State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: December 6, 2007

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Gardner, Bulecza-Banks, Springer)
Office of the General Counsel (Jaeger)

RE: Docket No. 070284-EI – Petition for approval of 2007 depreciation study and annual dismantlement accrual amounts by Tampa Electric Company.

AGENDA: 12/18/07 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: None

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\070284.RCM.DOC

Case Background

Rule 25-6.0436(8)(a), Florida Administrative Code (F.A.C.), requires investor-owned utilities to file comprehensive depreciation studies at least once every four years. On April 27, 2007, Tampa Electric Company (Tampa Electric or Company) filed its regular depreciation study in accordance with Rule 25-6.0436, F.A.C. By Order No. PSC-07-0657-PCO-EI, issued August 15, 2007, in this docket, the company was authorized to implement, on a preliminary basis, its depreciation rates, amortizations, recovery schedules, and fossil dismantlement accruals as of January 1, 2007, in accordance with Rule 25-6.0436(5), F.A.C.

This recommendation addresses the request for approval of new depreciation rates and fossil dismantlement accruals effective January 1, 2007. Staff is recommending a decrease in annual depreciation expense and fossil dismantlement accrual in the amount of an estimated

$13.6 million. The basis for Tampa Electric's request were changes made to its plant to address alleged violations of the Clean Air Act and Florida Laws. Tampa Electric was required to shut down and repower units at the Gannon Station on or before December 31, 2004, pursuant to a Consent Decree (CD) and Consent Final Judgment (CFJ) entered by the U.S. Environmental Protection Agency (EPA) and the Florida Department of Environmental Protection (DEP), respectively. The CD and CFJ included provisions for environmental controls and pollution reductions from its coal-fired power plants. Since the plant investment and reserve factors were updated through December 31, 2006, this recommendation addresses the approval of new depreciation rates and annual dismantlement accrual amounts effective January 1, 2007.

The Company's effort to comply with DEP and EPA on the Clean Air Act and Florida Laws is not isolated to Florida utilities, but is also occurring in other states. In other states, coal generating plants are being refurbished or repowered to meet the requirements of the Clean Air Interstate Rule (CAIR) and the Clean Air Mercury Rule (CAMR) requirements. Staff reviewed the actions taken by other states with respect to the changing regulatory climate for coal-fired generating plants. Staff reviewed a report prepared by the staff of the Michigan Public Service Commission entitled, "Michigan Capacity Need Forum: Staff Report to the Michigan Public Service Commission Report," issued January 2006. The Michigan group formed the following assumptions on plant retirements: "….units built since 1950 should expect to realize longer economic life than older units. The group recommends a 65-year retirement age be used for modeling coal-fired generating units. While it is likely that some will retire sooner than 65 years and some will retire later, 65 years is a reasonable modeling assumption."[1]

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S).

[1] Michigan Public Service Commission's report was prepared by Operations and Wholesale Markets Division, Section 6.1 Plant Retirements, page E-11.

Discussion of Issues

Issue 1: Should the preliminary deprecation rates, amortizations, recovery schedules, and provision for dismantlement for Tampa Electric Company be changed?

Recommendation: Yes. Staff recommends the Commission approve the revised lives, net salvage reserves, resultant depreciation rates, and provision for dismantlement as shown on Attachments A and C. The effect is a decrease in depreciation and dismantlement expenses, as shown on Attachments B and C, for an estimated $13.6 million annually effective January 1, 2007. (Gardner, Springer)

Staff Analysis: Order No. PSC-07-0657-PCO-EI authorized Tampa Electric to implement on a preliminary basis depreciation rates, amortizations, recovery schedules, and fossil dismantlement accruals for 2007. Also, Order No. PSC-07-0657-PCO-EI approved an annual decrease in total depreciation and dismantlement expenses of about $13.043 million based on actual January 1, 2007 investments. Staff is recommending an additional estimated $.6 million decrease in total depreciation and dismantlement expenses. The primary difference between the preliminary approved 2007 annual expense and this current proposal are changes, subject to rounding, in the escalation factors and reallocation of depreciation reserves. The reallocation of the depreciation reserves resulted in a change in depreciation rates for some transmission, distribution, and general plant accounts.

Staff recognizes that the considerations of new factors, such as governmental actions on the federal, state, and Commission level, new technologies, and growth, will continue to impact the life patterns of various segments of major structures of plant. The Commission approved an increase in the life parameters of Gulf Power by Order PSC-07-0012-PAA-EI, issued January 2, 2007, in Docket No. 050381-EI, In re: Petition for approval of modification of depreciation rates and dismantlement study for Plant Crist, Plant Smith, and Smith Unit 3 Combined Cycle, by Gulf Power Company.

Staff has completed its review of the Company's depreciation study and recommends for 2007 the revised depreciation rates, amortizations, recovery schedules, reserve allocations, and provision for dismantlement shown on Attachments A and C be approved. The effect of this proposal would be to decrease total depreciation and dismantlement expenses as shown on Attachment B by an estimated $13.6 million annually beginning January 1, 2007, until the next depreciation and dismantlement study.

Issue 2: What should be the implementation date for the new depreciation rates, amortizations, recovery schedules, and dismantlement accruals?

Recommendation: Tampa Electric's new depreciation rates, amortizations, recovery schedules, and dismantlement provision, as shown in Attachments A and C, should have an implementation date of January 1, 2007. (Gardner)

Staff Analysis: Rule 25-6.0436(6)(b), F.A.C., requires that data submitted in a depreciation study, including plant and reserve balances or company planning involving estimates, must coincide with the effective date of the proposed rates. In this regard, Tampa Electric's supporting data and calculations for revised depreciation rates, amortizations, recovery schedules, and dismantlement which are set forth in Attachments A and C, have been revised to match a January 1, 2007, implementation date.

