

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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-M-E-M-O-R-A-N-D-U-M-

COMMISSION
CLERK

DATE: December 1, 2011
TO: Ann Cole, Commission Clerk, Office of Commission Clerk
FROM: Suzanne M. Ollila, Economic Analyst, Division of Economic Regulation *SMO*
RE: Docket No. 110131-EI - Petition for Approval of Tampa Electric Company's 2011 Depreciation Study and Annual Dismantlement Accrual Amounts

Tampa Electric copied the Office of the Commission Clerk on a letter to David Dowds (document number 08590-11); however, Tampa Electric did not provide the Office of the Commission Clerk with the enclosure. Please place the attached enclosure in the above docket file. I have included a copy of the letter (document number 08950-11) for your reference.

If you have any questions, please do not hesitate to let me know. Thank you.

DOCUMENT NUMBER: 08718

DEC-1 =

FPSC-COMMISSION CLERK

AUSLEY & MCMULLEN

ATTORNEYS AND COUNSELORS AT LAW

123 SOUTH CALHOUN STREET
P.O. BOX 391 (ZIP 32302)
TALLAHASSEE, FLORIDA 32301
(850) 224-9115 FAX (850) 222-7560

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November 23, 2011

HAND DELIVERED

Mr. David Dowds
Supervisor, Cost Analysis Section
Division of Economic Regulation
Florida Public Service Commission
Room 105D – Gerald L. Gunter Bldg.
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Response to Staff's Data Request Nos. 1-29
FPSC Docket No. 110131-EI

Dear Mr. Dowds:

Enclosed are Tampa Electric Company's responses to Staff's Report Data Requests Nos. 1-29, dated October 18, 2011.

Sincerely,



James D. Beasley

JDB/pp
Enclosure

cc: Office of Commission Clerk (w/o enc.)
Office of General Counsel (Klancke, w/o enc.)
Division of Economic Regulation (Higgins, Ollila, Wu (w/enc.)
Patty Christensen (w/enc.)

DOCUMENT NUMBER DATE
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*Clerk's
office*

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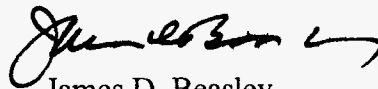
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11 NOV 23 AM 9:34
DIVISION OF
ECONOMIC REGULATION

Re: Response to Staff's Data Request Nos. 1-29
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Division of Economic Regulation (Higgins, Ollila, Wu (w/enc.)
Patty Christensen (w/enc.)

Production Plant

1. Please refer to TECO's depreciation study, Bates-stamped page 3, Big Bend CT 4. TECO explains that it used the 4.3 percent depreciation rate "approved in past depreciation orders by the FPSC." For example, according to Order No. PSC-00-0603-PAA-EI issued in Docket No. 990529-EI, pages 16-17, a 26-year average service life (ASL) and a net salvage (NS) of (11) percent were used to develop the 4.3 percent rate. The 4.3 percent rate was to be used for new combustion turbines (CT) and Polk Unit No. 2 (natural gas-fired) when the units went into service. According to TECO's 2011 Ten-Year Site Plan, filed on April 1, 2011, Schedule 9, three CT units, each with a projected 25-year book life, have proposed in-service dates between 2013 – 2015.
 - a. Please explain the difference between book life and average service life.
 - b. Does TECO propose that the Commission establish a depreciation rate for these new CT units that would be applicable until the next depreciation study? If yes, what are the underlying parameters (average service life and net salvage) and resulting depreciation rate that TECO proposes? Please explain TECO's basis for choosing these parameters. If no, please explain TECO's plan to address the need for a depreciation rate for each new unit.
 - c. If the Commission orders a depreciation rate to be used for units put into service between the date of this study and the next study, does TECO believe that this rate should be updated as part of the next depreciation study? Please explain your answer.
- A.
 - a. The book life referenced in Tampa Electric's 2011 Ten-Year Site Plan, filed on April 1, 2011, Schedule 9, three CT units, each with a projected 25-year book life, is the period of years used to calculate the cumulative present worth revenue requirement for each generating unit. It is similar to the composite average service life of the group of assets comprising a combustion turbine generating unit.

