STATE OF FLORIDA

MARSHALL WILLIS, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

July 7, 2011

Paula K. Brown
Administrator, Regulatory Coordination
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601

Re: Docket No. 110131-EI: Tampa Electric Company's Petition for Approval of its 2011 Depreciation Study and Annual Dismantlement Accrual Amounts

Dear Ms. Brown:

Upon further review, staff requests that TECO provide some additional information regarding its depreciation and dismantlement study. Please provide your responses to the attached questions, both on paper and on a CD, by August 5, 2011.

If there are any questions, please contact Sue Ollila at (850) 413-6540.

Sincerely,

Dave Dowds
Supervisor, Cost Analysis Section

Attachment
cc: Office of the Commission Clerk
General Counsel (Klancke)
Office of Public Counsel
Division of Economic Regulation (Willis, Bulecza-Banks)
James D. Beasley
J. Jeffry Wahlen

Production

111. Please refer to TECO's November 13, 2007 response to staff's data request No. 1(d) in TECO's 2007 depreciation study, Docket No. 070284-EI. In this response TECO described how it determined the curve for "long" life production plant and also stated that "medium" life categories use an S4 curve while "short" life categories use an S3 curve.

    a. Please define the long, medium, and short life categories in terms of equipment and lives. If the definitions have changed since the 2007 study, please explain why.

    b. Please describe how TECO determined the curves for long, medium, and short life production plant in the 2011 study. If the response differs from 2007, please explain why.

    c. TECO appears to have added other curves such as Square – 14 years (see, e.g., Bates-stamped page 271) and Square – 25 years (see, e.g., Bates-stamped page 457) for the 2011 depreciation study. Please identify each new curve and life category added since the 2007 study and explain why these curve and life categories were added and how they were developed.

Transmission and Distribution

112. Please explain why the 2009 ending plant balance for Account 350.01 (land rights) does not equal the beginning 2010 balance.

113. Please provide a net salvage analysis for Account 352.

114. Please provide a net salvage analysis for Account 354.

115. Please provide a net salvage analysis for Account 361.

General Plant

116. Referring to Bates-stamped page 591, it appears that TECO has proposed a 4-year amortization for Account 391.02 Computer Equipment – Work Stations, which is the same as the current approved amortization. However, Commission Rule 25-6.0142(3) calls for, on page 100 of the List of Retirement Units, a 5-year amortization for this account. Please identify the first Order authorizing TECO to use a 4-year amortization for Account 391.02.

117. Referring to Bates-stamped page 591, it appears that TECO has proposed a 7-year amortization for Account 391.03 Data Handling Equipment, which is the same as the current approved amortization. However, Commission Rule 25-6.0142(3) calls for, on page 100 of the List of Retirement Units, a 5-year amortization for this account. Please identify the first Order authorizing TECO to use a 7-year amortization for Account 391.03.

Attachment

118. Referring to Bates-stamped page 591, it appears that TECO has proposed a 7-year amortization for Account 396.00 Power Operated Equipment, which is the same as the current approved amortization. Commission Rule 25-6.0142(3) does not prescribe a specific amortization for this account. Please identify the first Order authorizing TECO to use a 7-year amortization for Account 396.00.

119. Referring to Bates-stamped page 591, it appears that TECO has proposed a 7-year amortization for Account 397.00 Communication Equipment, which is the same as the current approved amortization. However, Commission Rule 25-6.0142(3) calls for, on page 100 of the List of Retirement Units, a 5-year amortization for this account. Please identify the first Order authorizing TECO to use a 7-year amortization for Account 397.00.

120. Please provide the Net Salvage Analysis (Per Books) for Account 397.25 Communication Equipment-Fiber, similar to what TECO has provided for Account 390.00 Structures & Improvements on Bates-stamped page 978.

121. Please refer to Bates-stamped pages 990, 1018, 1033 and 1043. It appears that TECO has provided exactly the same table (values) of the Net Salvage Analysis (Per Books) for four different accounts: 392.02 Light Trucks-Energy Delivery, 392.04 Medium Trucks-Energy Delivery, 392.12 Light Trucks-Energy Supply, and 392.14 Medium Trucks-Energy Supply. Please provide the Net Salvage Analysis results that correspond to each of these accounts.

122. Please refer to Bates-stamped pages 999 and 1038. It appears that TECO has provided exactly the same table (values) of the Net Salvage Analysis (Per Books) for two different accounts: 392.03 Heavy Trucks-Energy Delivery and 392.13 Heavy Trucks-Energy Supply. Please provide the Net Salvage Analysis results for each of these two accounts.

123. Please provide the input data to the Simulated Plant Record Method, similar to what TECO has provided for Account 390.00 Structures & Improvements on Bates-stamped page 980, for each of the following six accounts: 392.02 Light Trucks-Energy Delivery, 392.03 Heavy Trucks-Energy Delivery, 392.04 Medium Trucks-Energy Delivery, 392.12 Light Trucks-Energy Supply, 392.13 Heavy Trucks-Energy Supply, and 392.14 Medium Trucks-Energy Supply.

124. Please refer to Bates-stamped pages 591, 598 and 599. It appears that TECO has proposed different Average Remaining Lives (ARL) and Depreciation Rates (Dep. Rate) on different pages for Accounts 392.12, 392.13 and 392.14, respectively, as shown in the table below. Please reconcile these proposals.

	Proposed on Page 591		Proposed on Page 598 or 599	
	ARL	Dep. Rate	ARL	Dep. Rate
Account 392.12	5.0	8.0	3.6	7.7
Account 392.13	2.0	5.0	3.2	6.1
Account 392.14	2.7	6.3	5.0	7.2

Attachment

125. Please refer to the Transportation Equipment accounts on Bates-stamped page 591. It appears that the Average Age of all the trucks is in the range of 7 to 14 years, except for Account 392.13 Heavy Truck Energy-Supply, which has 21.1-year average age. Please explain why Account 392.13 has a much longer average age compared with its peer accounts, and provide the corrected average age value, if necessary, for this account.

