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March 30, 2016

Ms. Carlotta Stauffer
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee FL 32399-0868

Re: Docket No. 160039-EI – Gulf Power Company's Petition for Approval of
Regulatory Asset Related to the Retirement of Plant Smith Units 1 and 2

Dear Ms. Stauffer:

Attached is Gulf Power Company's response to Staff's First Data Request
in the above-referenced docket.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." in a cursive style.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

md

Attachments

cc w/att.: Beggs and Lane
Jeffrey A. Stone, Esquire
Office of General Counsel
Suzanne Brownless

Please refer to Exhibit A of Gulf's petition filed in this docket and Gulf's Depreciation Annual Status Report filed April 2015 (ASR-2015) for the following questions.

1. In the ASR-2015, for Account "Plant" under category titled "Smith Plant," Gulf reported \$176,520,811 as the Plant in Service Balance as of 12/31/2014; and \$95,901,422 as the Accumulated Provision for Depreciation as of 12/31/2014. Please update these two figures as of 12/31/2015.

RESPONSE:

The updated amounts are as follows:

Smith Plant – Plant in Service Balance 12/31/15: \$176,578,873

Smith Plant – Accumulated Provision for Depreciation 12/31/15: \$101,653,641

See pages 2 and 3

FPSC15SCH71 – Plant Smith

FPSC15SCH75 – Plant Smith

**GULF POWER COMPANY
ELECTRIC PLANT IN SERVICE
ACTUAL: DECEMBER 2015**

		Balance First of Year	Additions	Retirements	Adjustments	Transfers	Balance End of Year
SMITH PLANT:							
Plant		176,520,811.15	127,026.43	(68,964.86)	0.00	0.00	176,578,872.72
Land		1,363,923.52	0.00	0.00	710,967.52	0.00	2,074,891.04
Base Coal, 5 Year		108,300.00	0.00	0.00	0.00	0.00	108,300.00
Misc Plant, 5 Year		24,235.66	0.00	0.00	0.00	0.00	24,235.66
Misc Plant, 7 Year		1,121,748.89	85,918.71	(300,492.27)	0.00	0.00	907,175.33
Asset Retirement Obligation		471,937.67	48,865,056.34	(132,732.30)	0.00	0.00	49,204,261.71
TOTAL SMITH PLANT:		179,610,956.89	49,078,001.48	(502,189.43)	710,967.52	0.00	228,897,736.46
TRANSMISSION:							
Structures and Improvements	352	630,866.20	(2,096.73)	0.00	0.00	0.00	628,769.47
Station Equipment	353	13,304,305.77	239,542.81	(5,746.12)	0.00	0.00	13,538,102.46

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**GULF POWER COMPANY
ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION
ACTUAL: DECEMBER 2015**

	Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage and Other Credits	Transfers and Adjustments	Balance End of Year
SMITH PLANT:							
Plant	95,901,422.33	5,825,623.74	(68,964.86)	(4,440.70)	0.00	0.00	101,653,640.51
Base Coal, 5 Year	108,300.00	0.00	0.00	0.00	0.00	0.00	108,300.00
Misc Plant, 5 Year	14,097.89	4,847.16	0.00	0.00	0.00	0.00	18,945.05
Misc Plant, 7 Year	586,819.44	160,249.71	(300,492.27)	0.00	0.00	0.00	446,576.88
Dismantlement - Fixed	22,608,149.51	950,367.00	0.00	0.00	0.00	0.00	23,558,516.51
Asset Retirement Obligation	361,638.59	1,225,871.70	(132,732.30)	0.00	0.00	32,522.49	1,487,300.48
TOTAL SMITH PLANT:	119,580,427.76	8,166,959.31	(502,189.43)	(4,440.70)	0.00	32,522.49	127,273,279.43
TRANSMISSION:							
Easements	350.2 6,906,127.19	202,296.96	0.00	0.00	0.00	0.00	7,108,424.15
Structures and Improvements	352 3,527,262.37	457,453.61	(86,214.11)	(1,292.46)	0.00	172,920.55	4,070,129.96
Station Equipment	353 28,193,077.39	5,106,215.16	(3,258,957.11)	(512,996.46)	22,668.82	335,557.73	29,885,565.53
Towers and Fixtures	354 25,181,255.91	991,247.03	(2,228,439.96)	(38,725.45)	1,300.93	0.00	23,906,638.46
Poles and Fixtures	355 16,955,139.30	6,978,212.77	(1,909,100.46)	(1,429,280.47)	167,050.52	0.00	20,762,021.66
Overhead Conductors & Devices	356 24,922,427.22	2,846,722.93	(2,930,553.40)	(74,637.65)	11,314.44	0.00	24,775,273.54
Underground Conductors & Devices	358 7,822,664.67	304,013.80	(19,168.03)	(17,525.04)	0.00	0.00	8,089,985.40
Roads and Trails	359 42,514.34	4,718.40	0.00	0.00	0.00	0.00	47,232.74
Asset Retirement Obligation	359.1 4,211.76	142.98	0.00	0.00	0.00	0.00	4,354.74
TOTAL TRANSMISSION:	113,554,680.15	16,891,023.64	(10,432,433.07)	(2,074,457.53)	202,334.71	508,478.28	118,649,626.18

