STATE OF FLORIDA

DIVISION OF ECONOMICS
JAMES W. DEAN
DIRECTOR
(850) 413-6410

Public Service Commission

August 8, 2013

Robert L. McGee Jr.
One Energy Place
Pensacola, Florida 32520-0780

Re: Docket No. 130151-EI, 2013 Depreciation and Dismantlement Study by Gulf Power Company.

Mr. McGee:

Enclosed is the Staff Report regarding your 2013 Depreciation and Dismantlement studies filed in the above referenced docket. Please provide your response to the attached report by August 30, 2013. In your response, please identify areas of concurrences or differences, and any additional explanation the Company believes is pertinent.

If there are any questions, please contact me at 850-413-6433, thank you.

Sincerely,

Devlin Higgins
Public Utility Analyst

Attachment
cc: Division of Economics (Dean, Shafer, Stallcup)
Division of Accounting and Finance (Cicchetti, Springer)
Office of General Counsel (Klancke)
Office of Commission Clerk
Office of Public Counsel

Gulf Power Company
2013 Depreciation and Dismantlement Studies
Docket No. 130151-EI
Staff Report

This report represents Staff's initial position. The report consists of four sections:

A. **Information** – includes information necessary to understand staff's proposals.

B. **Questions** – includes specific questions about Gulf Power Company's (Gulf Power or Company) depreciation and dismantlement studies.

C. **Staff's Initial Proposals** – includes staff's proposals for which staff seeks Gulf Power's concurrence or exceptions.

D. **Summary Tables** – these tables provide staff's initial position on inputs, rates, and resulting depreciation expense for all accounts.

A. Information

Commission Rounding Convention:

Gulf's filing included proposed remaining life depreciation rates that are ultimately rounded to the commission's rounding convention, or to the tenth of a decimal. However, all underlying data as filed is unrounded. Any Staff adjustment will follow the rounding convention stated below, otherwise, the any underlying depreciation parameters not specifically addressed will remain unrounded. As normal, the remaining life rate rounded to the tenth of a decimal for determining expense amounts.

Staff's rounding conventions are:

Remaining lives over 20 years:	rounded to the nearest whole year
Remaining lives less than 20 years:	rounded to one decimal place
Net salvage %:	rounded to the nearest whole number
Reserve %:	rounded to two decimal places
Depreciation rates:	rounded to one decimal place

Theoretical Reserve Calculation:

Gulf's formula for calculating an account's theoretical reserve differs from staff's. Staff has elected to utilize its normal theoretical reserve formula to calculate Gulf's theoretical reserve. However, staff notes the output of the two methods result in only a slight difference, primarily due to rounding.

Gulf: (Investment * (1 – Un-adjusted Ave. Remaining Life / Average Service Life)) * (1 + % of IRR NR)

Staff's Formula [Base 100]: (100 – (Adjusted Average Remaining Life * Whole Life Rate) – Net Salvage Rate with IRR) = Theoretical Reserve % [TR%]. Then simply TR% * Investment = Theoretical Reserve Dollars.

Reserve Transfers

Staff thoroughly reviewed Gulf's responses to staff's data requests on reserve transfers (specifically, Gulf's response to Staff's First Data Request, No. 5 and Gulf's response to Staff's First & Second Data Request – Clarifications, No. 2). Based on its analysis of the differences between actual and theoretical reserves, and review of Gulf's responses, staff proposes the reserve transfers shown in Table 5 of this Report. Staff notes that its proposed reserve transfers are solely within the functional areas of transmission, distribution, and general plant.

Other Matters

Staff has elected to show Gulf's software Account (No. 303) as part of its recommendation to the Commission. As such, this account will be listed on its recommendation for this docket.

B. Questions

Please respond to each question, adding any additional information that supports the response.

Production Plant – Depreciable

1. Tab 6, page 9, shows that Gulf extended the retirement date of Plant Smith's Unit A from 2017 to 2027. Based on staff's review of Gulf's recent Ten Year Site Plans (TYSP), it appears that the increased life was first shown in the 2010 TYSP. If this is not correct, please provide the correct date. Please explain Gulf's reasoning for extending the life.

2. Tab 6, page 10, displays Unit 1 for Plant Pace; however, the investment and the listed MW appear to be the sum of all three units. Is this labeling a scrivener's error? If not, please explain.

3. Tab 6, page 12, shows a 20-year lifespan for Perdido with a retirement year of 2030. Gulf's 2013-2022 TYSP, page 8, which was filed prior to the depreciation study, shows that Perdido is expected to retire in December 2029, a life span of somewhat over 19 years. Please reconcile the difference between the study and the TYSP.

4. Please refer to Gulf's response to Staff's First Data Request, No. 12. What prompted Gulf to use interim retirement rates rather than stratification? Please explain.

Transmission Plant

5. Account 350.2 Easements. Gulf used the retirement dispersion (or curve) SQ in its Studies of 2001, 2005 and 2009, respectively. For the current Depreciation Study, Gulf indicated that "no meaningful data" exists for this account. Please explain why Gulf's proposed to change the curve from SQ to R5.

