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June 13, 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 for  
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 Second Data Request (Nos. 1-9) dated May 30, 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 SECOND DATA REQUEST  
REQUEST NO. 1  
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**1.** For the purposes of the following request, please refer to Tampa Electric Company's (TECO) responses to Staff's First Data Request, No. 4(d.). Please further explain basis of the cross-reference: "[p]lease see the company's response to subpart a, above."

**A.** The cross-reference to 4(a) relates to AMR meters and was included as history of depreciation in this area, but can be excluded from the answer. The company submits the following revised response to Staff's First Data Request No. 4(d):

The company also started to depreciate the AMI meters for tax purposes in 2016, but the company is making a change to conform its tax treatment with the proposed book accounting approach reflected in the Petition.

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- 2.** Please refer to TECO's response to Staff's First Data Request, No. 7(a). Please further explain basis of the cross-reference in this response of: "company's response to [r]equest 4(a) above."
  
- A.** The cross-reference to 4(a) relates to AMR meters and was included as history of depreciation in this area, but can be excluded from the answer. The company submits the following revised response to Staff's First Data Request No. 7(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 project that was initiated in 2016 which resulted in a small number of assets and related depreciation expense. The response to 22(d) was submitted in 2017 before the company had developed its unique implementation plan, the accounting implications of the 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 the Petition.

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- 3.** Please refer to TECO's response to Staff's First Data Request, No. 7(d.). During the Advanced Metering Infrastructure (AMI) Pilot period, when the meters (AMI) were being depreciated, was full-functionality (e.g. remote service connect/disconnect, outage notification etc.) of the meters being achieved? If not, please discuss the general level of functionality that was achieved from the meters installed as part of the Pilot.
  - A.** No. The pilot was to test the communication system and develop a remote methodology to read meters over the air utilizing the existing billing systems. No validation and estimation functions were enabled nor were any of the remote operational functions such as reconnect disconnect events and alarms, etc. There is no additional system connectivity (MDM, SAP, etc.) which would allow remote functionality.

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4. Please refer to TECO's response to Staff's First Data Request, No. 13. Please list the most currently known/available dollar amounts that would be associated with the reversal entries detailed in this response. Please also remark on any possible effects of the reversals on prior Company earnings.

**A. Reversal of in-service amount related to AMI Meters:**

2016

Dr. Account 107 CWIP	\$960,254
Cr. Account 101 Plant in Service	\$960,254

2017

Dr. Account 107 CWIP	\$2,650,061
Cr. Account 101 Plant in Service	\$2,650,061

2018

Dr. Account 107 CWIP	\$7,387,720
Cr. Account 101 Plant in Service	\$7,387,720

2019 – YTD May

Dr. Account 107 CWIP	\$15,162,844
Cr. Account 101 Plant in Service	\$15,162,844

Total

Dr. Account 107 CWIP	\$26,160,879
Cr. Account 101 Plant in Service	\$26,160,879

**Reversal of Depreciation Expense related to AMI Meters:**

2016

Dr. Account 108 Accum Depreciation \$9,443

Cr. Account 403 Depreciation Expense \$9,443

2017

Dr. Account 108 Accum Depreciation \$75,467

Cr. Account 403 Depreciation Expense \$75,467

2018

Dr. Account 108 Accum Depreciation \$175,381

Cr. Account 403 Depreciation Expense \$175,381

2019 – YTD May

Dr. Account 108 Accum Depreciation \$196,399

Cr. Account 403 Depreciation Expense \$196,399

Total

Dr. Account 108 Accum Depreciation \$456,690

Cr. Account 403 Depreciation Expense \$456,690

Tampa Electric believes the amounts related to reversal for 2016-2018 are immaterial to the presentation of its financial statements as a whole.

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5. Are there any investments (ancillary equipment, software etc.) associated with the Company's AMI program that will be booked to an account or accounts other than Federal Energy Regulatory Commission (FERC) Account – 370 – Meters? If so, please detail which account(s) and estimated initial investment amount(s).
- A. Yes. The AMI system being installed by the company includes AMI Meters, System Software and Communication Equipment and Hardware.

AMI meters are only one component of the total AMI system, and the meters themselves are more akin to a small computer with wireless capability than the analog meters that were being used when the FPSC's depreciation rule was adopted. Both analog and AMI meters measure electric usage, but when the remaining parts of the AMI system are installed and functional, AMI meters will perform advanced, customer-friendly functions like outage notification, real-time usage measurement and reporting, and remote connect and disconnect.

