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February 26, 2016

Ms. Jenny Wu  
Division of Economics  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0868

Re: Gulf Power Company's 2014 Annual Status Report - Depreciation

Dear Ms. Wu:

Attached is Gulf Power Company's response to Staff's First Data Request pertaining to Gulf's 2014 Depreciation Annual Status Report.

Sincerely,

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

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

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Attachments

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

Please refer to the schedule ELECTRIC PLANT IN SERVICE ACTUAL: DECEMBER 2014, for questions Nos. 1 through 16 below:

1. Account Plant (Steam Production: Daniel Plant)
  - a. Please explain the nature and cause for the adjustment of \$522.81 recorded.
  - b. Please explain why there is no corresponding adjustments booked on Reserve side.

**RESPONSE:**

- a. Gulf moved a portion of Plant Held for Future Use (105) Land into Plant in Service (101) at Plant Daniel. The \$522.81 represents the book value of fencing on the land that was moved into Plant in Service. Gulf moved the land with a book value of \$3,014,837.65 into Plant in Service to support the new scrubber by storing gypsum.
- b. Since the movement was from 105 there was not a reserve adjustment applicable to the transaction.

2. Account Land (Steam Production: Daniel Plant)  
Please explain the nature and cause for the adjustment of \$3,014,837.65 recorded.

**RESPONSE:**

As discussed in the response to question 1, the \$3,014,837.65 represents land moved from 105 to 101 to be used for gypsum storage for the new scrubber.

3. Account Asset Retirement Obligation (Steam Production: Scherer Plant)  
Please explain why there is a negative \$59,705.92 plant addition.

**RESPONSE:**

In August 2014, Gulf extended the expected settlement date on its Scholz Plant asset retirement obligations from December 2015 to December 2020. This extension of the settlement date resulted in a reduction to the present value of the asset retirement obligation assets for Scholz Plant.

4. Account Land (Steam Production: Scherer Plant)  
Please explain the nature and cause for the adjustments of negative \$1,562.50 recorded.

**RESPONSE:**

The negative \$1,562.50 land adjustment represents the reduction of land value, due to timber sales at Plant Scherer.

5. Account Misc Plant, 7 Years (Steam Production: Scherer Plant)  
Please explain the nature and cause for the transfers of \$8,587.08 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

These assets were in the Georgia Power Company FERC and location on the parent EWO and came over to Gulf's child EWO with their data. This transfer is to correct the FERC and location on Gulf's books.

Transfer from credit \$437.36	391 Office Furniture
Transfer from credit \$795.20	394 Tools
Transfer from credit \$4,179.49	395 Laboratory Equipment
Transfer from credit \$3,175.33	398 Miscellaneous Equipment
Transfer to debit \$8,587.08	316.7 – 7/23-yr Amortizable Property

6. Account 341 Structure and Improvement (Smith Plant Unit 3 Combined Cycle)  
Please explain why there is a negative \$7,142,275.21 plant addition.

**RESPONSE:**

The negative \$7,142,275.21 is related to a work order for Unit 3 Reclaimed Water Project. The work order was placed in service in error in November 2013. This error was corrected in January 2014 and a control account entry was recorded crediting FERC 106 Plant in Service Unclassified and debiting FERC 107 CWIP. This credit appropriately reduced plant in service and increased CWIP.

7. Account 353 Station Equipment (Transmission)  
Please explain the nature and cause for the transfers of negative \$233,386.81 recorded and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

The negative \$233,386.81 represents the transfer of Circuit Breakers and Reclosers from 353 Transmission Station Equipment to 362 Distribution Station Equipment.



8. Account 362 Station Equipment (Distribution)  
Please explain the nature and cause for the transfers of \$372,960.31 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

The \$372,960.31 represents transfers from 362 Distribution Station Equipment of various retirement units including regulators, circuit breakers and reclosers, basic assembly common equipment and transceivers to 353-Transmission Station Equipment, 368 – Line Transformers and 397 – Communications Equipment.