Issue 3: Should any corrective reserve allocations be made?

Recommendation: Yes. Staff recommends the corrective reserve allocations for the imbalances that affect Tampa Electric's investment and reserves as shown in the table below in the Staff Analysis. (Gardner)

Staff Analysis: Staff's recommended reserve allocations address the major imbalances that affect the Company's investments and reserves between accounts of a given unit or function, or between accounts and units at the same site. The allocations bring each affected account's reserve in line with its theoretical correct position. Also, this corrective action is necessary to eliminate the accruing of depreciation expense that may continue beyond the account's current investment.

Account	Actual Reserves	Theoretical Reserves	Reserve Transfers	Restated Reserves
	($)	($)	($)	($)
Transmission				
354.00	$ 3,557,051	$ 3,634,603	$ 53,943	$ 3,610,994
355.00	41,123,903	47,082,503	446,456	41,570,359
356.01	1,222,805	1,168,862	(53,943)	1,168,862
357.00	1,625,794	1,306,985	(318,809)	1,306,985
358.00	2,379,745	2,252,098	(127,647)	2,252,098
Totals	**49,909,298**	**55,445,051**	-0-	**49,909,298**
Distribution				
361.00	448,977	488,795	39,818	488,795
362.00	54,319,261	45,329,139	(8,990,122)	45,329,139
364.00	82,360,137	88,989,416	6,629,279	88,989,416
365.00	105,830,760	95,929,031	(8,961,885)	96,868,875
367.00	46,208,745	53,395,106	7,186,361	53,395,106
368.00	142,016,214	143,292,264	1,276,050	143,292,264
369.01	29,964,863	21,219,400	(8,745,463)	21,219,400
369.02	32,594,673	32,737,864	143,191	32,737,864
370.00	10,499,252	21,922,023	11,422,771	21,922,023
Totals	**504,242,882**	**503,303,038**	-0-	**504,242,882**
General Plant				
390.00	26,958,310	34,482,244	2,011,100	28,969,410
397.25	9,884,880	7,873,780	(2,011,100)	7,873,780
392.02	2,288,285	912,120	(572,412)	1,715,873
392.03	6,173,327	7,072,748	899,421	7,072,748
392.05	685,925	335,758	(350,167)	335,758
392.12	444,758	417,719	(27,039)	417,719
392.13	399,724	351,765	(47,959)	351,765
392.14	53,893	152,049	98,156	152,049
Totals	**$46,889,102**	**$51,598,183**	-0-	**$46,889,102**

Issue 4: Should the depreciation rates, amortizations, and recovery schedules be changed?

Recommendation: Yes. Staff recommends the Commission approve the lives, net salvages, reserves, and resultant depreciation rates shown on Attachment A. (Gardner)

Staff Analysis: Staff's analysis represents an overall review of the Company's proposed life, salvage and reserve factors, as well as the establishment of a fixed levelized annual accrual for dismantlement of fossil plants in accordance with Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, In re: Investigation of the ratemaking and accounting treatment for the dismantlement of fossil fueled generating stations. The analysis of the Company's data and resulting expenses reflects the impact of current planning and adherence to regulatory requirements to ensure that assets are fully recovered at the time of retirement as reflected on Attachments A and B. Attachment A shows a comparison of rate components (lives, salvages, reserves). Attachment B shows the estimated resulting annual expenses based upon January 1, 2007, investments. A summary of the changes, subject to rounding, by plant account function is as follows:

FUNCTIONAL ACCOUNTS	**(000)**
Steam Production	$(6,058)
Other Production	(6,593)
Subtotal	$(12,651)
Transmission	$343
Distribution	973
Transportation Equipment	100
General Plant	209
Subtotal	$1,625
Fossil Dismantlement	$(2,540)
Total Plant	$(13,566)

In this study, the significant changes in expenses relate to the change in average service life, the increase in net salvage, and the resulting decrease in depreciation rates for production plant. For the Big Bend Station, the Company's life categories were 24, 50, and 65 years through the life of the plant. The life categories were increased by 15 years through the life of the plant category and the remaining life increased by approximately ten years. At this time, there is no change to base rates. Also, the estimated $13.6 million expense decrease represents approximately 68 basis points on return on equity.

The Company's activities are geared to adherence to the CD and CFJ requirements imposed by DEP and EPA for the Clean Air Act and Florida Laws. Staff will continue to monitor the company's life parameters for production, transmission, and distribution.

Issue 5: Should the preliminary approved annual provision for fossil dismantlement be changed?

Recommendation: Yes. The Commission should approve a total annual provision for fossil fuel dismantlement of $1,336,986, as shown on Attachment C. This represents a decrease in the annual provision for fossil fuel dismantlement of $2,539,917. (Gardner, Springer)

Staff Analysis: By the Fossil Fuel Dismantlement Order No. 24741, issued July 1, 1991, in Docket No. 890186-EI, In re: Investigation of the ratemaking and accounting treatment for the dismantlement of fossil fueled generating stations, the Commission established the methodology for accruing the costs of fossil fuel dismantlement. The methodology depends on three factors: 1) projected inflation, 2) a contingency factor, and 3) estimated base costs of dismantling the fossil-fueled plants.

The Dismantlement Order established the methodology for calculating the annual accrual. The fixed accrual amount is based on a four-year average of the accruals related to the years between depreciation study reviews. In addition, utilities are required to provide updated dismantlement studies at least once every four years in connection with their depreciation studies.