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2. Please explain the differences between Account "Plant" under the category titled "Plant Smith" in ASR-2015 and the accounts/items listed in column "Description" in Exhibit A of the instant petition.

RESPONSE:

The amounts provided in the Annual Status Reports are the entire plant totals, whereas the amounts listed in Exhibit A are only the assets recognized for retirement on March 31, 2016. Some assets will remain to support the remaining generating assets at the plant and the eventual dismantlement of the coal-fired generation at Plant Smith.

3. For each dollar amount listed in Exhibit A in columns A, B and D, please explain how it was determined.

RESPONSE:

Exhibit A Column A: Represents the asset totals to be retired upon plant closure of the coal-fired generating units as of December 31, 2015.

Exhibit A Column B: A proportional amount of the plant's total accumulated depreciation reserve was allocated to each item included in Column A.

Exhibit A Column D: Materials and supplies remaining at the plant that have no further value upon closure of the coal-fired generating units as of December 31, 2015. These items were identified by reviewing total plant inventory and distinguishing items associated with Plant Smith Units 1 and 2.

4. For each dollar amount listed in Exhibit A in columns A, B and D, please identify the source account(s) in ASR-2015.

RESPONSE:

Exhibit A Column A: All amounts are found on the Electric Plant in Service page of the Annual Status Report. Production – Unit 1, Production – Unit 2 & Production Common amounts are included in the “Plant” amounts under the category Smith Plant. The Smith Steam Prod Step-up amount is included in the “Station Equipment” amounts under the category Transmission.

Exhibit A Column B: All amounts are found on the Accumulated Provisions for Depreciation and Amortization page of the Annual Status Report. Production – Unit 1, Production – Unit 2 & Production Common amounts are included in the “Plant” amounts under the category Smith Plant. The Smith Steam Prod Step-up amount is included in the “Station Equipment” amounts under the category Transmission.

Exhibit A Column D: These amounts are not included in the Annual Status Report because materials and supplies are not included in the ASR.

See Item No. 1 pages 2 and 3:
FPSC15SCH71 – Plant Smith
FPSC15SCH75 – Plant Smith

5. Referring to Exhibit A, please identify the major assets included in "Production – Common" and "Smith Steam Prod Step-up," respectively.

