Labor	165,000	11,379	11,244	
	Disposal	0	0	0	
	Scrap (incl. Materials @ 40% of Labor)	(15,000)	5,928	6,090	
	Total Pace (Pea Ridge)	150,000	17,307	17,334	27
<u>Smith Unit 3 - CC</u>					
	Labor	6,770,000	161,460	173,082	
	Disposal	285,000	9,809	10,065	
	Scrap (incl. Materials @ 40% of Labor)	(227,000)	91,366	96,873	
	Total Smith Unit 3	6,828,000	262,635	280,020	17,385
	Total Dismantlement Costs	225,285,125	9,323,439	9,801,731	478,292