Tampa Electric's currently approved annual accrual for fossil fuel dismantlement is $3,876,903. Its proposed annual accrual of $1,294,943 is based on inflation factors from Economy.com as of February 2007. At the request of staff, the Company updated its accruals to reflect the most recent inflation factors. The annual accrual, reflecting inflation factors as of September 2007, represents an increase from the proposed accrual of $42,043. Staff believes it is reasonable for the accrual to reflect the most recent inflation estimates. The Company agrees with staff's recommendation that the revised annual accrual should be $1,336,986, which represents a decrease of $2,539,917 from the currently approved level.

The Company proposes reducing its existing 15 percent contingency factor to a proposed 10 percent contingency factor which is in the range of reasonableness with other Florida regulated utilities. The contingency factor is designed to cover uncertainty in the dismantlement cost estimates. The factor is comprised of pricing and scope of omission contingencies. The pricing contingency provides a level of confidence that the estimates are reasonable. The scope omission contingency gives consideration to the conceptual nature of the base cost estimates and the difficulty in obtaining quantity and weight records. Rule 25-6.04364, F.A.C., titled Electric Utilities Dismantlement Studies, defines the contingency costs as a specific provision for unforeseeable elements of cost within the defined project scope. Staff will continue to monitor the Company's contingency factor with each fossil dismantlement study filing for reasonableness.

Attachment C compares the current approved dismantlement accruals to Tampa Electric's proposed accruals. The current approved annual dismantlement accrual is $3,876,903. The Company's proposed annual dismantlement accrual is $1,294,943, indicating a decrease of $2,581,960. In the last study, the Company's planning showed that the turbine-related assets for Gannon Units 3, 4, 5, and 6 would continue in-service as part of the repowering of Gannon into the Bayside Power Station. The common facilities and Units 5 and 6 would be included with Bayside Common and Units 1 and 2. Also, Units 3 and 4 would be placed in long-term standby as the Company continues to explore the possibilities available for repowering. As the current

study shows, the Company chose to retire the Gannon Common facilities and Units 3 and 4 turbine-related assets. This is shown on Attachment C under the Company's 2007 proposed dismantlement accrual.

Since the last study, Tampa Electric's base cost estimates for the various dismantlement activities have changed as shown below:

FOSSIL DISMANTLEMENT BASE COST ESTIMATES		
Account Title	**2003 Study**	**Current Study**
Big Bend	$44,3237,000	$32,773,883
Gannon	40,657,999	33,030,968
Hookers Point	6,770,000	0
Dinner Lake	576,000	0
Big Bend CTs	622,000	668,855
Gannon CT	167,981	333,646
Bayside	8,418,800	5,380,794
Phillips Station	1,262,000	1,420,392
Polk	10,705,000	6,006,282
City of Tampa	210,501	236,357
Total	**$113,549,300**	**$79,851,177**

This change in base cost estimates is due to the Company changing from Invirex Corporation, who prepared the 2003 estimates, to MARCOR Remediation, Inc., a specialty demolition contractor. MARCOR Remediation, Inc. performed the current cost estimates for all of Tampa Electric's generating units. The dismantling activities base costs estimates includes salvage rates of current contracts, allowance for current trends, estimation of reusable equipment, actual quantities based upon property record data, and Tampa Electric drawings. Also, Tampa Electric believes that since the completion of the decommissioning activities at Gannon Station, its level of confidence has strengthened in developing dismantlement estimates in conjunction with MARCOR Remediation, Inc.

Based upon staff's review of the Company's current data and the change in capital recovery dates as discussed in Issue 4, the fossil fuel dismantlement cost estimates appear to be reasonable. Staff recommends that the four-year average annual accrual for fossil fuel dismantlement should be $1,336,986. Also, staff will continue to monitor the company's base cost estimates and contingency factor with each fossil fueled dismantlement study.

Issue 6: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon issuance of a consummating order. (Jaeger)