6. By reviewing of Gulf's Depreciation Study and its responses to staff's data requests as well the Company's clarifications to its responses, staff has the following questions pertaining to Account 370 Meter which includes four sub-accounts: Meters, Meters-AMI, Meters-FPSC Segregated, and Meters-Non FPSC Segregated.

    a. Gulf established Meter–AMI sub-account in 2012 resulting from the Company's commencement of the Advanced Metering Infrastructure (AMI) equipment meters deployment. Order No. PSC-12-0179-FOF-EI, issued April 3, 2012, In re: Petition for increase in rates by Gulf Power Company, approved that the service life of AMI is 15 years, which has been confirmed by Gulf in this study. However, Gulf recorded retirement amounts of $1,079,937 in 2012 and $500,000 in 2013, respectively, for this sub-account. In its response to Staff's First Data Request, No. 23 f, Gulf indicated that "[t]hese retirements were incorrectly applied to the AMI meters and should have been applied to the Non-AMI meters that were retired as a part of the AMI implementation. Does Gulf intend to correct this mistake in its book? If your response is affirmative,

please show the result in Company's 2013 Annual Status Report. If the response is negative, please explain why.

b. Sub-account Meters–FPSC Segregated represents meter investment transferred in order to properly segregate non-AMI meters into a separate depreciation group. The Commission ordered Gulf to establish this sub-account by Order No. PSC-10-0458-PAA-EI, issued December 31, 2009, In re: Depreciation and dismantlement study at December 31, 2009, by Gulf Power Company. By now the net investment of the near-term retiring meters has been fully recovered by corrective reserve transfers from other quantified reserve imbalances. Consequently, this meter group has been fully depreciated. Does Gulf intend to move the investment amount of this sub-account out of Gulf's Plant base? If your response is affirmative, please indicate when. If your response is negative, please explain why.

c. Sub-account Meters–Non FPSC Segregated represents the remaining obsolete meters to be retired. This near-term retirement of meters was addressed by Commission Order No. PSC-12-0179-FOF-EI. This order directed that the unrecovered amount of $7 million be transferred to a regulatory asset and amortized over an 8-year period. In its Depreciation Study Gulf noted that the depreciation expense is no longer booked to this sub-account. The Company also noted that there is a small debit reserve balance due to the removal and salvage activity. Gulf proposed to transfer the residual reserve balance to the Account 370 Meter upon completion of the removal and retirement of the obsoleted meters, specifically, in early 2014. Does Gulf intend to move the investment amount of this sub-account out of Gulf's Plant base? If your response is affirmative, please indicate when. If your response is negative, please explain why.

General Plant – Depreciable

7. Regarding Gulf's response to Staff's First Data Request No. 42, is it correct that Gulf Power is not recovering automobile expense either in base rates or cost recovery clauses? Please explain.

8. Volume 1, Tab 8, Page 23 of the Study indicates that Gulf Power recognized light truck retirements of $29,307 in 2010 and $694,883 in 2011, yet recorded no salvage value in those years.

   a. Why did Gulf Power not record any salvage for light trucks in 2010 and 2011?

   b. How did Gulf dispose of the light trucks it retired in 2010 and 2011?

   c. Are the circumstances resulting in zero salvage in 2010 and 2011 likely to be repeated in future years?

   d. Why did Gulf record only 1.09 percent salvage for light trucks in 2012 on retirements of $849,085?

e. Based on your answer to a, b, c, and d, why is it relevant to use shorter bands (4 year and 5 year bands) to determine the trend for decreased salvage?

9. Regarding Gulf's response to Staff's First Data Request Data Request No. 50, please identify the plant balance and reserve transfers from various distribution accounts associated with the $538,382 transfer to Account 390 – Structures and Improvements.

General Plant – Intangible

10. Regarding Gulf's responses to Staff's First Data Request Data Request Nos. 43 and 46, page 2 of 2,

    a. What was the specific adjustment to the Plant Balance, Reserves, and Annual Expense in Account 398 (Tab 10 of Volume 1 of the study) to recognize the transfer of software amortization from Account 398 to Account 303 for the years 2011, 2012, and 2013?

    b. Please provide Gulf's 2011 RUC letter to the Commission.

    c. Please provide the survey of companies that are members of the Financial Executives International Committee on Corporate Reporting that show nearly half of companies responding use lives ranging from 7 years to 10 years for enterprise-wide projects.

    d. What are the major software applications which have been used by the company over 7 years without significant upgrades?

    e. Please provide a general description of those portions of Gulf's Enterprise Solution (accounting, supply chain, and work order management systems), the costs of which are designated as Account 303 - Intangible Software.

Dismantlement

Staff's initial proposals are contained in Tables 3 and 4 attached to this report. These proposals are contingent upon verification of Staff's understanding of certain data contained in Gulf Power's 2013 Depreciation and Dismantlement Studies.