Based on current estimates, the projected total costs for the Software and Communication Equipment and Hardware components of the company's AMI system are expected to be \$107.4 and \$4.1 million, respectively. As the components for System Software and Communication Equipment and Hardware are being constructed and installed, the costs have been and will continue to be in Account 107 – Construction Work in Progress. When construction of the entire system is complete in January 2021 and the system is fully functional, these amounts will be closed to Account 101 – Plant in Service and booked to the appropriate utility accounts (303 Software, 391 Hardware, and 397 Communication Equip).

The company's petition seeks to conform the accounting approach for AMI meters with the accounting approach for the other components of its AMI system.

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- 6.** Please list the Company's rate of return as reported on its March 2019 Earning Surveillance Report. Please also remark on the achieved level of earnings relative to the authorized range of earnings.
- A.** The company's average rate of return (ROR) on the March 2019 Surveillance Report is 6.14 percent. The Return on Equity (ROE) is 10.18 percent which is just below the company's authorized mid-point return on equity of 10.25 percent.

It bears mention here that the company's ability to continue earning within its authorized range of returns on equity is being challenged by the elimination in the Tax Cuts and Jobs Act of 2017 of its opportunity to claim bonus depreciation on plant additions and the resulting negative impact on accumulated deferred income taxes in the company's capital structure, which impact becomes greater every year. Absent a favorable ruling on the Petition, the impact of the depreciation expense associated with AMI meters in place before the AMI system becomes fully functional will create additional downward earnings pressure. This impact is reflected in the company's answer to Request No. 2-7, below.



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7. What would be the specific (numerically defined) overall effect on Company earnings of reversing the amount of AMI depreciation expense included in TECO's March 2019 Earning Surveillance Report?
- A. Reversing AMI depreciation expense associated with AMI meters in place before they become fully functional for the first three months of 2019 (as of March 2019) would result in approximately \$233K higher NOI (\$312K pretax) and 1 basis points increase in ROE.

The chart below reflects the projected amount of annual depreciation expense associated with AMI meters in place before they become fully functional for 2019 -2021.

It also shows the amount of expense associated with a 1 basis point change in pre-tax return on equity and the projected impact, expressed in basis points of ROE, that depreciation expense associated with AMI meters in place before they become fully functional is expected to have on the company's earnings in 2019-2021.

**Forecast AMI Depreciation Expense**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
Depreciation Expense	\$1,718,109	\$5,433,153	\$7,686,612
Pre-tax impact per 1 basis point	\$360,000	\$380,000	\$400,000
AMI Depr'n Exp basis points	4.8	14.3	19.2

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- 8.** Please specify the estimated total cost of TECO's AMI campaign, presumably on or about January 1, 2022.
  - A.** The estimated total cost of the AMI Project on January 1, 2022 is forecast to be approximately \$234,500,000. Of the total project cost of \$235,000,000, the last \$500,000 is planned for project close-out activities throughout 2022.

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9. TECO's Petition in this docket, at Pages 1 and 2, indicates AMI meters will be installed on a phased-in basis. Please provide TECO's actual and currently estimated number of AMI meter installations by year beginning in 2015 through 2021. Explain and identify any planned phases for installations of AMI meters and related infrastructure (timing, number of meters for a specific phase, geography, investment amounts, etc.).

A. The meter actual installations and forecasts are as follows:

Year	Forecast	Actual	Investment (000's)
2015		743	\$ 300
2016		128	\$ 1,467
2017	3,000	6,651	\$ 7,164
2018	87,000	72,400	\$ 33,855
2019	269,000	131,502*	\$ 80,022
2020	315,000		\$ 69,818
2021	132,000		\$ 50,061

\*as of 5/31/2019

In 2017 the company began the installation of pilot meters for technology evaluation. These meters were installed around Davis Island, an area that is geographically close to the project team, enabling testing, quick response, etc. Also, the isolated geography enabled the mesh network to be stable with a limited number of CGRs and meters.

During 2018 17,000 meters represented phase 1 of the work, which was intended for testing deployment strategy, additional volume testing, failover testing, etc.

Installation continued to move out from the pilot area and was located near the Contract Callers Inc. (CCI) warehouse which facilitated the greatest economic benefit to deploy the meters as economically as possible. If the meters are not deployed in a very specific pattern it will lead to grid mesh instability which will cause the need for manual meter reads and estimations to ensure customer bills will be created.

Please see the map showing the geographic deployment strategy below. The deployment areas are in pairs to avoid impacting customers due to meter changeouts in the billing window.