Book life applies to future planned generating units. Average service life applies to actual embedded investment used to calculate the average age and average remaining lives to be used in depreciation rate calculations. Average service life considers an appropriate low

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type retirement dispersion curve. Book life does not consider this level of detail.

- b. No, the Company does not propose that the Commission establish a depreciation rate for these new CT units that would be applicable until the next depreciation study. The Company prefers to wait until a generating unit is approved and under construction before a rate is established. If the Commission prefers to establish a depreciation rate for these new CT units now that would be applicable until the next depreciation study, the Company would recommend a 29 year average service life, a negative 6 percent net salvage factor and an annual whole life depreciation rate of 3.7 percent. These are the whole life parameters that are applied to our latest CT additions Big Bend CT 4 and Bayside CT's 3 – 6 in the instant docket.
- c. If the Commission orders a depreciation rate to be used for units put into service between the date of this study and the next study, the Company believes that this rate should be updated upon completion of the unit and the associated asset records. The asset records allow the stratification of the investment into plant accounts and life categories consistent with the Company's past depreciation orders.

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2. Please refer to Order No. PSC-00-0603-PAA-EI in Docket No. 990529-EI, page 18, Production Plant. The order states, "We believe that the same retirement assumptions used in the development of life factors should be used in the net salvage analyses." Please state whether TECO agrees or disagrees and explain your answer.
 - A. The Company agrees with the above statement. The Company's Production Plant Net Salvage proposals in the instant docket reflect the same interim retirement assumptions used in the development of life factors.

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3. Please refer to TECO's response to Staff's First Data Request, No. 17. Please explain how the 2011 study factors are used with the future interim retirements to develop net salvage. For example, TECO is proposing (8) percent in the short (lived) category; however, Bates-stamped page 146, Big Bend 3&4 FGD System, Account 311 displays a future net salvage rate of (5) percent for the 20-year life category.
 - A. Using the identified example, on Bates-stamped page 149, the total of Future Estimated Retirements in the last column equals \$684,895. Multiplying the \$684,895 times the proposed (8) percent results in \$54,792 in Future Estimated Net Salvage. The \$54,792 divided by the total original cost of \$1,094,762 equals the proposed (5) percent for the 20-year life category.

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4. Please refer to Bates-stamped pages 117, 129, and 303. For each of the accounts displayed on these pages the average age is greater than the average service life. For example, Big Bend Unit 4, Miscellaneous Power Plant Equipment, has an average age of 25.5 years with an average service life of 20.0 years. Has TECO studied these accounts to determine whether the life category needs to be changed? Please explain your answer.
 - A. The S3-20 curve indicates retirements of final survivors out to age 37.5 years. Tampa Electric reviewed these life categories with plant engineers. No changes were suggested for these three categories. Tampa Electric agrees that these accounts bear monitoring but does not recommend changing categories at this time. If retirements do not occur in the next four years, changing categories may be the appropriate action to be taken in the next depreciation study and if so Tampa Electric will propose doing so at that time.

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5. Please refer to Bates-stamped page 3 for the following questions. In its discussion of Big Bend Units 1, 2, 3, and 4, TECO states that "truncation caused by shorter remaining life spans is more prevalent at Big Bend Unit 1" compared to the other units.
- a. In Order No. PSC-08-0140-PAA-EI, issued in Docket No. 070284-EI, the Commission approved TECO's request to increase the life categories for the Big Bend units by 15 years. Four years later, in the 2011 study, TECO asserts that truncation caused by "shorter remaining lives result[s] in increasing depreciation rates." Please explain the factors that cause shorter remaining lives and increasing depreciation rates four years after a 15-year life increase.
- b. To the extent not explained in TECO's response to the above question, please explain what effect, if any, TECO's proposal to establish new accounts for the SCR units has had on the age, proposed average service life, proposed average remaining life, and proposed reserve (including transfers) for each account in Big Bend Units 1-4.
- A. a. In "Public Utilities Depreciation Practices" at page 142, the discussion of the life span method of depreciation includes the following: "A general characteristic of property studied using the life span method is the gradual increase in the depreciation rate as the property ages. Plant additions subsequent to the initial placement usually exceed the interim retirements, even though the additions may replace plant retired, because they are made at a higher cost than the plant retired. The result is a shorter average service life of the life span property." The previously approved increase in the life span at Big Bend Station of 15 years did extend the lives of the units, but in the four years since that life span extension the lifespan has decreased four years because the retirement dates have not changed (in other words, four years later the 15 additional years has become 11 additional years). Additions made to these generating units since the last study will have a declining lifespan and consequently higher depreciation rate because they have a shorter life to the unchanged retirement date, and their higher cost amplifies that affect in the increasing rate. Each vintage addition will have a one year shorter lifespan that the previous vintage addition. Also, the retirement date determines the remaining lifespan. If an addition in the 20 year life category has a 15 year remaining lifespan, the life of that addition is shortened or "truncated" by the retirement date of the unit.