11. Please confirm for accuracy the adjusted scrap metal values Gulf Power Company used in its 2013 Dismantlement Study for copper, ferrous scrap, and non-ferrous scrap metal as listed below.

Metal Type	Previous Study* $	Current Study* $	Difference $	Difference %
Copper / Per Lb.	0.97	2.418	1.448	149%
Ferrous / Per Ton	149.0	287.1	138.1	93%
Non-Ferrous / Lb.	0.198	0.636	0.438	221%

* Source: Clarification on Responses to Staff's First and Second Data Request, No. 6.

12. What was the adjusted scrap metal value as a percentage of the total cost estimate presented in Gulf's 2009 Dismantlement Study?

13. Please explain, in detail, why the costs for dismantling Plant Scherer Unit 3 increased approximately 360% from Gulf's 2009 dismantlement study.

14. Please confirm that the adjusted dollar value of scrap metal contained in Gulf's 2013 Dismantlement Study is $57,523,125, and that this figure reduces the total dismantlement base cost estimate of $296,554,125, to $239,031,000.

15. For the purposes of the following request, please refer to Gulf's response to Staff's First Data Request No. 62. The proposed levelized dismantlement accrual of $6,172,175 for Plant Crist appears to reflect costs and subsequent accrual amounts that are being recovered through the ECRC, as well as amounts recovered through base rate depreciation expense. Please list the proposed 2014 accrual amounts for the six pieces of Plant Crist property included in this discovery response that will be recovered through the ECRC, and the net effect on Plant Crist's total accrual amount of $6,172,175.

16. Dismantlement costs for the Daniel Ash Management Project are being recovered through the ECRC. Are the costs for dismantling the Daniel Ash Management Project included in the (Gulf Portion) $15,772,000 cost estimate? If so, please detail how the company will segregate recovery amounts received through base rate depreciation expense from those received through the ECRC.

17. Please explain why the current costs for dismantling Plant Daniel substantially decreased from Gulf's 2009 dismantlement study.

18. Please confirm that Plant Scholtz was originally scheduled to retire in 2011, but was ordered a life extension to beyond 2014, to which Gulf has determined a new retirement date of April of 2015.

19. For the purposes of the following request, please refer to Gulf's Responses to Staff's First Data Request, No. 54. Please provide, in detail, the individual unit prices for all units used to derive cost amounts presented in Gulf's 2013 Dismantlement Study.

C. Staff's Initial Proposals

Staff's initial proposals are contained in summary Tables 1 thru 5. Please indicate by account name and number, if and where the Company disagrees with staff's proposals and the reasoning for disagreement.

Production Plant

Please refer to Tables 1 and 2 for Staff's initial proposals. Please note staff's amortization expense proposals differ from that of the Company for Accounts: (Plant Crist) 316 5-year Amortization and 316 7-year Amortization, (Plant Scherer) 316 7-year Amortization, (Plant Scholz) 316 7-year Amortization, and (Plant Smith) 316 7-Year Amortization.

Transmission Plant

Please refer to Tables 1, 2, and 5 for Staff's initial proposals. Please note the resulting Reserves and Remaining Life Depreciation Rates resulting from reserve transfers for Accounts: 350 Easements, 352 Structures and Improvements, 354 Towers and Fixtures, 355 Poles and Fixtures, 356 Overhead Conductors and Devices, and 359 Roads and Trails.

Distribution Plant

Please refer to Tables 1, 2, and 5 for Staff's initial proposals. Please note the resulting Reserve and Remaining Life Depreciation Rate resulting from reserve transfers for Accounts: 360.2 Easements, 364 Poles and Fixtures, 365 Overhead Conductors and Devices, and 370.1 Meters – AMI.

General Plant

Please refer to Tables 1, 2, and 5 for Staff's initial proposals. Please note staff's amortization expense proposals differ from that of the Company for Accounts: 391.1 Furniture Non-Computer, 391.2 Computer Equipment, 393 Stores Equipment, 394 Tools Shop and Garage Equipment, 395 Laboratory Equipment, 397 Communication Equipment, and 398 Miscellaneous Equipment.

Please further note the resulting Reserves and Remaining Life Depreciation Rates resulting from reserve transfers for Accounts: 390 Structures and Improvements, 396 Power Operated Equipment, Communications Equipment, 392.2 Light Trucks, 392.3 Heavy Trucks, and 392.4 Trailers.

Dismantlement Base Costs and Levelized Accrual

Please refer to Tables 3 and 4 for Staff's initial proposals.

Reserve Transfers

Please refer to Table 5 for initial Staff's proposals.

