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May 14, 2019

VIA: ELECTRONIC FILING

Mr. Adam J. Teitzman
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Petition by Tampa Electric Company for Approval of Commencement Date of Depreciation of AMI Program Assets; FPSC Docket No. 20190107-EI

Dear Mr. Teitzman:

Attached for filing in the above docket are Tampa Electric Company's responses to Staff's First Data Request (Nos. 1-15) dated May 7, 2019.

Thank you for your assistance in connection with this matter.

Sincerely,

James D. Beasley

JDB/pp
Attachment

TAMPA ELECTRIC COMPANY
DOCKET NO. 20190107-EI
STAFF'S FIRST DATA REQUEST
REQUEST NO. 1
PAGE 1 OF 1
FILED: MAY 14, 2019

For the purposes of the following request, please refer to the Petition by TECO for Approval of Commencement Date for Depreciation of AMI Program Assets (Petition), page 4. A portion of Section 6 reads:

1. Tampa Electric follows Section 25-6.0142, Florida Administrative Code (Uniform Retirement Units for Electric Utilities), for its AMR meters. This rule prescribes a cradle-to-grave accounting method for meters. Cradle-to-grave accounting is "an accounting method which treats a unit of plant as being in service from the time it is first purchased until it is finally junked or disposed of in another manner."

For clarity, is Tampa Electric Company (TECO or Company) requesting a waiver of Florida Public Service Commission (FPSC or Commission) Rule 25-6.0142, Florida Administrative Code (F.A.C.), Uniform Retirement Units for Electric Utilities, specifically Rule 25-6.0142(2)(d) F.A.C., as it relates to the commencement of depreciation of the Company's advanced metering infrastructure (AMI) asset?

A. No. The company believes that the rule did not contemplate and does not squarely address the date for beginning depreciation expense under the unique implementation approach being used by the company for its AMI system. Consequently, the company believes that its Petition is a request for clarification, not a request for a rule waiver.

The company is using a unique approach to deploy its AMI assets in a way that minimizes risk to the project and simultaneously allows the company to have flexibility with the implementation pace of the various features that new AMI meters provide. This implementation approach benefits customers, because the company can test the individual features that AMI meters provide during implementation, thereby reducing potential meter data errors and associated billing risks when the project is complete and goes into service. The company believes that specifying the total project completion date as the date for inception of depreciation expense equitably matches the benefits customers will receive when the AMI system is fully functional with the associated depreciation of that infrastructure.

2. Please refer to page 6 of the Petition, Footnote No. 1 for the following request. Is TECO aware of any previous instance of recording to Federal Energy Regulatory Commission (FERC) Account 107 – Construction Work in Progress its assets which are currently in service? For example, has the Commission ever approved such accounting treatment for any of TECO’s in-service assets?

A. The project implementation approach being used by Tampa Electric is unique; therefore, the company is not aware of any other utility using the approach advocated in its petition.

That being said, the company believes that the period of time from (a) the date AMI meters will be installed at customer premises and (b) the date the AMI communication infrastructure and computer systems enhancements are complete so that the AMI meters will be fully functional, is analogous to the testing period that occurs during the construction of large infrastructure projects (e.g., power plant) during which component parts are installed, may have some operating capacity, and are tested, but are not fully functional until the entire asset or unit is fully functional and is placed into service. During this period, the costs of the projects and their component parts, some of which may have operating capacity, are accumulated in construction work in progress and remain there until the entire project is complete, at which time the balance in CWIP is unitized and reclassified in Electric Plant in Service.

3. If currently known, will the Company seek a capital recovery schedule for any unamortized plant balance associated with its automated meter reading (AMR) investments in conjunction with TECO's next rate case or depreciation study? If so, under which portion/section of Rule 25-6.0436 F.A.C., does the Company envision filing such request?

A. Although it cannot say with certainty, the company expects that it will be requesting a capital recovery schedule for the undepreciated net book value associated with AMR meters when it files its next depreciation study, which under its 2017 Agreement, will be when the company next petitions for a general base rate increase. If it does, the company would likely use Rule 25-6.0436(7)(a), F.A.C., as the basis for its request. The company notes that continuing to depreciate AMR meters using the existing FPSC approved depreciation rate until the AMI project is complete and depreciation expense commences for AMI meters will have the effect of reducing the undepreciated net book value associated with AMR meters that would be subject to a capital recovery schedule, perhaps enough to mitigate the need for a capital recovery schedule.

4. Please refer to Section 7 of the Petition.

a. In what year did the Company begin recording depreciation of its AMR assets?

b. At what rate does TECO currently depreciate its AMR assets?

c. If known, at what rate does TECO envision initially depreciating its AMI assets on January 1, 2022?

d. Has the Company begun depreciating any of its AMI assets for tax purposes? If so, when did TECO first begin recording AMI meter depreciation for tax purposes?