Staff Analysis: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

Comparison of Rates and Components								
		Current			Staff Recommend			
Account Number	Account Title	Average Remaining Life (Yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (Yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
STEAM PRODUCTION								
BIG BEND STATION								
31140	Common	28.0	(2)	2.3	33.0	37.22	(5)	2.0
31240	Common	25.0	(8)	2.6	28.0	39.04	(11)	2.6
31440	Common	29.0	(3)	1.8	35.0	45.37	(8)	1.8
31540	Common	13.6	(7)	3.8	14.0	64.76	(7)	3.0
31640	Common	15.6	(7)	2.5	17.1	56.69	(10)	3.1
31141	Unit No. 1	17.0	(1)	2.2	27.0	63.69	(2)	1.4
31241	Unit No. 1	15.4	(3)	3.8	23.0	32.38	(7)	3.3
31441	Unit No. 1	14.7	(4)	2.8	23.0	49.66	(6)	2.5
31541	Unit No. 1	13.2	(6)	3.3	16.7	66.79	(8)	2.5
31641	Unit No. 1	16.7	(1)	2.2	26.0	70.22	(2)	1.2
31142	Unit No. 2	20.0	(1)	2.4	30.0	53.61	(2)	1.6
31242	Unit No. 2	17.6	(5)	4.1	25.0	29.54	(9)	3.1
31442	Unit No. 2	17.3	(5)	3.1	24.0	46.96	(8)	2.5
31542	Unit No. 2	16.5	(6)	3.2	18.7	61.32	(8)	2.5
31642	Unit No. 2	18.8	(5)	4.6	21.0	71.03	(14)	2.0
31143	Unit No. 3	23.0	(1)	1.9	32.0	62.03	(1)	1.2
31243	Unit No. 3	18.8	(5)	3.1	24.0	46.80	(9)	2.6
31443	Unit No. 3	16.2	(9)	2.4	18.4	76.18	(9)	1.8
31543	Unit No. 3	14.6	(7)	3.1	16.2	66.58	(7)	2.5
31643	Unit No. 3	22.0	(2)	2.5	27.0	34.32	(6)	2.7
31144	Unit No.4	31.0	(1)	1.9	40.0	45.12	(1)	1.4
31244	Unit No.4	24.0	(9)	2.6	26.0	50.04	(10)	2.4
31444	Unit No.4	26.0	(8)	2.3	28.0	52.64	(9)	2.0
31544	Unit No.4	21.0	(6)	2.7	23.0	57.54	(6)	2.1
31644	Unit No.4	22.0	(4)	2.2	25.0	62.20	(5)	1.7
31146	Unit No. 1 & 2 FGD System	24.0	(3)	3.5	29.0	29.53	(3)	2.6
31246	Unit No. 1 & 2 FGD System	21.0	(2)	4.1	27.0	28.40	(6)	2.9
31546	Unit No. 1 & 2 FGD System	19.0	(2)	4.3	22.0	32.54	(6)	3.3
31646	Unit No. 1 & 2 FGD System	19.8	(1)	4.1	27.0	31.88	(5)	2.5
31145	Unit No. 3 & 4 FGD System	29.0	(1)	2.0	37.0	46.81	(2)	1.5
31245	Unit No. 3 & 4 FGD System	25.0	(7)	2.8	29.0	41.53	(9)	2.3
31545	Unit No. 3 & 4 FGD System	23.0	(6)	2.6	25.0	54.60	(7)	2.1
31645	Unit No. 3 & 4 FGD System	28.0	(5)	2.4	30.0	45.15	(5)	2.0
31647	Big Bend Amortizable Tools			14.3				14.3
31100.01 & 31601	Misc. Structures & Equipment	11.4	(3)	3.5	13.0	56.88	(3)	3.5
31617	Misc. Production Plant			14.3				14.3

Comparison of Rates and Components								
		Current			Staff Recommend			
Account Number	Account Title	Average Remaining Life (Yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (Yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
OTHER PRODUCTION								
BIG BEND STATION								
34141	Combustion Turbine No. 1	6.5	0	4.4	1.3	100.00	0	0
34241	Combustion Turbine No. 1	6.4	0	1.0	2.4	100.00	0	0
34341	Combustion Turbine No. 1	3.1	(1)	1.3	1.4	100.18	0	0
34541	Combustion Turbine No. 1	2.7	(2)	2.9	0.6	100.43	0	0
34641	Combustion Turbine No. 1	6.4	0	1.9	1.2	100.04	0	0
34142	Combustion Turbine No. 2 & 3	9.3	0	0.1	2.9	100.00	(0)	0.0
34242	Combustion Turbine No. 2 & 3	8.7	(1)	3.6	7.1	100.00	(0)	0.0
34342	Combustion Turbine No. 2 & 3	8.8	(3)	3.2	5.6	77.23	(2)	4.3
34542	Combustion Turbine No. 2 & 3	8.1	(3)	0.7	3.3	101.05	(1)	0.0
34642	Combustion Turbine No. 2 & 3	10.2	0	0.0	1.0	0.00	(0)	0.0
BAYSIDE POWER STATION								
34130	Bayside Common	26.0	(11)	4.3	35.0	21.37	(2)	2.3
34230	Bayside Common	26.0	(11)	4.3	34.0	19.32	(4)	2.5
34330	Bayside Common	26.0	(11)	4.3	33.0	14.06	(11)	2.9
34530	Bayside Common	26.0	(11)	4.3	19.8	24.88	(9)	4.3
34630	Bayside Common	26.0	(11)	4.3	21.0	34.05	(6)	3.4
341131	Bayside Unit No.1	26.0	(11)	4.3	36.0	17.84	(1)	2.3
34231	Bayside Unit No.1	26.0	(11)	4.3	33.0	13.06	(7)	2.9
34331	Bayside Unit No.1	26.0	(11)	4.3	22.0	18.28	(7)	4.0
34531	Bayside Unit No.1	26.0	(11)	4.3	30.0	15.23	(11)	3.2
34631	Bayside Unit No.1	26.0	(11)	4.3	32.0	21.35	(3)	2.5
34132	Bayside Unit No.1	26.0	(11)	4.3	37.0	14.52	(1)	2.3
34232	Bayside Unit No.1	26.0	(11)	4.3	34.0	8.76	(7)	2.9
34332	Bayside Unit No.1	26.0	(11)	4.3	24.0	14.57	(7)	3.9
34532	Bayside Unit No.1	26.0	(11)	4.3	32.0	10.58	(10)	3.1
34632	Bayside Unit No.1	26.0	(11)	4.3	33.0	18.93	(3)	2.6
GANNON POWER STATION								
31657	Gannon Amortizable Tools			14.3				14.3