D. Summary Tables

Table 1

Account Category and Name	Company Proposal[1]				Staff Recommendation			
	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %	Remaining Life Depreciation Rate %	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %	Remaining Life Depreciation Rate %
STEAM PRODUCTION PLANT								
TOTAL DEPRECIABLE PLANT CRIST	20.3	(5.0)	21.45	4.1	20.3	(5.0)	21.45	4.1
Plant Crist Other Recovery								
Base Coal	0.0	0.0	100.00	0.0	0.0	0.0	100.00	0.0
Amortization Property (5 yr.)	5-Year Amortization				5-Year Amortization			
Amortization Property (7 yr.)	7-Year Amortization				7-Year Amortization			
TOTAL DEPRECIABLE PLANT SCHOLZ	1.5	(0.3)	99.74	0.4	1.5	(0.3)	99.74	0.4
Plant Scholz Other Recovery								
Base Coal	0.0	0.0	100.00	0.0	0.0	0.0	100.00	0.0
Amortization Property (5 yr.)	5-Year Amortization				5-Year Amortization			
Amortization Property (7 yr.)	7-Year Amortization				7-Year Amortization			
TOTAL DEPRECIABLE PLANT SMITH	16.6	(3.5)	50.75	3.2	16.6	(3.5)	50.75	3.2
Plant Smith Other Recovery								
Base Coal	0.0	0.0	100.00	0.0	0.0	0.0	100.00	0.0
Amortization Property (5 yr.)	5-Year Amortization				5-Year Amortization			
Amortization Property (7 yr.)	7-Year Amortization				7-Year Amortization			
TOTAL DEPRECIABLE PLANT DANIEL	26.9	(6.4)	53.15	2.0	26.9	(6.4)	53.15	2.0
Plant Daniel Other Depreciable								
Daniel Common 1-2, Easements	32.5	0.0	53.80	1.4	32.5	0.0	53.80	1.4
Daniel, Rail Track System	32.5	0.0	49.38	1.6	32.5	0.0	49.38	1.6
Plant Daniel Other Recovery								
Cooling Lake	0.0	0.0	100.00	0.0	0.0	0.0	100.00	0.0

[1] Gulf Power 2013 Depreciation Study, Vol. 1, Tabs 5 and 7.

* Denotes an accumulated depreciation reserve transfer and post-transfer rate.

Account Category and Name	Company Proposal[1]				Staff Recommendation				
	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %	Remaining Life Depreciation Rate %	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %		Remaining Life Depreciation Rate %
Cooling Lake	0.0	0.0	100.00	0.0	0.0	0.0	100.00		0.0
Cooling Lake	0.0	0.0	100.00	0.0	0.0	0.0	100.00		0.0
TOTAL DEPRECIABLE PLANT SCHERER	31.6	(1.9)	31.66	2.2	31.6	(1.9)	31.66		2.2
Plant Scherer Other Recovery									
Amortization Property (7 yr.)	7-Year Amortization				7-Year Amortization				
OTHER PRODUCTION PLANT									
Plant Smith CT	13.3	(0.2)	47.32	4.0	13.3	(0.2)	47.32		4.0
Plant Smith CC	22.6	(1.8)	2.55	4.4	22.6	(1.8)	2.55		4.4
Plant Pace CT (Pea Ridge)	4.5	(0.1)	78.81	4.7	4.5	(0.1)	78.81		4.7
Perdido Landfill Plant	16.2	(0.2)	8.40	5.7	16.2	(0.2)	8.40		5.7
TRANSMISSION PLANT									
Easements	31.6	0.0	50.97	1.6	31.6	0.0	52.55	*	1.5
Structures and Improvements	40.2	(5.0)	33.58	1.8	40.2	(5.0)	31.61	*	1.8
Station Equipment	36.2	(7.0)	20.42	2.4	36.2	(7.0)	20.42		2.4
Towers and Fixtures	31.2	(20.0)	63.18	1.8	31.2	(20.0)	53.28	*	2.1
Poles and Fixtures	33.2	(50.0)	20.55	3.9	33.2	(50.0)	23.73	*	3.8
Overhead Conductors and Devices	41.8	(30.0)	23.78	2.5	41.8	(30.0)	23.78	*	2.5
Underground Conductors and Devices	26.3	0.0	53.43	1.8	26.3	0.0	53.43		1.8
Roads and Trails	45.0	0.0	16.02	1.9	45.0	0.0	19.05	*	1.8
DISTRIBUTION PLANT									
Easements	52.2	0.0	5.25	1.8	52.2	0.0	6.09	*	1.8
Structures and Improvements	36.5	(5.0)	37.17	1.9	36.5	(5.0)	37.17		1.9
Station Equipment	36.2	(8.0)	25.17	2.3	36.2	(8.0)	25.17		2.3
Poles and Fixtures	25.0	(70.0)	51.92	4.7	25.0	(70.0)	45.53	*	5.0
Overhead Conductors and Devices	28.1	(25.0)	36.22	3.2	28.1	(25.0)	37.86	*	3.1
Underground Conduit	26.3	0.0	68.37	1.2	26.3	0.0	68.37		1.2