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- b. SCR units are a new environmental technology added to Big Bend Station since the last approved depreciation rates. Separation of SCR units into new depreciation categories is consistent with the separation of FGD assets into new depreciation categories when they were added as a new environmental technology. Additionally, SCR units are being recovered through the Environmental Cost Recovery Clause, so separate depreciation categories facilitate the calculation of return and depreciation to be recovered through that clause. Separation of the SCR units identifies the true age, proposed average service life, proposed remaining life, and proposed reserves for each account. Without separation, those depreciation parameters would remain the broad group composites for the life categories that mixed base rate recovery with clause recovery assets. Especially misleading would be the broad group reserve ratios that mixed many different vintages when the SCR units were a very recent vintage between 2007 and 2010.

Transmission Plant
Account 350.01 Land Rights

6. On its face, a 75-year ASL may be reasonable if land rights are perpetual. Are transmission land rights, Account 350.01, treated as perpetual property?
 - A. Yes, transmission land rights are treated as perpetual property.

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7. What accounted for the growth in this account?
 - A. Transmission right-of-way acquisitions account for the growth in this account. See attachments for the actual purchases for 2008 and 2009.

CPR Ledger Detailed Asset Report
TECO Energy

| Company | GL Account | Business Segment | | | | |
|---|---------------------------------|------------------|------------|---------------------|----------|------------|
| Asset Location | Utility Account | Sub Account | | | | |
| Property Group | Retirement Unit | Unit | WO Number | Eng In Service Year | Quantity | Accum Cost |
| Tampa Electric | 10100-ELECTRIC Plant In Service | | | Electric | | |
| 230 KV TRANS LINES | 350.01 Land Rights | | | None | | |
| Land Rights | | | | | | |
| EASEMENT; TEC HANDCART SUBST 69KV TRANS LINE CIRC 66025. SECT 18; TWNSHP 26; RNG 21 | Land Rights | EA | D0128-2007 | Nov-2008 | 1.00 | \$12,067. |
| EASEMENT; TEC HANDCART SUBST 69KV TRANS LINE CIRC 66025. SECT 18; TWNSHP 26; RNG 21 | Land Rights | EA | D0128-2007 | Nov-2008 | 1.00 | \$141,998. |
| EASEMENT; TEC HANDCART SUBST 69KV TRANS LINE CIRC 66025. SECT 18; TWNSHP 26; RNG 21 | Land Rights | EA | D0128-2007 | Nov-2008 | 1.00 | \$161,691. |
| EASEMENT; TEC HANDCART SUBST 69KV TRANS LINE CIRC 66025. SECT 18; TWNSHP 26; RNG 21 | Land Rights | EA | D0128-2007 | Nov-2008 | 1.00 | \$74,036. |
| Property Group Total: | | | | | | \$389,791. |
| 69 KV TRANS LINES | 350.01 Land Rights | | | None | | |
| Land Rights | | | | | | |
| KEYSTONE UNITED METHODIST CHURCH; KEYSTONE SUBST TO SILLVER DOLLAR SUBST; SECT 27, TWNSHP 27, RNG 17 | Land Rights | EA | C5330-2005 | Apr-2008 | 1.00 | \$57,970. |
| TRANSMISSION ; EASEMENTS ; S17 T28 R26 BIRDSEYE SUB TO LAKE ALFRED SUB 2.33 ACRES (1500' X 60' - 70') 04/08 | Land Rights | EA | A4905-2008 | Apr-2008 | .00 | \$153,344. |
| TRANSMISSION ; EASEMENTS ; S35 T27 R17 NE CORNER OF GUNN HY AND COPELAND RD 0.16 ACRES (PAGLEN SUB TO KEYSTONE SUB) 04/08 | Land Rights | EA | A4904-2008 | Apr-2008 | 1.00 | \$62,339. |
| Property Group Total: | | | | | | \$273,652. |
| Tampa Electric | 10600-ELECTRIC CCNC | | | Electric | | |
| MISC BLDGS | 350.01 Land Rights | | | None | | |
| Non Unitized | | | | | | |
| EASEMENT IMC PHOSPHATES COMPANY | Non-unitized | EA | A4906-2008 | Jul-2008 | 21.00 | \$178,015. |
| Property Group Total: | | | | | | \$178,015. |
| Grand Total for Selected Assets: | | | | | | \$841,459. |