Comparison of Rates and Components								
		Current			Staff Recommend			
Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (Yrs)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
POLK POWER STATION								
34180	Common	39.0	(2)	2.1	33.0	26.10	(1)	2.3
34280	Common	29.0	(3)	2.3	28.0	43.19	(4)	2.2
34380	Common	31.0	(2)	2.4	33.0	35.17	(2)	2.0
34580	Common	31.0	(5)	2.5	28.0	34.03	(3)	2.4
34680	Common	33.0	(3)	2.2	30.0	36.91	(3)	2.2
34181	Unit No. 1	32.0	(1)	2.8	32.0	20.25	(1)	2.5
34281	Unit No. 1	25.0	(9)	3.3	23.0	30.75	(9)	3.4
34381	Unit No. 1	14.6	(13)	5.9	11.5	35.16	(9)	6.4
34581	Unit No. 1	24.0	(7)	3.4	22.0	35.69	(4)	3.1
34681	Unit No. 1	28.0	(4)	3.3	29.0	7.58	(4)	3.4
34182	Unit No. 2	34.0	(1)	2.7	31.0	17.30	(1)	2.7
34282	Unit No. 2	31.0	3	2.9	28.0	21.78	(3)	2.9
34382	Unit No. 2	17.4	(10)	5.2	11.2	23.83	(9)	7.6
34582	Unit No. 2	32.0	(2)	2.9	29.0	17.90	(2)	2.9
34682	Unit No. 2	33.0	(2)	2.8	30.0	18.00	(4)	2.8
34183	Unit No. 3	38.0	(1)	2.6	35.0	10.62	(1)	2.6
34283	Unit No. 3	33.0	(3)	2.9	30.0	16.21	(3)	2.9
34383	Unit No. 3	19.8	(10)	5.2	14.7	22.94	(14)	6.2
34583	Unit No. 3	32.0	(3)	3.0	29.0	16.13	(3)	3.0
34683	Unit No. 3	36.0	(2)	2.8	33.0	9.47	(3)	2.9
34687	Polk Amortizable Tools			14.3				14.3
PHILLIPS STATION								
34128	Phillips Station	8.2	(7)	3.7	5.2	87.17	(5)	3.4
34228	Phillips Station	8.2	(7)	3.3	5.2	88.28	(4)	3.0
34328	Phillips Station	9.0	(5)	3.1	5.8	81.69	(3)	3.7
34528	Phillips Station	7.7	(7)	4.0	4.8	87.60	(5)	3.5
34628	Phillips Station	8.2	(7)	3.9	5.4	81.45	(4)	4.2
34390	City Of Tampa	26.0	(11)	4.3	18.5	25.03	(8)	4.5

Comparison of Rates and Components

		Current			Staff Recommend			
Account Number	Account Title	Average Remaining Life (Yrs)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (Yrs)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
TRANSMISSION PLANT								
350.1	Land Rights	27.0	0	2.6	28.0	37.63	0	2.3
352.00	Structures & Improvements	37.0	(3)	2.2	36.0	21.95	(3)	2.3
353.00	Station Equipment	32.0	(5)	2.5	32.0	24.48	(5)	2.5
354.0	Towers & Fixtures	15.5	(15)	2.6	12.5	83.21	(15)	2.4
355.00	Poles and Fixtures	23.0	(30)	3.8	24.0	37.60	(40)	4.4
356.00	OH Conductors & Devices	22.0	(20)	3.9	24.0	42.22	(30)	3.7
356.01	Clearing Rights-of-Way	24.0	0	2.0	22.0	57.32	0	2.0
357.0	Underground Conduit	35.0	0	1.7	32.0	45.92	0	1.7
358.0	UG Conductors & Devices	28.0	0	2.6	27.0	33.78	0	2.4
359.0	Roads and Trails	37.0	0	2.1	35.0	23.62	0	2.2
DISTRIBUTION PLANT								
361.0	Structures & Improvements	28.0	(3)	2.6	30.0	30.72	(3)	2.4
362.0	Station Equipment	26.0	(10)	2.9	30.0	36.71	(10)	2.5
364.0	Poles, Towers & Fixtures	23.0	(35)	4.0	22.0	45.37	(50)	4.7
365.0	OH Conductors & Devices	20.0	(20)	3.4	20.0	53.61	(20)	3.3
366.0	Underground Conduit	38.5	0	2.0	38.0	23.5	0	2.0
367.0	UG Conductors & Devices	23.0	0	3.2	23.0	26.96	0	3.2
368.0	Line Transformers	7.2	30	4.1	6.9	41.19	30	4.2
369.01	Overhead Services	25.0	(20)	3.2	24.0	45.48	(20)	3.1
369.02	Underground Services	25.0	(15)	3.2	24.0	35.34	(15)	3.3
370.0	Meters	14.2	0	4.7	17.8	17.99	(30)	6.3
373.0	Street Lighting & Signal System	11.4	0	5.3	10.9	42.79	0	5.2
GENERAL PLANT								
390.0	Structures & Improvements	26.0	(20)	3.5	24.0	35.82	(20)	3.5
397.25	Communication Equipment- Fiber	10.6	(10)	5.8	10.0	52.03	(10)	6.9
TRANSPORTATION EQUIPMENT								
ENERGY DELIVERY								
392.02	Light Trucks	5.4	15	8.8	4.0	46.01	15	12.6
392.03	Heavy Trucks	7.2	12	6.8	7.1	42.69	12	5.9
392.04	Medium Trucks	9.7	10	0.2	5.1	45.38	15	7.8
ENERGY SUPPLY								
392.12	Light Trucks	4.7	15	9.4	5.4	38.97	15	8.5
392.13	Heavy Trucks	7.8	12	4.8	5.4	56.36	12	5.9
392.14	Medium Trucks	8.5	15	4.1	7.8	40.61	15	5.7
GENERAL PLANT AMORTIZED								
391.01	Office Furniture & Equipment		7 year Amortizable				7 year Amortizable	
391.02	Computer Equipment-Work Station		4 year Amortizable				4 year Amortizable	
391.04	Computer Equipment-Mainframe		5 year Amortizable				5 year Amortizable	
393.00	Stores Equipment		7 year Amortizable				7 year Amortizable	
394.00	Tools, Shop & Garage Equipment		7 year Amortizable				7 year Amortizable	
395.00	Laboratory Equipment		7 year Amortizable				7 year Amortizable	
396.00	Power Operated Equipment		7 year Amortizable				7 year Amortizable	
397.00	Communication Equipment		7 year Amortizable				7 year Amortizable	
398.00	Miscellaneous Equipment		7 year Amortizable				7 year Amortizable	