Account Category and Name	Company Proposal[1]				Staff Recommendation				
	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %	Remaining Life Depreciation Rate %	Average Remaining Life Years	Net Salvage %	Estimated 12/31/2013 Reserve Position %		Remaining Life Depreciation Rate %
Underground Conductors and Devices	24.0	(10.0)	35.56	3.1	24.0	(10.0)	35.56		3.1
Line Transformers	23.1	(24.0)	36.68	3.8	23.1	(24.0)	36.68		3.8
Overhead Services	27.2	(55.0)	62.05	3.4	27.2	(55.0)	62.05		3.4
Underground Services	33.0	(10.0)	36.61	2.2	33.0	(10.0)	36.61		2.2
Meters	23.0	10.0	29.51	2.6	23.0	10.0	29.51		2.6
Meters - AMI	12.3	0.0	5.91	7.7	12.3	0.0	17.92	*	6.7
Meters - FPSC Segregated	0.0	0.0	100.00	0.0	0.0	0.0	100.00		0.0
Meters - Non FPSC Segregated	0.0	0.0	110.09	0.0	0.0	0.0	110.09		0.0
Street Lighting and Signal Systems	14.6	(15.0)	50.68	4.4	14.6	(15.0)	50.68		4.4
GENERAL PLANT DEPRECIAITON									
Structures and Improvements	29.7	(5.0)	34.75	2.4	29.7	(5.0)	36.69	*	2.3
Power Operated Equipment	6.8	20.0	59.35	3.0	6.8	20.0	47.99	*	4.7
Communications Equipment	10.4	0.0	50.97	4.7	10.4	0.0	38.83	*	5.9
Light Trucks	3.5	5.0	47.24	13.8	3.5	5.0	65.33	*	8.6
Heavy Trucks	4.3	13.0	55.32	7.4	4.3	13.0	55.83	*	7.3
Trailers	8.9	9.0	49.95	4.6	8.9	9.0	50.06	*	4.6
GENERAL PLANT AMORTIZATION									
Furniture/Non-Computer	7-Year Amortization				7-Year Amortization				
Computer Equipment	5-Year Amortization				5-Year Amortization				
Marine Equipment	5-Year Amortization				5-Year Amortization				
Stores Equipment	7-Year Amortization				7-Year Amortization				
Tools, Shop & Garage Equip.	7-Year Amortization				7-Year Amortization				
Laboratory Equipment	7-Year Amortization				7-Year Amortization				
Communication Equip.	7-Year Amortization				7-Year Amortization				
Miscellaneous Equipment	7-Year Amortization				7-Year Amortization				
INTANGIBLE PLANT									
Software	7-Year Amortization				7-Year Amortization				

Table 2

Account Category and Name	Estimated 12/31/2013 Plant Investment Balance[4] $	Estimated 12/31/2013 Accumulated Depreciation Reserve[5] $	Current Approved[2] Remaining Life Rate %	Current Approved[2] Annual Expense $	Company Proposal[3] Remaining Life Rate %	Company Proposal[3] Annual Expense $	Staff Recommended Remaining Life Rate %	Staff Recommended Annual Expense $
STEAM PRODUCTION PLANT								
TOTAL DEPRECIABLE PLANT CRIST	1,480,442,114	317,605,025	3.5	51,815,474	4.1	60,698,127	4.1	60,698,127
Plant Crist Other Recovery								
Base Coal	141,840	141,840	0.0	0	0.0	0	0.0	0
Amortization Property (5 yr.)	137,572	86,586	20.0	27,514	20.0	32,245	20.0	27,514
Amortization Property (7 yr.)	2,678,299	1,425,704	14.3	382,997	14.3	698,361	14.3	382,997
TOTAL DEPRECIABLE PLANT SCHOLZ	30,818,163	30,736,763	4.1	1,263,545	0.4	123,273	0.4	123,273
Plant Scholz Other Recovery								
Base Coal	71,300	71,300	0.0	0	0.0	0	0.0	0
Amortization Property (5 yr.)	8,730	4,635	20.0	1,746	20.0	1,746	20.0	1,746
Amortization Property (7 yr.)	102,910	61,526	14.3	14,716	14.3	30,562	14.3	14,716
TOTAL DEPRECIABLE PLANT SMITH	176,803,819	89,723,419	3.3	5,834,526	3.2	5,657,722	3.2	5,657,722
Plant Smith Other Recovery								
Base Coal	108,300	108,300	0.0	0	0.0	0	0.0	0
Amortization Property (5 yr.)	29,526	15,715	20.0	5,905	20.0	5,905	20.0	5,905
Amortization Property (7 yr.)	1,174,466	667,192	14.3	167,949	14.3	225,269	14.3	167,949

[2] Gulf Power 2009 Dismantlement Study and Order No. PSC-10-0458-PAA-EI, issued July 19, 2010, in Docket No. 090319-EI, In re: Depreciation and dismantlement study at December 31, 2009, by Gulf Power Company.

[3] Gulf Power 2013 Depreciation Study, Vol. 1, Tab 5.