A. a. The company booked the first AMR Meter assets to plant in service in January 2007, therefore depreciation commenced in February 2007 since depreciation is calculated on the beginning plant in service balance.

b. Tampa Electric is using the currently approved depreciation rates for account 370 - Meters of 7.2%. This rate was approved in FPSC Order No. PSC-12-0175-PAA-EI, dated April 3, 2012.

c. Tampa Electric proposes to depreciate AMI meter assets at the approved rate for Account 370 - Meters (7.2%) starting January 2022, unless the company files a depreciation study and a new rate is approved before then.

d. Please see the company’s response to subpart a, above. The company also started to depreciate the AMI meters for tax purposes in 2016, but the company is contemplating a change to conform its tax treatment with the proposed book accounting approach reflected in the Petition.

5. Please refer to Section 8 of both the Petition and TECO's 2017 Amended and Restated Stipulation and Settlement Agreement (2017 Settlement).

a. Is there any specific language or provision of the Company's 2017 Settlement Agreement that forbids TECO from depreciating both AMR and AMI meters concurrently during the settlement term?

A. a. No. There is nothing in the 2017 Agreement that would preclude the company from depreciating both AMR and AMI meters simultaneously. However, the intent of the language in Section 8 of the Settlement Agreement was to allow the company to avoid incurring the incremental costs associated with a capital recovery schedule if the undepreciated value of the retired AMR meters was significant. If the company were to incur depreciation costs for both AMR and AMI meters simultaneously, it would serve as a disincentive for the company to replace its existing AMR meters, which is not something the company or consumer parties would have wanted since that would adversely impact customers. It would also increase the earnings pressure the company is experiencing from the implementation of paragraph 9 of the 2017 Agreement relating to Federal Income Tax Reform.

6. A portion of Section 8 of the 2017 Settlement reads: "If the company installs Automated Meter Infrastructure ("AMI") meters and retires Automated Meter Reading ("AMR") meters during the Term, such assets will continue to be depreciated using their then existing depreciation rates and special capital recovery issues will be addressed in conjunction with the company's next depreciation study."

a. Which asset or assets is/are specifically being referred to by the term "such assets?"

b. Does TECO have more than one depreciation rate associated with meters currently in effect/approved at this time?

c. If the term "such assets" is singularly referring to either AMR or AMI meters, why is "existing depreciation rates [emphasis added]" in plural form?

d. Does TECO record and depreciate its distribution metering equipment to FERC Account – 370 – Meters only?

A. a. The term "such assets" refers to the AMR meters that would be replaced by AMI meters resulting in an unrecovered net book value amount.

b. No, there is only one approved depreciation rate for meters in Account 370 - Meters.

c. That was a scrivener's error. The word "rates" should have been "rate" to reflect the fact that there is only one approved rate for meters in Account 370 - Meters.

d. Yes, Tampa Electric records distribution metering equipment to Account 370 - Meters only.

7. Please refer to TECO's responses to Staff's First Data Request, in Docket Nos. 20170210-EI and 20160160-EI, filed October 16, 2017, Request No. 22, for the following questions.

a. Is it correct that TECO's response to 22(d.) shows that depreciation expense on AMI meters began in September of 2017?

b. Is it correct that TECO's response to 22(d.) shows depreciation expense on both AMR and AMI meters occurring concurrently from 2017 through 2021?

c. Is it correct that TECO's response to 22(d.) shows approximately $35MM of estimated cumulative depreciation expense associated with AMI meters occurring prior to January 1, 2022?

d. A portion of TECO's response to Request No. 22(d.) reads: "[t]he AMI Pilot Program for Meters began in 2016, therefore the 2017 reserve balance will include the ending reserve amount from December 2016 in addition to the 2017 depreciation expense." Is it correct that the language quoted above indicates that TECO had begun depreciating AMI meter prior to approval of the 2017 Settlement?

A. a. Yes, but the response to 22(d) only reflected the company's full implementation plan as described in the Petition and did not reflect the small dollar pilot described in the company's response to Request 4(a), above. The response to 22(d) was submitted in 2017 before the company had fully considered the accounting implications of its proposed, unique AMI implementation plan or the appropriateness of the relief requested in the company's Petition. Since then, the company has re-evaluated its accounting for AMI and AMR meters and proposes the approach explained in its Petition.

b. Yes; however, the response to 22(d) was submitted in 2017 before the company had fully considered the accounting implications of its proposed, unique AMI implementation plan or the appropriateness of the relief requested in the company's Petition. Since then, the company has re-evaluated its accounting for AMI and AMR meters and proposes the approach explained in its Petition.

c. Yes; however, the response to 22(d) was submitted in 2017 before the company had fully considered the accounting implications of its proposed, unique AMI implementation plan or the appropriateness of the relief requested in the company's Petition. Since then, the company has re-evaluated its accounting for AMI and AMR meters and proposes the approach explained in its Petition.

d. Yes; however, the small pilot was a pilot, not full implementation and the response to 22(d) was submitted before the company had fully considered the accounting implications of its proposed, unique AMI implementation plan or the appropriateness of the relief requested in the company's Petition. Since then, the company has re-evaluated its accounting for AMI and AMR meters and proposes the approach explained in its Petition.

8. For the purposes of TECO's next depreciation study, please discuss how both AMR and AMI meters will be reflected in the life analysis of FERC Account – 370 – Meters.