126. Please refer to Bates-stamped pages 591, 980, 985, 1048, 1055, 1062, 1069, 1079, 1089, 1099 and 1199 of TECO's 2011 Depreciation Study, filed April 27, 2011. Please also refer to Bates-stamped page 130 of TECO's 2007 Depreciation Study, filed November 13, 2007. It appears that during the last four years the general plant accounts experienced the growth and retirement rates listed below. Please explain why the average age of the plant in Account 392.13 has only increased 2.8 years while it has experienced a relatively high retirement rate and fairly large negative growth rate. Please also explain what caused the average age of the plant in Account 392.14 to increase more than four years since the last depreciation study.

Changing of the Average Age of the accounts

	2011 Depreciation Study			2007 Depreciation Study	Age
	Aver Age (yrs)	Growth rate (last 4 yrs)	Retirement rate	Aver Age (yrs)	Increased (yrs)
390.00	17.1	8.2%	1.8%	14.9	2.2
397.25	11	6.8%	0.05%	7.8	3.2
392.02	9.2	24.5%	4.2%	9.8	-0.6
392.03	13.2	27.4%	3.0%	11.9	1.3
392.04	8.7	22.8%	4.6%	8.5	0.2
392.12	7.0	37.8%	10.8%	7.1	-0.1
392.13	21.1	-16.8%	8.0%	18.3	2.8
392.14	14.0	-42.1%	20.5%	9.6	4.4

127. For all the Transportation Equipment accounts (392.02, 392.03, 392.04, 392.12, 392.13 and 392.14), please identify the specific vehicle(s) retired in 2007, 2008, 2009 and 2010, including the date each was placed in service. Please explain the reasons for the vehicle retirements in each year.

128. Please identify the items included in Account 397.25 Communication Equipment-Fiber.

129. Please provide the basis and support for the Company's proposed change in the curve shapes underlying the currently approved remaining life for each of the six Transportation Equipment accounts (392.02, 392.03, 392.04, 392.12, 392.13, and 392.14, respectively), other than that the curve shape is the product of the statistical analysis.

Reserve Transfers

130. Bates-stamped pages 592-595 contain TECO's Comparison of Actual vs. Theoretical Reserve and its Summary of Reserve Transfers for transmission, distribution, and general plant. It appears to staff that TECO's intent with the reserve transfers was to bring an account's actual reserve to its theoretical level, where possible. Is this correct? Please explain your answer. If yes, is this TECO's philosophy with regard to reserve transfers in general? Please explain.

131. Does TECO believe that it is ever appropriate to transfer reserve between functions, e.g., between transmission and production? Please explain your answer.

132. When a function's total actual reserve (e.g., transmission) is greater than its theoretical reserve, how does TECO determine which accounts in the function should have reserves that are greater than their theoretical reserves (after any reserve transfers)? For example, in TECO's proposal for transmission plant, it brought actual reserves to theoretical reserves for all but three accounts: 353 (Station Equipment), 355 (Poles and Fixtures), and 356 (Overhead Conductors and Devices). Please explain how TECO determined that of all the transmission accounts, these accounts should retain reserves that exist over and above their theoretical levels.

133. There are five accounts in Big Bend Common and Units 1-3 where the actual reserve (before transfers) is thousands of dollars less than the theoretical reserve, specifically Big Bend Common, Account 311.40, Big Bend Unit 1, Account 312.41, Big Bend Unit 2, Accounts 312.42 and 314.42; and Big Bend 3, Account 312.43. For example, the largest difference is for Big Bend Unit 2, Account 312.42: the actual reserve (before transfers) is $5,359,016 while its theoretical reserve is $28,510,153 (Bates stamped pages 36 and 43). Please explain why the actual reserves for these accounts are thousands of dollars less than their theoretical reserves, e.g., due to change in future net salvage from the 2007 study.

134. When a function's total actual reserve is less than its theoretical reserve, e.g., production, specifically Big Bend Common and Units 1-3, how does TECO determine which accounts should have a reserve that is less than the theoretical reserve (after any reserve transfers)? For example, in TECO's proposal for Big Bend Common and Units 1-3, it brought actual reserves to theoretical reserves for some but not all accounts. Please explain how TECO determined which accounts should have their reserve brought up to the theoretical level and which accounts would not have their reserves brought up to the theoretical level.

135. TECO proposes reserve transfers for Nos. 1-4, SCR Systems that bring their actual reserves up to the theoretical reserve level. Please explain how TECO determined that Nos. 1-4, SCR Systems should have their reserves brought to the theoretical level.

136. Does TECO consider depreciation expense when determining which accounts should have their reserve brought to the theoretical level? If yes, please explain how.

137. Has TECO performed any study that analyzes different scenarios for reallocating reserves for production plant? If yes, please describe the result(s) and explain why TECO chose the reserve allocation proposal that it did.

Dismantlement

138. Please detail the individual dismantlement cost estimates for Bayside CT-3, Bayside CT-4, Bayside CT-5, and Bayside CT-6.

139. Is TECO proposing an annual dismantlement accrual for Polk Units #4 and #5? If so, what is the annual accrual amount?

140. Please provide an updated inflation forecast of page 556 of the 2011 Dismantlement Study using the most recent inflation information.

141. Please provide an updated electronic version of the Annual Accrual using the most current escalation factor and inflation indices information.

142. Please provide the most current escalation factor and inflation indices information in electronic format.