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CPR Ledger Detailed Asset Report
TECO Energy

| Company | GL Account | Business Segment | | | | |
|---|---------------------------------|------------------|------------|---------------------|----------|------------|
| Asset Location | Utility Account | Sub Account | | | | |
| Property Group | | | | | | |
| Asset Description | Retirement Unit | Unit | WO Number | Eng In Service Year | Quantity | Accum Cost |
| Tampa Electric | 10100-ELECTRIC Plant In Service | | Electric | | | |
| 138 KV TRANS LINES | 350.01 Land Rights | | None | | | |
| Land Rights | | | | | | |
| IVY SUB TO HABANA SUB CIRC 66044 | Land Rights | EA | E3331-2007 | Mar-2009 | 1.00 | \$2,913. |
| Property Group Total: | | | | | | \$2,913. |
| 69 KV TRANS LINES | 350.01 Land Rights | | None | | | |
| Land Rights | | | | | | |
| 14950 US HWY 301, DADE CITY; UNION HALL SUB TO PASCO COGEN; SECT 27, TOWNSHIP 24, RNG 21 | Land Rights | EA | D8830-2007 | May-2009 | 1.00 | \$796,553. |
| 37716 LOCK STREET, DADE CITY; UNION HALL SUB TO LOCK STREET; SECT 27, TOWNSHIP 24, RNG 21 | Land Rights | EA | D8830-2007 | May-2009 | 1.00 | \$7,907. |
| Property Group Total: | | | | | | \$804,461. |
| Grand Total for Selected Assets: | | | | | | \$807,374. |

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Account 352 Structures and Improvements

8. The retirement rate for the past five years is under one percent, thus relying on the industry average for an ASL is a must. TECO's currently approved ASL is within the industry range. What is the justification for TECO proposing to increase the account's ASL from 50 to 60 years?

- A. See Bates-stamped page 596, Account 352. Tampa Electric's proposed 60 years puts the proposed ASL in the middle of the range of lives previously approved for the other electric IOU's.

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Account 355 Poles and Fixtures

9. The Company is proposing to remain at a (40) percent net salvage. The data suggests this is a conservative amount. Please elaborate on why TECO wishes to retain a (40) percent net salvage.
 - A. Retaining a (40) percent net salvage puts Tampa Electric in the middle of the range approved for electric IOU's as shown on Bates-stamped page 596, Account 355.

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10. What is the basis for TECO proposing to extend the lives of its transmission poles from 34 to 38 years?
 - A. As shown on Bates-stamped page 596, Account 355, the proposed 38 years was approved for 2 of the 3 other electric IOU's.

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Account 356 Overhead Conductors and Devices

11. A net salvage of (45) percent appears more in line with the most recent account activity. What is the basis for only proposing a net salvage of (40) percent?
 - A. As shown on Bates-stamped page 596, Account 356 the proposed (40) places the proposal in the middle of the range approved for the other electric IOU's.

Distribution Plant

Account 361 Structures and Improvements

12. What was the cost of removal for Account 361, Distribution Structures and Improvements, in 2010?
 - A. The cost of removal was for removal of two roofs on distribution control houses.