A. Although it cannot say with certainty, the company anticipates that it will seek approval of a capital recovery schedule for the unamortized plant balance associated with AMR meters when it files its next depreciation study.

Depreciation rates for Account 370 are developed using a group method, not an individual method. When the company prepares its next depreciation study, which could be after the AMI project is complete, the AMI meters statistics will be reflected in the life analysis of FERC Account – 370 – Meters based on their then existing remaining life.

9. Please specify TECO's current total AMI meter investment amounts by year. Please also specify any monthly 2019 AMI investment amounts to date.

A.

PROJECT	2015	2016	2017	2018
AMI Pilot 1	210,810	542,998	302,061	
AMI Pilot 2			1,610,987	353,742
AMI-Adv Metering Infrastructure				4,651,521
TOTAL	**210,810**	**542,998**	**1,913,048**	**5,005,263**

PROJECT	Jan 19	Feb 19	Mar 19	Apr 19
AMI Pilot 1				
AMI Pilot 2				
AMI-Adv Metering Infrastructure	590,379	3,319,691	7,567,860	1,998,006
TOTAL	**590,379**	**3,319,691**	**7,567,860**	**1,998,006**

10. Please specify the most-current accumulated depreciation balance (if any) associated with the Company's AMI meters.

A. Depreciation rates for Account 370 are developed using a group method, not an individual method. As a result, the accumulated depreciation/reserve is not maintained at the asset level. Tampa Electric is able to provide a calculation related to the AMI Meters that is a component of the full reserve amount in Account 370 – Meters. The amount of reserve related to AMI Meters is $439,014 as of April 2019.

11. Please specify the annual retirement amounts associated with retired AMR meters. Please also specify any monthly 2019 amounts to date.

A. In 2016, before the 2017 Agreement was approved, the company began a small AMI pilot under which it removed approximately 2,800 AMR meters and replaced them with AMI meters.

The company interprets the 2017 Agreement to mean that, absent a Commission approved recovery schedule, assets that could be subject to a special capital recovery schedule should continue to be depreciated at their existing rate.

Consequently, since the 2017 Agreement became effective, as the company has replaced AMR meters with AMI meters, the company has left AMR meters in electric plant in service and continued depreciating the assets. The only AMR meters retired since the 2017 Agreement became effective are the ones that failed and were replaced by another AMR meter.

The table below reflects AMR Meters that have been retired and replaced with AMI Meters. The total for, reflects AMR Meters that were retired and removed from Account 101 – Electric Plant in Service. The amounts in 2017-2019 reflect the actual results of AMR Meters replaced with AMI Meters, but these AMR Meters were not removed from Account 101 – Electric Plant in Service and continue to be depreciated, per the 2017 Settlement Agreement.

Year	Retirements
2016	$162,590
2017	$88,738
2018	$1,790,837
2019 – January	$97,955
2019 – February	$122,000
2019 – March	$107,458
2019 – April	$648,643

12. Please specify the most-current accumulated depreciation balance associated with AMR meters.

A. Depreciation rates for Account 370 are developed using a group method, not an individual method. As a result, the accumulated depreciation/reserve is not maintained at the asset level. Tampa Electric is able to provide a calculation related to the AMR Meters that is a component of the full reserve amount in Account 370 – Meters. As of April 2019, the accumulated depreciation balance associated with non-AMI meter assets is $29,523,292.

13. If TECO's Petition is ultimately approved by the Commission, will the Company need to reverse any prior period journal entries related to AMI meters? If so, please detail such journal entries.

A. Yes, if approved, Tampa Electric will have prior period reversing journal entries.

Reverse AMI Meters currently in service:

Dr. 107 – Construction Work in Progress
Cr. 101 – Account 370 Meters

Reverse Depreciation Expense related to AMI Meters:

Dr. 108 – Accumulated Reserve – Account 370 Meters
Cr. 403 – Depreciation Expense

14. In terms of bookkeeping, please discuss how TECO accounted for the transition from analog meters to AMR meters. For example, did the Company seek a Capital Recovery Schedule as provided for by Rule 25-6.0436(7), F.A.C. when it transitioned from analog to AMR meters?

A. The company did not propose a recovery schedule during the transition from analog to AMR meters. Rather, when the company filed its most recent depreciation study in 2011, the company proposed a reserve transfer of approximately $17.4 million (which was approved on page 10 of FPSC Order No. PSC-12-0175-PAA-EI) to address the potential reserve shortfall arising from the replacement of analog meter with AMR meters. The company also notes that the deployment approach for AMR meters was much different than the unique approach being used to implement AMI.

15. Has the Company inquired with the signatories to the 2017 Settlement if an understanding of the meaning of paragraph 8 (of the 2017 Settlement) is consistent across all parties? Please explain.

A. The company has discussed the Petition with the Office of Public Counsel, which agrees that it does not violate the terms of the 2017 Agreement. The company is in the process of consulting with the other parties to the 2017 Agreement and anticipates that they will agree with OPC, but will update its response to this request when the consultation process has been completed.