Comparison of Expenses						
		Current		Company/Staff Proposed		
Account Number	Account Title	Depreciation Rate	Annual Expense	Depreciation Rate	Annual Expense	Change In Expense
		(%)	($)	(%)	($)	($)
STEAM PRODUCTION PLANT						
BIG BEND STATION						
31140	Common	2.3	1,437,795	2.0	1,250,256	(187,539)
31240	Common	2.6	2,174,298	2.6	2,174,298	0
31440	Common	1.8	83,798	1.8	83,798	0
31540	Common	3.8	605,042	3.0	477,665	(127,377)
31640	Common	2.5	125,039	3.1	155,049	30,010
31141	Unit No. 1	2.2	177,377	1.4	112,876	(64,501)
31241	Unit No. 1	3.8	3,309,774	3.3	2,874,277	(435,497)
31441	Unit No. 1	2.8	920,504	2.5	821,878	(98,626)
31541	Unit No. 1	3.3	272,212	2.5	206,221	(65,991)
31641	Unit No. 1	2.2	14,201	1.2	7,746	(6,455)
31142	Unit No. 2	2.4	191,464	1.6	127,642	(63,822)
31242	Unit No. 2	4.1	3,013,069	3.1	2,278,174	(734,895)
31442	Unit No. 2	3.1	994,552	2.5	802,058	(192,494)
31542	Unit No. 2	3.2	279,015	2.5	217,980	(61,035)
31642	Unit No. 2	4.6	24,837	2.0	0,799	(14,038)
31143	Unit No. 3	1.9	290,558	1.2	183,510	(107,048)
31243	Unit No. 3	3.1	3,129,864	2.6	2,625,047	(504,817)
31443	Unit No. 3	2.4	729,337	1.8	547,003	(182,334)
31543	Unit No. 3	3.1	607,924	2.5	490,262	(117,662)
31643	Unit No. 3	2.5	33,174	2.7	35,828	2,654
31144	Unit No. 4	1.9	1,156,333	1.4	852,035	(304298)
31244	Unit No. 4	2.6	5,318,035	2.4	908,956	(409,079)
31444	Unit No. 4	2.3	1, 884,479	2.0	1,638,677	(245,802)
31544	Unit No. 4	2.7	1,006,200	2.1	782,600	(223,600)
31644	Unit No. 4	2.2	118,981	1.7	91,40	(27,041)
31146	Unit No.1 & 2 FGD System	3.5	444,513	2.6	330210	(114,303)
31246	Unit No.1 & 2 FGD System	4.1	2,464,405	2.9	1,74,3116	(721,289)
31546	Unit No.1 & 2 FGD System	4.3	367,059	3.3	281,697	(85,362)
31646	Unit No.1 & 2 FGD System	4.1	72,976	2.5	44,496	(28,478)
31145	Unit No. 3 & 4 FGD System	2.0	439,093	1.5	329,320	(109,773)
31245	Unit No. 3 & 4 FGD System	2.8	4,261,305	2.3	3,500,357	(760,948)
31545	Unit No. 3 & 4 FGD System	2.6	488,898	2.1	394,880	(94,018)
31645	Unit No. 3 & 4 FGD System	2.4	17,946	2.0	14,955	(2,991)
31647	Big Bend Amortizable Tools	14.3	354,586	14.3	354,586	0
31100-01 & 31601	Misc. Structures & Equipment	3.5	54,880	3.5	54,880	0
31617	Misc. Production Plant	14.3	161,710	14.3	161,710	0
	Total Big Bend Station		**37,025,233**		**30,966,782**	**(6,058,449)**