[4] Gulf Power 2013 Depreciation Study, Vol. 1, Tab 7.

[5] Ibid.

Account Category and Name	Estimated 12/31/2013 Plant Investment Balance[4] $	Estimated 12/31/2013 Accumulated Depreciation Reserve[5] $	Current Approved[2] Remaining Life Rate %	Current Approved[2] Annual Expense $	Company Proposal[3] Remaining Life Rate %	Company Proposal[3] Annual Expense $	Staff Recommended Remaining Life Rate %	Staff Recommended Annual Expense $
TOTAL DEPRECIABLE PLANT DANIEL	260,872,215	138,663,112	2.8	7,304,422	2.0	5,217,444	2.0	5,217,444
Plant Daniel Other Depreciable								
Daniel Common 1-2, Easements	77,160	41,511	1.4	1,080	1.4	1,080	1.4	1,080
Daniel, Rail Track System	2,782,273	1,373,795	1.5	41,734	1.6	44,516	1.6	44,516
Plant Daniel Other Recovery								
Cooling Lake	2,621,892	2,621,892	0.0	0	0.0	0	0.0	0
Cooling Lake	6,331,377	6,331,377	0.0	0	0.0	0	0.0	0
Cooling Lake	923	923	0.0	0	0.0	0	0.0	0
TOTAL DEPRECIABLE PLANT SCHERER	369,621,130	117,012,731	2.0	7,392,423	2.2	8,131,665	2.2	8,131,665
Plant Scherer Other Recovery								
Amortization Property (7 yr.)	161,971	91,483	14.3	23,162	14.3	28,254	14.3	23,162
OTHER PRODUCTION PLANT								
Plant Smith CT	7,944,382	3,759,633	3.6	285,998	4.0	317,775	4.0	317,775
Plant Smith CC	218,565,471	5,580,694	2.8	6,119,833	4.4	9,616,881	4.4	9,616,881
Plant Pace CT (Pea Ridge)	10,481,918	8,260,991	5.3	555,542	4.7	492,650	4.7	492,650
Perdido Landfill Plant	9,641,119	810,273	5.0	482,056	5.7	549,544	5.7	549,544
TRANSMISSION PLANT								
Easements	13,166,131	6,919,460	1.6	210,658	1.6	210,658	1.5	197,492
Structures and Improvements	10,584,304	3,345,585	2.0	211,686	1.8	190,517	1.8	190,517
Station Equipment	148,680,261	30,353,808	2.3	3,419,646	2.4	3,568,326	2.4	3,568,326
Towers and Fixtures	40,666,668	21,666,443	2.3	935,333	1.8	732,000	2.1	854,000
Poles and Fixtures	126,998,316	30,131,620	3.6	4,571,939	3.9	4,952,934	3.8	4,825,936

Account Category and Name	Estimated 12/31/2013 Plant Investment Balance[4] $	Estimated 12/31/2013 Accumulated Depreciation Reserve[5] $	Current Approved[2] Remaining Life Rate %	Current Approved[2] Annual Expense $	Company Proposal[3] Remaining Life Rate %	Company Proposal[3] Annual Expense $	Staff Recommended Remaining Life Rate %	Staff Recommended Annual Expense $
Overhead Conductors and Devices	110,339,741	26,236,529	2.5	2,758,494	2.5	2,758,494	2.5	2,758,494
Underground Conductors and Devices	14,094,502	7,530,398	2.1	295,985	1.8	253,701	1.8	253,701
Roads and Trails	235,919	44,952	2.0	4,718	1.9	4,482	1.8	4,247
DISTRIBUTION PLANT								
Easements	555,176	33,832	1.8	9,993	1.8	9,993	1.8	9,993
Structures and Improvements	20,429,669	7,593,011	2.2	449,453	1.9	388,164	1.9	388,164
Station Equipment	239,656,818	60,317,168	2.2	5,272,450	2.3	5,512,107	2.3	5,512,107
Poles and Fixtures	131,001,902	59,640,369	5.0	6,550,095	4.7	6,157,089	5.0	6,550,095
Overhead Conductors and Devices	135,820,193	51,420,167	3.1	4,210,426	3.2	4,346,246	3.1	4,210,426
Underground Conduit	1,160,719	793,560	1.3	15,089	1.2	13,929	1.2	13,929
Underground Conductors and Devices	141,302,574	50,241,099	3.3	4,662,985	3.1	4,380,380	3.1	4,380,380
Line Transformers	247,768,588	90,887,756	4.0	9,910,744	3.8	9,415,206	3.8	9,415,206
Overhead Services	53,372,992	33,119,104	3.8	2,028,174	3.4	1,814,682	3.4	1,814,682
Underground Services	45,243,221	16,563,038	2.6	1,176,324	2.2	995,351	2.2	995,351
Meters	20,142,321	5,944,152	2.7	543,843	2.6	523,700	2.6	523,700
Meters - AMI	51,097,347	9,159,199	6.7	3,423,522	7.7	3,934,496	6.7	3,423,522
Meters - FPSC Segregated	1,860,712	1,860,712	0.0	0	0.0	0	0.0	0
Meters - Non FPSC Segregated	3,430,772	3,776,973	0.0	0	0.0	0	0.0	0
Street Lighting and Signal Systems	64,373,931	32,627,557	5.0	3,218,697	4.4	2,832,453	4.4	2,832,453
GENERAL PLANT DEPRECIATION								
Structures and Improvements	77,711,059	28,512,188	2.3	1,787,354	2.4	1,865,065	2.3	1,787,354
Power Operated	864,641	414,967	4.7	40,638	3.0	25,939	4.7	40,638