9. Account 364 Poles, Towers & Fixtures (Distribution)
- a. Please explain the nature and cause for the adjustments of negative \$1,600 recorded.
  - b. Please explain why there is no corresponding transfers booked on Reserve side.

RESPONSE:

- a. The adjustment was made to reduce plant in service for the sale of land (Woodlawn Shores) for which the gross investment was \$1,600.
- b. There is no corresponding transfer booked on the reserve side because we do not depreciate land.

10. Account 368 Line Transformers (Distribution)  
Please explain the nature and cause for the transfers of negative \$81,997.91 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

The negative \$81,997.91 represents transfers of voltage regulators, potential transformers, and station service transformers from Mass Property location to distribution substation locations.

11. Account 370 Meters-AMI Equipment (Distribution)  
Please explain why there is a negative \$38.71 plant addition.

**RESPONSE:**

The negative \$38.71 addition was created when the AMI meter work order was erroneously unitized to the incorrect asset location. The unitized dollars should have remained in the "370 – Meters – AMI Equipment" Depr group. Due to the error, these charges were unitized to the "370 – Meters" Depr group instead.

12. Account 391 Office Furniture & Equipment-Non-Computer (General Plant)  
Please explain the nature and cause for the transfers of negative \$437.36 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

These assets were in the Georgia Power Company FERC and location on the parent EWO and came over to Gulf's child EWO with their data. This transfer is to correct the FERC and location on Gulf's books.

Transfer from credit \$437.36	391 Office Furniture
Transfer to debit \$437.36	316.7 – 7/23-yr Amortizable Property

13. Account 394 Tools, Shop & Garage Equip. (General Plant)  
Please explain the nature and cause for the transfers of negative \$792.50 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

These assets were in the Georgia Power Company FERC and location on the parent EWO and came over to Gulf's child EWO with their data. This transfer is to correct the FERC and location on Gulf's books.

Transfer from credit \$795.20      394 Tools

Transfer to debit \$795.20      316.7 – 7/23-yr Amortizable Property

14. Account 395 Laboratory Equipment (General Plant)  
Please explain the nature and cause for the transfers of negative \$4,179.17 recorded, and identify the source Account(s) from which the plant was transferred, if any.

RESPONSE:

These assets were in the Georgia Power Company FERC and location on the parent EWO and came over to Gulf's child EWO with their data. This transfer is to correct the FERC and location on Gulf's books.

Transfer from credit \$4,179.49      395 Laboratory Equipment

Transfer to debit \$4,179.49      316.7 – 7/23-yr Amortizable Property

15. Account 397 Communication Equipment-Other (General Plant)  
Please explain the nature and cause for the transfers of negative \$57,575.59 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

The negative 57,575.59 represents the transfer from FERC 397 Communication Equipment-Basic Assembly (Common Equipment) to FERC 362 Station Equipment-Basic Assembly (Common Equipment).



16. Account 398 Communication Equipment-Miscellaneous Equipment (General Plant)  
Please explain the nature and cause for the transfers of negative \$3,175.33 recorded, and identify the source Account(s) from which the plant was transferred, if any.

**RESPONSE:**

These assets were in the Georgia Power Company FERC and location on the parent EWO and came over to Gulf's child EWO with their data. This transfer is to correct the FERC and location on Gulf's books.

Transfer from credit \$3,175.33      398 Miscellaneous Equipment

Transfer to debit \$3,175.33      316.7 – 7/23-yr Amortizable Property

Please refer to the schedule ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION ACTUAL: DECEMBER 2014, for questions Nos. 17 through 20 below:

17. Account Plant-Units 4 Through 7 (Crist Plant)
  - a. Please explain the nature and cause for the transfers of \$131,286.42 recorded, and identify the source Account(s) from which the plant was transferred, if any.
  - b. Please explain why there is no corresponding transfers booked on Plant in Service side.