Account 370 Meters

13. Staff is contemplating whether to create a separate sub-account for TECO's AMR meters. To this end, does TECO anticipate having all its electro-mechanical meters ultimately replaced with AMR meters? If so, approximately when will this occur?
 - A. No, Tampa Electric does not anticipate replacing all of the remaining electro-mechanical meters with AMR meters at this time. Only single phase electro-mechanical meters are being replaced with AMR meters. This is expected to be completed by 2012.

General Plant

Account 390.00 – Structures and Improvements

14. The Company proposes changes in average service life (ASL) from 38 years to 40 years, curve shape from R5 to R2, and net salvage (NS) from (20) percent to (10) percent. Staff believes that a 40-year ASL is within the range of reasonableness and is acceptable. In terms of the curve shape, TECO stated in its response to No. 64, page 218, of Staff's First Set of Data Requests, that the proposed change is based upon statistical analysis. This account has experienced retirement rates of 1.49 percent during the 1995-2010 period, 1.82 percent during the 2007-2010 period, and 1.77 percent for the 2007-2011 period. Taken with an average age of 17.1 years, staff believes that an L3 curve shape used with the 40-year ASL more closely depicts the account activity rather than the R2 curve shape. This results in an average remaining life (ARL) of 24 years.

- A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 40-year ASL, L3 Curve and (4) NS results in a recalculated 24-year ARL, theoretical reserve of \$32,302,523 and a depreciation rate of 2.3%, which yielded no change in the proposed accrual.

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15. Regarding the NS, staff notices that this account experienced 1.3 percent NS during the 1995-2010 period, (4.7) percent during the 2007-2010 period, and (3.8) percent for the 2007-2011 period. Staff proposes (4) percent of NS as being in line with the recent activity in this account.

A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 14.

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Account 397.25 – Communication Equipment-Fiber

16. This account has experienced minimal retirements, with the most recent five years averaging less than 1 percent. This volume of data thus yields unreliable statistical results, and reliance on industry averages for life and salvage determinations is therefore necessary. TECO's proposed 16-year ASL is within the range of average service lives of the Florida industry and is acceptable. Taken with an average age of 11.0 years and an R2 curve shape, the 16-year ASL results in a 7.3-year ARL.

A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 16-year ASL, R2 Curve and (5) NS results in a recalculated 7.3-year ARL, theoretical reserve of \$11,995,979 and a depreciation rate of 5.3%, which decreases the proposed accrual by (\$67,988).

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17. With respect to net salvage, the Company proposes to retain the current (10) percent NS. Staff observes that the range of NS percentages for this account adopted by the electric companies in Florida is from (10) percent to 0 percent with TECO's parameter being at the lower end. Recognizing the minimal retirement activity of this account during the 2007-2010 period and for the 2007-2011 period, staff proposes (5) percent NS to bring TECO's parameter closer to the industry average.
- A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 16.

Account 392.02 – Light Trucks-Energy Delivery

18. The Company proposes to retain a 10-year ASL and to change the curve shape from an L2 to an R2. Staff notes that the average age of this account is 9.2 years, and the Company has no firm plans to retire any assets in this account in the near-term. According to its response to No.70b, page 224, of Staff's First Set of Data Requests, TECO's proposed curve shape is a result of statistical analysis. The retirement rates of this account were 4.2 percent during the 2007-2010 period, and 3.3 percent for the 2007-2011 period. Taken with an average age of 9.2 years, staff believes that an S4 curve shape used with a 13-year ASL more closely depicts the account activity rather than the R2 curve shape. This results in a 4.0-year ARL.
- A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 13-year ASL, S4 Curve and 15 NS results in a recalculated 4.0-year ARL, theoretical reserve of \$2,795,151 and a depreciation rate of 5.2%, which decreases the proposed accrual by (\$127,499).

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19. The Company proposes a change in NS from 15 percent to 10 percent. Based on TECO's depreciation study, staff observes that this account has experienced very high NS with more than 80 percent during the 2007-2010 period and for the 2007-2011 period. Furthermore, in its response to No. 5 of Staff's First Supplemental Data Request, page 5, TECO acknowledged that "the presentation of the RWIP allocation on the 2009 Annual Status Report was in error." It appears that this error affects not only the 2009 NS data but also the 2010 NS data presented in TECO's Annual Status Reports. To resolve the issue, the Company should retain its currently prescribed 15 percent NS.