Account Category and Name	Estimated 12/31/2013 Plant Investment Balance[4] $	Estimated 12/31/2013 Accumulated Depreciation Reserve[5] $	Current Approved[2] Remaining Life Rate %	Current Approved[2] Annual Expense $	Company Proposal[3] Remaining Life Rate %	Company Proposal[3] Annual Expense $	Staff Recommended Remaining Life Rate %	Staff Recommended Annual Expense $
Equipment								
Communications Equipment	23,194,669	9,006,829	6.3	1,461,264	4.7	1,090,149	5.9	1,368,485
Light Trucks	7,120,679	4,651,940	9.3	662,223	13.8	982,654	8.6	612,378
Heavy Trucks	22,519,409	12,573,065	7.9	1,779,033	7.4	1,666,436	7.3	1,643,917
Trailers	1,269,865	635,694	4.8	60,954	4.6	58,414	4.6	58,414
GENERAL PLANT AMORITIZATION								
Furniture/Non-Computer	2,463,098	1,433,256	14.3	352,223	14.3	364,394	14.3	352,223
Computer Equipment	2,395,968	1,774,426	20.0	479,194	20.0	791,167	20.0	479,194
Marine Equipment	213,594	88,853	20.0	42,719	20.0	42,719	20.0	42,719
Stores Equipment	1,231,907	152,426	14.3	176,163	14.3	168,067	14.3	176,163
Tools, Shop & Garage Equipment	4,075,782	1,433,369	14.3	582,837	14.3	358,155	14.3	582,837
Laboratory Equipment	3,361,355	1,672,165	14.3	480,674	14.3	346,815	14.3	480,674
Communication Equip	3,620,424	1,173,223	14.3	517,721	14.3	597,510	14.3	517,721
Miscellaneous Equipment	3,572,092	2,199,354	14.3	510,809	14.3	495,316	14.3	510,809
INTANGABLE PLANT AMORITIZATION								
Software	15,892,775	6,143,727	14.3	2,272,667	14.3	2,272,667	14.3	2,272,667
Dismantlement				9,591,938		7,023,336		7,023,336
TOTAL ALL PLANT	4,373,108,964	1,347,268,394		156,399,284		163,016,732		162,146,915

Dismantlement Base Costs

Table 3

Plant Unit by Site	Total Base Cost Estimate Net of Scrap Metal Credits As of 12/31/09[6] $	Total Base Cost Estimate Net of Scrap Metal Credits As of 12/31/13[7] $	Cost Difference from 2009 to 2012 %
Plant Crist			
Unit 4	5,426,000	4,516,000	-16.77%
Unit 5	5,501,000	4,592,000	-16.52%
Unit 6	13,336,000	11,440,000	-14.22%
Unit 7	15,216,000	12,335,000	-18.93%
SCR Unit 6	N/A	7,866,000	N/A
SCR Unit 7	8,477,000	9,400,000	10.89%
FGD Units 4 - 7	74,033,000	80,991,000	9.40%
Common	26,448,000	30,524,000	15.41%
Total Plant Crist	148,437,000	161,664,000	8.91%
Plant Smith			
Unit 1	5,916,000	4,487,000	-24.15%
Unit 2	6,796,000	5,342,000	-21.39%
Plant Smith CT	166,000	168,000	1.20%
Plant Smith Unit 3 (CC)	6,828,000	7,491,000	9.71%
Common	19,243,000	20,555,000	6.82%
Total Plant Smith	38,949,000	38,043,000	-2.33%
Plant Scholz			
Unit 1	2,983,000	2,112,000	-29.20%
Unit 2	2,938,000	2,079,000	-29.24%
Total Common	6,886,000	7,241,000	5.16%
Total Plant Scholz	12,807,000	11,432,000	-10.74%
Plant Daniel (Gulf Portion)			
Total Unit 1	4,101,000	1,453,000	-64.57%
Total Unit 2	4,170,000	1,478,000	-64.56%
Total Common	13,066,000	12,841,000	-1.72%
Total Plant Daniel	21,337,000	15,772,000	-26.08%

[6] Gulf Power 2009 Dismantlement Study and Order No. PSC-10-0458-PAA-EI, issued July 19, 2010, in Docket No. 090319-EI, In re: Depreciation and dismantlement study at December 31, 2009, by Gulf Power Company.