RESPONSE:

See Item No 5. Pages 2 and 3
Plant Smith – Common
Plant Smith Steam Production Step-up

Plant Smith - Common	
RUC - Description	Amount
31123481015 Coal Bunker	\$4,086,096.59
31250900901 Injection System including piping	\$2,918,983.40
31252551485 Fixed Crane or Hoist	\$2,750,790.38
31252561501 Dozer or Pusher	\$2,331,817.71
31250430831 Ductwork	\$1,059,886.44
31250490891 Fan	\$1,054,127.91
31251271055 Flow Monitor	\$1,040,173.94
31250490892 Drive, fan	\$997,150.67
31256456674 Pump, ash sluice	\$704,942.04
31250470861 Ductwork	\$529,943.22
31256443163 Piping, 4" dia. or over between two or more retirement units	\$492,335.20
31581471120 Coal Handling Control System, complete	\$343,795.26
31120860240 Settling Pond	\$300,811.16
31256456673 Piping, 4" dia. or over between two or more retirement units	\$284,497.99
31120230001 Initial Site Preparation	\$278,361.79
31266605701 Analysis Equipment	\$232,784.00
31253842102 Superstructure (Excluding Building Appurtenances)	\$215,495.07
31615941517 Cherry Picker	\$200,937.72
31252451281 Structural Metal	\$200,719.55
31252421223 Conveyor	\$196,946.76
31252627130 Radial Stacker	\$167,842.14
31252441261 Structural Metal	\$161,367.89
31120410013 Surfacing	\$157,705.89
31252617101 Live Storage Hopper & Tunnel Structure	\$154,068.31
31580230041 Conduit, each continuous run	\$147,570.34
31256413101 Pyrite Hopper	\$134,346.00
31581411001 Instrument: indicating, measuring or controlling	\$132,461.55
31120870235 Chemical Waste Storage Pond	\$127,259.96
31250860928 Emission Monitoring Analyzer	\$125,829.50
31128233401 Substructure, complete	\$123,389.61
31252511402 Fan	\$123,283.03
31128413501 Substructure, complete	\$120,007.15
31252461304 Control Installation	\$118,894.03
31475300181 Tank	\$118,805.53
31256443164 Pump, ash sluice	\$102,882.88
31615941532 Man Basket	\$102,241.19
Total of assets under \$100,000	\$3,704,960.23
TOTAL	\$26,043,512.03

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Plant Smith Steam Production Step-up	
Property Unit - Description	Amount
3539401 - Power Transformer	\$1,617,749.89
3539440 - Circuit Breakers and Reclosers	\$416,123.08
TOTAL	\$2,033,872.97

6. Please identify the total amount of the petitioned regulatory asset.

RESPONSE:

Gulf is petitioning for the net book value of Plant Smith Units 1 & 2 and the remaining inventory associated directly with Plant Smith Units 1 & 2 at March 31, 2016. Gulf provided year end 2015 data as an illustration of the assets associated with Smith Units 1 & 2 and the remaining inventory. Gulf anticipates the total amount of the regulatory asset will be slightly lower than \$64.7 million, reflecting additional accumulated depreciation since December 31, 2015.

7. Please provide the estimates for the following cost/salvage by plant, which are associated with the retirement of Plant Smith Units 1 and 2:
 - a. Cost of removal
 - b. Net salvage
 - c. Dismantlement Cost

RESPONSE:

- a.- b. The closure of the coal-fired generating units at Plant Smith will result in the terminal retirement of many assets. Since these are terminal retirements, the final cost of removing these assets will be addressed through the dismantlement reserve instead of the typical cost of removal or salvage treatment.
- c. Gulf's last approved dismantlement study was filed as of year-end 2009 and included an estimated dismantlement cost of \$32 million for Plant Smith Units 1 and 2, and all common facilities. Only a portion of the common facilities will be retired on March 31, 2016. The costs used in the development of the dismantlement study will be updated and presented to the Commission in Gulf's next dismantlement study. Due to the passage of time and the nature of the partial closure make the use of these vintage estimates invalid.

8. Please explain whether the dollar amounts discussed in No. 7 have been included in the amount identified in No. 6. Explain why or why not.

RESPONSE:

No, the petitioned amount in No. 6 is only the net book value of the assets to be retired upon closure of the coal-fired generating units at Plant Smith and the value of the remaining inventory associated directly with Plant Smith Units 1 and 2. As discussed in response No. 7, cost of removal and salvage will be credited to the dismantlement reserve since these are terminal retirements. Gulf is not seeking to recover cost of removal and salvage costs through amortization of the regulatory asset but rather through the existing dismantlement reserve.