- A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 18.

Account 392.03 – Heavy Trucks-Energy Delivery

20. The Company proposes changes in ASL from 15 to 12 years and in the curve shape from L2 to R3. Given that the average age of this account is 13.2 years and the Company has no firm plans to retire any assets in this account in the near-term, staff proposes a 17-year ASL. According to its response to No.71b, page 227, of Staff's First Set of Data Requests, TECO's proposed curve shape is a result of statistical analysis. The retirement rates of this account were 3.0 percent during the 2007-2010 period, and 2.4 percent for the 2007-2011 period. Taken with an average age of 13.2 years, staff believes that an S5 curve shape used with a 17-year ASL more closely depicts the account activity rather than the R3 curve shape. This results in a 3.9-year ARL.

A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 17-year ASL, S5 Curve and 10 NS results in a recalculated 3.9-year ARL, theoretical reserve of \$11,059,194 and a depreciation rate of 5.1%, which decreases the proposed accrual by (\$182,307).

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- 21.** The Company also proposes a change in NS from 12 percent to 10 percent. Recognizing the average age of the vehicle assets in this account, staff believes that there is little likelihood to realize much salvage upon the vehicles' retirements. Therefore reducing the current NS to 10 percent is reasonable.
- A.** Tampa Electric accepts this recommendation for NS.
- See Response to Request No. 20.

Account 392.04 – Medium Trucks-Energy Delivery

22. The Company proposes to retain an 11-year ASL but to change the curve shape from an L2 to an L3. Staff notes that the average age of this account is 8.7 years, and the Company has no firm plans to retire any assets in this account in the near-term. According to its response to No.70b, page 224, of Staff's First Set of Data Requests, TECO stated that its proposed curve shape was a result of statistical analysis. The retirement rates of this account were 4.6 percent during the 2007-2010 period, and 3.7 percent for the 2007-2011 period. Taken with an average age of 8.7 years, staff believes that an L5 curve shape with a 12.5-year ASL more closely depicts the account activity rather than the L3 curve shape. This results in a 3.9-year ARL.
- A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 13-year ASL, L5 Curve and 15 NS results in a recalculated 3.9-year ARL, theoretical reserve of \$444,031 and a depreciation rate of 6.6%, which decreases the proposed accrual by (\$5,341).

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23. The Company proposes a change in NS from 15 percent to 10 percent. Based on TECO's depreciation study, staff observes that this account has experienced more than 66 percent of NS during the 2007-2010 period and for the 2007-2011 period. Furthermore, in its response to No. 5 of Staff's First Supplemental Data Request, page 5, TECO acknowledged that "the presentation of the RWIP allocation on the 2009 Annual Status Report was in error." It appears that this error affects not only the 2009 NS data but also the 2010 NS data presented in TECO's Annual Status Reports. To resolve the issue, the Company should retain its currently prescribed 15 percent NS.
- A. Tampa Electric accepts this recommendation NS.

See Response to Request No. 22.

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STAFF'S DATA REQUEST
REQUEST NO. 24
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Account 392.12 – Light Trucks-Energy Supply

24. The Company proposes to retain a 10-year ASL but to change curve shape from an L2 to an R2. Staff notices that the average age of this account is 7.0 years, and the Company has no firm plans to retire any assets in this account in the near-term. According to its response to No.70b, page 224, of Staff's First Set of Data Requests, TECO's proposed curve shape is a result of statistical analysis. The retirement rates of this account were 10.8 percent during the 2007-2010 period, and 8.7 percent for the 2007-2011 period. Taken with an average age of 7.0 years, staff believes that an R3 curve shape used with an 11.5-year ASL more closely depicts the account activity rather than the R2 curve shape. This results in a 5.2-year ARL.

A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 12-year ASL, R3 Curve and 15 NS results in a recalculated 5.2-year ARL, theoretical reserve of \$610,954 and a depreciation rate of 6.6%, which decreases the proposed accrual by (\$20,778).