[7] Gulf Power 2013 Dismantlement Study, Vol. 1, Section 2.0, Vol. 2, Sections 1.0 and 2.0.

Plant Unit by Site	Total Base Cost Estimate Net of Scrap Metal Credits As of 12/31/09[6] $	Total Base Cost Estimate Net of Scrap Metal Credits As of 12/31/13[7] $	Cost Difference from 2009 to 2012 %
Plant Scherer (Gulf Portion)			
Total Unit 3	1,895,000	8,694,000	358.79%
Total Common	1,710,000	1,770,000	3.51%
Total Plant Scherer	3,605,000	10,464,000	190.26%
Pace (Pea Ridge) Plant			
Total Unit 1	50,000	50,000	0.00%
Total Unit 2	50,000	50,000	0.00%
Total Unit 3	50,000	51,000	2.00%
Total Pace (Pea Ridge)	150,000	151,000	0.67%
Perdido Landfill			
Total Perdido Landfill	N/A	1,507,000	N/A
Total Dismantlement Costs*	225,285,000	239,033,000	6.10%

*Totals rounded to the nearest $1,000.

Dismantlement Accrual

Table 4

Plant Site	Current Accrual[8] $	Proposed Accrual* $	Change $
Plant Crist	6,458,948	6,172,175	(286,773)
Plant Smith	1,249,287	1,016,173	(233,114)
Plant Scholz	799,767	(1,046,922)	(1,846,689)
Plant Daniel	684,446	174,336	(510,110)
Plant Scherer	98,878	297,594	198,716
Total Steam Production	9,291,326	6,613,356	(2,677,970)
Plant Smith CT	3,258	3,147	(111)
Plant Pea Ridge	17,334	22,532	5,198
Smith Combined Cycle	280,020	274,255	(5,765)
Perdido Landfill	0	110,046	110,046
Total Other Production	300,612	409,980	109,368
Total All Plants	9,591,938	7,023,336	(2,568,602)

* Source: Derived from based costs as contained in Gulf Power 2013 Depreciation Study, Vol. 1 and Vol. 2, Analysis Results, Steam Production and Other Production Plants. Financial amounts contained in Vol. 1, Tab 9.

[8] See Order No. PSC-10-0458-PAA-EI, issued July 19, 2010, in Docket No. 090319-EI, In re: Depreciation and dismantlement study at December 31, 2009, by Gulf Power Company.

Table 5

Acc. #	Account Category and Name	Estimated 12/31/2013 Plant Investment Balance[9] $	Estimated 12/31/2013 Accumulated Depreciation Reserve[10] $	Staff Calculated Theoretical Reserve $	Difference from Theoretical to Actual $	Proposed Reserve Transfer $	Restated Reserve $
TRANSMISSION PLANT							
350	Easements	13,166,131	6,710,802	6,919,460	(208,658)	208,658	6,919,460
352	Structures and Improvements	10,584,304	3,554,243	3,033,250	520,993	(208,658)	3,345,585
354	Towers and Fixtures	40,666,668	25,694,763	20,868,507	4,826,256	(4,028,320)	21,666,443
355	Poles and Fixtures	126,998,316	26,103,300	30,131,620	(4,028,320)	4,028,320	30,131,620
356	Overhead Conductors and Devices	110,339,741	26,243,685	23,438,368	2,805,317	(7,156)	26,236,529
359	Roads and Trails	235,919	37,796	44,952	(7,156)	7,156	44,952
DISTRIBUTION PLANT							
360.2	Easements	555,176	29,160	33,832	(4,672)	4,672	33,832
364	Poles and Fixtures	131,001,902	68,016,181	49,195,144	18,821,037	(8,375,812)	59,640,369
365	Overhead Conductors and Devices	135,820,193	49,189,082	51,420,167	(2,231,085)	2,231,085	51,420,167
370.1	Meters - AMI	51,097,347	3,019,144	9,159,199	(6,140,055)	6,140,055	9,159,199
GENERAL PLANT DEPRECIAITON							
390	Structures and Improvements	77,711,059	27,003,165	28,512,188	(1,509,023)	1,509,023	28,512,188
396	Power Operated Equipment	864,641	513,177	414,967	98,210	(98,210)	414,967
397	Communications Equipment	23,194,669	11,822,212	8,976,105	2,846,107	(2,815,383)	9,006,829
392.2	Light Trucks	7,120,679	3,363,803	4,651,940	(1,288,137)	1,288,137	4,651,940
392.3	Heavy Trucks	22,519,409	12,458,065	12,572,361	(114,296)	115,000	12,573,065
392.4	Trailers	1,269,865	634,261	635,694	(1,433)	1,433	635,694
	Totals	753,146,019	264,392,839	250,007,754	14,385,085	0	264,392,839

[9] Gulf Power 2013 Depreciation Study, Vol. 1, Tab 7.

[10] Ibid.