Comparison of Expenses						
		Current		Company/Staff Proposed		
Account Number	Account Title	Depreciation Rate (%)	Annual Expense ($)	Depreciation Rate (%)	Annual Expense ($)	Change in Expense ($)
OTHER PRODUCTION						
BIG BEND STATION						
34141	Combustion Turbine No. 1	4.4	5,017	0	0	(5,017)
34241	Combustion Turbine No. 1	1.0	1,137	0	0	(1,137)
34341	Combustion Turbine No. 1	1.3	16,574	0	0	(16,574)
34541	Combustion Turbine No. 1	2.9	7,238	0	0	(7,238)
34641	Combustion Turbine No. 1	1.9	50	0	0	(50)
34142	Combustion Turbine No.2 & 3	0.1	1,612	0	0	(1612)
34242	Combustion Turbine No.2 & 3	3.6	65,322	0	0	(65,322)
34342	Combustion Turbine No.2 & 3	3.2	561,356	4.3	754,322	192,966
34542	Combustion Turbine No.2 & 3	0.7	18,099	0	0	(18,099)
	Total Big Bend Station		**676,405**		**754,322**	**77,917**
GANNON POWER STATION						
31133	Unit No. 3	5.0	38,691	0	0	(38,691)
31178	Unit No. 3	5.0	1,3992	0	0	(13,992)
31433	Unit No. 3	4.0	482,648	0	0	(482,648)
31533	Unit No. 3	3.3	37,087	0	0	(37,087)
31633	Unit No. 3	3.5	1,431	0	0	(1,431)
34333	Unit No. 3	4.3	4,051	0	0	(4,051)
31134	Unit No. 4	4.3	21,303	0	0	(21,303)
31179	Unit No. 4	4.3	15,873	0	0	(15,873)
31434	Unit No. 4	3.7	330,772	0	0	(330,772)
31534	Unit No. 4	4.5	44,396	0	0	(44,396)
31634	Unit No. 4	5.4	2,929	0	0	(2,929)
	Total Gannon Power Station		**993,173**		**0**	**(993,173)**
BAYSIDE POWER STATION						
34130	Bayside Common	4.3	2,763,893	2.3	1,478,362	(1,285,531)
34230	Bayside Common	4.3	745,660	2.5	433,523	(312,137)
34330	Bayside Common	4.3	473,103	2.9	319,069	(154,034)
34530	Bayside Common	4.3	489,574	4.3	489,574	0
34630	Bayside Common	4.3	318,630	3.4	251,940	(66,690)
34131	Bayside Unit No. 1	4.3	945,331	2.3	505,642	(439,689)
34231	Bayside Unit No. 1	4.3	3,033,511	2.9	2,045,856	(987,655)
34331	Bayside Unit No. 1	4.3	6,734,052	4.0	6,264,235	(469,817)
34531	Bayside Unit No. 1	4.3	1,398,350	3.2	1,040,632	(357,718)
34631	Bayside Unit No. 1	4.3	54,081	2.5	31,443	(22,638)
34132	Bayside Unit No. 2	4.3	1,118,747	2.3	598,400	(520,347)
34232	Bayside Unit No. 2	4.3	4,071,565	2.9	2,745,939	(1,325,626)
34331	Bayside Unit No. 2	4.3	9,423,413	3.9	8,546,817	(876,596)
34531	Bayside Unit No. 2	4.3	1,736,407	3.1	1,251,829	(484,578)
34631	Bayside Unit No. 2	4.3	65,264	2.6	39,462	(25,802)
	Total Bayside Power Station		**33,371,581**		**26,042,723**	**(7,328,858)**
POLK POWER STATION						
34180	Common	2.1	1,354,336	2.3	1,483,321	128,985
34280	Common	2.3	35,144	2.2	33,616	(1,528)
34380	Common	2.4	58,326	2.0	48,605	(9,721)
34580	Common	2.5	41,239	2.4	39,589	(1,650)
34680	Common	2.2	17,705	2.2	17,705	0
34181	Unit No. 1	2.8	1,321,961	2.5	1,180,323	(141,638)
34281	Unit No. 1	3.3	7,521,332	3.4	7,749,251	227919
34381	Unit No. 1	5.9	7,552,518	6.4	8,192,562	640,044
34581	Unit No. 1	3.4	1,979,742	3.1	1,805,059	(174,683)
34681	Unit No. 1	3.3	157,232	3.4	161,996	4,764

Comparison of Expenses						
		Current		Company/Staff Proposed		
Account Number	Account Title	Depreciation Rate	Annual Expense	Depreciation Rate	Annual Expense	Change in Expense
		(%)	($)	(%)	($)	($)
POLK POWER STATION						
34182	Unit No. 2	2.7	56,380	2.7	56,380	0
34282	Unit No. 2	2.9	28,955	2.9	28,955	0
34382	Unit No. 2	5.2	1,439,046	7.6	2,103,222	664,176
34582	Unit No. 2	2.9	479,525	2.9	479,525	0
34682	Unit No. 2	2.8	4,850	2.8	4,850	0
34183	Unit No. 3	2.6	268,764	2.6	268,764	0
34283	Unit No. 3	2.9	33,381	2.9	33,381	0
34383	Unit No. 3	5.2	1,576,465	6.2	1,879,632	303,167
34583	Unit No. 3	3.0	271,941	3.0	271,941	0
34683	Unit No. 3	2.8	12,121	2.9	12,554	433
34687	Polk Amortizable Tools	14.3	132,206	14.3	132,206	0
	Total Polk Power Station		**24,343,169**		**25,983,437**	**1,640,268**
PHILLIPS STATION						
34128	Phillips Station	3.7	348,269	3.4	320,031	(28,238)
34228	Phillips Station	3.3	774,847	3.0	704,407	(70,440)
34328	Phillips Station	3.1	640,090	3.7	763,978	123,888
34528	Phillips Station	4.0	234,994	3.5	205,620	(29,374
34628	Phillips Station	3.9	24,735	4.2	26,638	1,903
	Total Phillips Station		**2,022,935**		**2,020,674**	**(2,261)**
34390	City of Tampa	4.3	277,738	4.5	290,656	12,918
	Total Production Plant		**98,710,234**		**86,058,596**	**(12,651,638)**
TRANSMISSION PLANT						
350.01	Land Rights	2.6	198,186	2.3	175,319	(22,867)
352.00	Structures and Improvements	2.2	65,854	2.3	68,847	2,993
353.00	Station Equipment	2.5	4,701,519	2.5	4,701,519	0
354.00	Towers and Fixtures	2.6	111,140	2.4	102,591	(8,549)
355.00	Poles and Fixtures	3.8	4,156,319	4.3	4,703,203	546,884
356.00	OH Conductors & Devices	3.9	3,622,787	3.7	3,437,003	(185,784)
356.01	Clearing Rights-of-Way	2.0	42,665	2.1	44,798	2,133
357.00	Underground Conduit	1.7	60,187	2.0	70,809	10,622
358.00	UG Conductors and Devices	2.6	183,145	2.5	176,101	(7,044)
359.00	Roads and Trails	2.1	95,810	2.2	100,372	4,562
	Total Transmission Plant		**13,237,612**		**13,580,562**	**342,950**
DISTRIBUTION PLANTS						
361.00	Structures & Improvements	2.6	38,001	2.3	33,616	(4,,385)
362.00	Station Equipment	2.9	4,290,659	2.7	3,994,751	(295,908)
364.00	Poles, Towers & Fixtures	4.0	7,261,769	4.5	8,169,491	907,722
365.00	OH Conductors & Devices	3.4	6,711,836	3.5	6,909,243	197,407
366.00	Underground Conduit	2.0	2,790,396	2.0	2,790,396	0
367.00	UG Conductors & Devices	3.2	5,483,886	3.0	5,141,143	(342,743)
368.00	Line Transformers	4.1	14,137,319	4.1	14,137,319	0
369.01	Overhead Services	3.2	2,108,339	3.6	2,371,882	263,543
369.02	Underground Services	3.2	2,951,149	3.3	3,043,372	92,223
370.00	Meters	4.7	2,742,867	5.2	3,034,661	291,794
373.00	Street Lighting and Signal Syst.	5.3	7,227,976	5.2	7,091,599	(136,377)
	Total Distribution Plant		**55,744,197**		**56,717,473**	**973,276**
GENERAL PLANT						
390.00	Structures & Improvements	3.5	2,633,930	3.5	2,633,930	0
397.25	Communication Equipment-Fiber	5.8	1,101,821	6.9	1,310,787	208,966