9. Please provide a list of all the environmental compliance devices, controls, and systems that are associated with the operation of Plant Smith Units 1 and 2.

RESPONSE:

Below is a list, by unit, of environmental devices, controls and systems associated with Plant Smith Units 1 and 2.

Summary of Environmental Equipment at Smith Units 1 and 2				Unit 1	Unit 2	Common	Total
311	2841	Sub foundation Work, Precipitator Control House		\$ -	\$ -	\$ 120,007.15	\$ 120,007.15
311	2845	Architectural Work, Precipitator Control House				11,371.46	11,371.46
311	2851	Drainage System, Precipitator Control House				228.39	228.39
311	2853	Lighting System, Precipitator Control House				770.87	770.87
311	2857	Fire Protection System, Precipitator Control House				54,189.79	54,189.79
312	5041	Precipitators, Draft System		13,014,371.79	12,016,603.55	19,404.01	25,050,379.35
312	5042	Forced Draft Fan Inlet Duct, Draft System		4,787.56	5,753.50		10,541.06
312	5043	Forced Draft Fan Outlet Duct, Draft System		52,554.02	56,580.18	1,059,886.44	1,169,020.64
312	5045	Precipitator Inlet Duct, Draft System		576,390.01	766,019.87		1,342,409.88
312	5046	Precipitator Outlet Duct, Draft System		570,548.35	547,846.25		1,118,394.60
312	5047	Induced Draft Fan Outlet Duct, Draft System			383,026.89	542,450.16	925,477.05
312	5050	Precipitator Lighting, Draft System			35,532.59		35,532.59
312	5051	Air Heater Outlet Duct, Draft System		133,157.82			133,157.82
312	5086	Stack Appurtenances, Stack				125,829.50	125,829.50
312	5090	Selective Non-Catalytic Reduction System or NOX Star System		3,267,976.06	2,823,346.27	2,918,983.40	9,010,305.73
312	5127	Continuous Emission Monitoring System		265,529.93	1,656,468.72	1,197,296.12	3,119,294.77
315	8023	Precipitator, Raceway System-Site		13,267.68	12,295.04		25,562.72
		Total Plant in Service		\$ 17,898,583.22	\$ 18,303,472.86	\$ 6,050,417.29	\$ 42,252,473.37

10. Please identify the items listed in response to No. 9 that Gulf intends to retire with Plant Smith Units 1 and 2.

RESPONSE:

Gulf will retire all items listed in response to Staff's First Data Request No. 9.

11. Please identify the retirement costs and remaining net book value of the items listed in response to No. 10 and whether those amounts are included in Exhibit A of the petition. For items that are not included in Exhibit A, please explain how Gulf intends to recover the associated costs.

RESPONSE:

Please see Gulf's response to No. 7 concerning the treatment of retirement costs which will be addressed through the dismantlement reserve. The net book value of the items listed in response Nos. 9 and 10 are approximately \$23,594,896. These items have been identified and included in Exhibit A.

12. Please explain how Gulf intends to recover the costs associated with items listed in its response to No. 9 that Gulf does not intend to retire with Plant Smith Units 1 and 2.

RESPONSE:

Gulf intends to retire all items listed in response to Staff's First Data Request No.9.

13. In its petition, the Company states that the requested deferral to a future proceeding is contemplated by the Stipulation and Settlement Agreement (Stipulation) approved in Order No. PSC-13-0670-S-EI. Please cite the specific language in the Stipulation that the Company is relying on as justification for the requested deferral related to the retirement of Plant Smith Units 1 and 2.

RESPONSE:

Gulf does not rely on language in the Stipulation for its request for a deferral of certain capital costs associated with the retirement of Plant Smith Units 1 and 2 to its next base rate proceeding. Gulf relies on the Stipulation to support the timing of when such a base rate proceeding may occur in the future.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: **Petition for approval of regulatory asset**)
related to the retirement of Plant Smith)
Units 1 and 2, by Gulf Power Company)

Docket No.: **160039-EI**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was furnished by electronic mail this 30th day of March, 2016 to the following:

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