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25. The Company proposes a change in NS from 15 percent to 10 percent. Based on TECO's depreciation study, staff observes that this account has experienced more than 24 percent of NS during the 2007-2010 period and for the 2007-2011 period. Furthermore, in its response to No. 5 of Staff's First Supplemental Data Request, page 5, TECO acknowledged that "the presentation of the RWIP allocation on the 2009 Annual Status Report was in error." It appears that this error affects not only the 2009 NS data but also the 2010 NS data presented in TECO's Annual Status Reports. To resolve the issue, the Company should retain its currently prescribed 15 percent NS.
- A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 24.

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Account 392.13 – Heavy Trucks-Energy Supply

26. The Company proposes changes in ASL from 15 to 12 years and in the curve shape from L2 to R3. The average age of this account is 21.1 years and the Company has no firm plans to retire any assets in this account. A review of the aged data shown on page 254 of TECO's response to Staff's First Set of Data Requests indicates that 54 percent of the investment in this account is over 29 years of age. Staff is contemplating a 25-year ASL. As stated in its response to No.71b, page 227, of Staff's First Set of Data Requests, TECO's proposed curve shape is a result of statistical analysis. Staff observes that the retirement rates of this account were 8 percent during the 2007-2010 period and for the 2007-2011 period. Taken with an average age of 21.1 years, staff believes that an S5 curve shape used with a 25-year ASL closely depicts the account activity. This results in a 4.4-year ARL.

A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 25-year ASL, S5 Curve and 10 NS results in a recalculated 4.4-year ARL, theoretical reserve of \$333,052 and a depreciation rate of 3.7%, which decreases the proposed accrual by (\$6,754).

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27. The Company also proposes a change in NS from 12 percent to 10 percent. Recognizing the average age of the vehicle assets in this account, staff believes that there is little likelihood to realize much salvage upon those vehicles' retirement. Reducing the current NS to 10 percent is therefore reasonable.

A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 26.

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Account 392.14 – Medium Trucks-Energy Supply

28. The Company proposes changes in ASL from 15 to 11 years and in the curve shape from L2 to L3. Staff observes that the average age of this account is 14 years old, and the Company has no firm plans to retire any assets in this account in the near-term. A review of the aged data, shown on page 254 of TECO's response to Staff's First Set of Data Requests, indicates that 41 percent of the investment in this account is over 15 years of age. Given an average age of 14 years and the retirement rate the account experienced over the last 4 years, staff believes that an R3 curve shape used with a 18-year ASL more closely depicts the account activity. This results in a 5.9-year ARL.

A. Tampa Electric accepts this recommendation for ASL, Curve and ARL.

Reprocessing the study model using the 18-year ASL, R3 Curve and 15 NS results in a recalculated 5.9-year ARL, theoretical reserve of \$105,343 and a depreciation rate of 3.3%, which decreases the proposed accrual by (\$5,625).

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29. The Company proposes a change in NS from 15 percent to 10 percent. Based on TECO's depreciation study, staff observes that this account has experienced more than 24 percent of NS during the 2007-2010 period and for the 2007-2011 period. Furthermore, in its response to No. 5 of Staff's First Supplemental Data Request, page 5, TECO acknowledged that "the presentation of the RWIP allocation on the 2009 Annual Status Report was in error." It appears that this error affects not only the 2009 NS data but also the 2010 NS data presented in TECO's Annual Status Reports. To resolve the issue, the Company should retain its currently prescribed 15 percent NS.
- A. Tampa Electric accepts this recommendation for NS.

See Response to Request No. 28.

Footnotes to Request Nos. 14-19:

For all account updates regarding Staff Request Nos. 14-29, the proposed annual accrual was reduced in total (\$416,292).

For the Transportation account updates regarding Staff Request Nos. 18-29, Tampa Electric also revised the proposed reserve transfers between those accounts which further reduced the proposed accrual and is embedded in the results above.

Tampa Electric would proposed to rerun the study to reflect proposed final staff recommendations regarding the study to see impact of those changes and any company response to those proposed final recommendation, if any.