**RESPONSE:**

- a. The \$131,286.42 represents dismantlement dollars related to Crist Plant Units 1-3. These dollars were originally recorded as cost of removal in the Plant-Units 4-7 depreciation group and therefore the adjustment is required to properly charge them against the Dismantlement – Fixed depreciation group.
- b. Cost of removal and dismantlement dollars do not affect Plant in Service, therefore no entry was booked on the plant side.

18. Account Dismantlement-Fixed (Crist Plant)  
Please explain the nature and cause for the transfers of \$710,580.58 recorded, and identify the source Account(s) from which the plant was transferred, if any.

RESPONSE:

Of the total, (\$131,286.42) represents dismantlement dollars related to Crist Plant Units 1-3. These dollars were originally recorded as cost of removal in the Plant-Units 4-7 depreciation group and therefore the adjustment is required to properly charge them against the dismantlement – Fixed depreciation group. The remaining \$841,867.00 of the transfer was to properly classify dismantlement reserve dollars related to the Crist Plant Ash Pond. The remaining (\$131,286.42) of the transfer was moved from the 312 accounts to the Dismantlement – Fixed reserve account. The \$841,867.00 was moved out of the 254 regulatory liability account to the 108 accumulated reserve account.

19. Account Asset Retirement Obligation (Crist Plant)
- a. Please explain the nature and cause for the transfers of \$779.12 recorded, and identify the source Account(s) from which the plant was transferred, if any.
  - b. Please explain why there is no corresponding transfers booked on Plant in Service side.

RESPONSE:

- a. The \$779.12 adjustment to the accumulated reserve is related to the retirement of the Crist Plant ash pond asset retirement obligation. This retirement resulted in a loss of \$779.12 which was then deferred to a 254 regulatory liability account.
- b. No corresponding transfer was needed on the Plant in Service side because the full cost of the asset was retired, and is included in the retirement column on the Plant in Service schedule.

20. Please explain why the transfers/adjustments of the Total All Depreciation And Amortization booked to reserve does not net to zero but \$842,646.12 instead.

**RESPONSE:**

The total \$842,646.12 is related to Plant Crist. Of the total, \$841,867.00 was to properly classify dismantlement reserve dollars related to the Crist Plant Ash Pond. The remaining \$779.12 was to properly classify a retirement loss related to the Crist Plant Ash Pond Asset Retirement Obligation. The total \$842,646.12 was a credit to the 254 regulatory liability account and debit to the 108 accumulated reserve account.

Please refer to Schedules ELECTRIC PLANT IN SERVICE ACTUAL: DECEMBER 2014 and ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION ACTUAL: DECEMBER 2014 for the following question.

21. Referring to sheet 2 of both Schedules, please explain why the recorded depreciation accruals are less than Minimal Depreciation Expenses as shown in Table 1 below. The Minimum Depreciation Expenses were calculated assuming all retirements of an account occurred at the beginning of 2015.

Table 1: Minimum Depreciation Expenses

Account/ Sub-account Number	Account/ Sub-account Title	Dep Rate* (%)	Company Recorded				Staff Calculated		
			Plant Balance Beg of Year	Total Plant Retired	Total Dep. Accrued	Adjustment and Transfer	Minimum Dep. Expenses	Δ	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=((4)+(5))/(3)	(9)=(6)-(8)	(10)=(9)/(8)
341	Smith Plant Unit 3 Combined Cycle Structure & Improvement	2.8	\$21,158,947.20	(\$18,545,28)	\$373,604.44	0	\$591,875.25	(\$216,270.81)	-36.88%

RESPONSE:

In December 2013, \$7,246,289.43 of plant additions were added to Plant Smith 341 in error. These dollars were moved back to CWIP in January 2014. The correction can be seen in the negative addition amount. This caused the beginning balance to be overstated by \$7,246,289.43 for 2014. There was no depreciation expensed for this amount during 2014.