Comparison of Expenses						
		Current		Staff Recommend		
Account Number	Account Title	Depreciation Rate (%)	Annual Expense ($)	Depreciation Rate (%)	Annual Expense ($)	Change in Expense ($)
TRANSPORTATION EQUIPMENT						
ENERGY DELIVERY						
392.02	Light Trucks	8.8	437,703	12.6	626,711	189,008
392.03	Heavy Trucks	6.8	1,035,394	5.9	898,357	(137,037)
392.04	Medium Trucks	0.2	1,480	7.8	57,706	56,226
ENERGY SUPPLY						
392.12	Light Trucks	9.4	100,746	8.5	91,101	(9,645)
392.13	Heavy Trucks	4.8	29,961	5.9	36,827	6,866
392.14	Medium Trucks	7.1	26,585	5.7	21,343	(5,242)
GENERAL PLANT AMORTIZED						
391.01	Office Furniture and Equipment	14.3	789,701	14.3	789,701	0
391.02	Computer Equipment-Work Station	25.00	10,069,378	25.0	10,069,378	0
391.04	Computer Equipment –Mainframe	20.0	58,306	20.0	58,306	0
393.00	Stores Equipment	14.3	2,088	14.3	2,088	0
394.00	Tools, Shop & Garage Equipment	14.3	842,701	14.3	842,701	0
395.00	Laboratory Equipment	14.3	12,538	14.3	12,538	0
396.00	Power Operated Equipment	14.3	20,346	14.3	20,346	0
397.00	Communication Equipment	14.3	2,899,392	14.3	2,899,392	0
398.00	Miscellaneous Equipment	14.3	33,023	14.3	33,023	0
	Total General Plant		20,095,093		20,202,413	309,142
	Total Trans., Distrib. & Genrl. Plant		**89,076,902**		**90,702,270**	**1,625,368**
	Total Production Plant		**98,710,234**		**86,058,596**	**(12,651,638)**
	Fossil Dismantlement Accrual		**3,876,903**		**1,336,986**	**(2,539,917)**
	Total Plant		**191,664,039**		**178,097,852**	**(13,566,187)**

Attachment C
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PLANT	CURRENT ACCRUALS (01/01/2006)	COMPANY PROPOSED ACCRUALS (01/01/2007)	COMPANY PROPOSED CHANGE IN ACCRUALS	STAFF RECOMMENDED ACCRUALS (01/01/2007)	STAFF RECOMMENDED CHANGE IN ACCRUALS
	$	$	$	$	$
Bayside Common	103,920	46,735	(57,185)	47,476	(56,444)
Bayside Unit #1 CT & PB	199,295	67,810	(131,485)	68,925	(130,370)
Gannon Unit #5 Turbine	172,992	7,988	(165,004)	8,180	(164,812)
Bayside Unit #2 CT & PB	273,648	90,067	(183,581)	91,555	(182,093)
Gannon Unit #6 Turbine	97,196	9,592	(87,604)	9,781	(87,415)
Total Bayside Power Station	**847,051**	**222,192**	**(624,859)**	**225,917**	**(621,134)**
Big Bend Common	396,163	146,439	(249,724)	150,035	(246,128)
Big Bend Unit #1 Turbine & Coal	247,815	114,784	(133,031)	118,595	(129,220)
Big Bend Unit #2 Turbine & Coal	391,667	148,583	(243,084)	152,438	(239,229)
Big Bend Unit #3 Turbine & Coal	444,968	155,057	(289,911)	158,925	(286,043)
Big Bend Unit #4 Turbine & Coal	387,539	100607	(286,932)	105,539	(282,000)
Big Bend Unit #1 & #2 FGD	149,978	75,034	(74,944)	76,961	(73,017)
Big Bend Unit #3 & #4 FGD	149,980	75034	(74,946)	76,959	(73,021)
Big Bend CT's	12,454	24,604	12,150	25,185	12,731
Total Big Bend Power Station	**2,180,564**	**840,142**	**(1,340,422)**	**864,637**	**(1,315,927)**
Polk Common & Gasifier	532,151	109,951	(422,200)	113,229	(418,922)
Polk Unit #1 Power Block	62,584	(13,448)	(76,032)	(12,868)	(75,452)
Polk Unit #2 Power Block	9,881	26,157	16,276	26,584	16,703
Polk Unit #3 Power Block	10,721	28,462	17,741	28,882	18,161
Total Polk Power Station	615,337	151,122	(464,215)	**155,827**	**(459,510)**
City of Tampa	20,665	12,852	(7,813)	13,173	(7,492)
Phillips Station	74,865	68,635	(6,230)	77,432	2,567
Summary of Surviving Assets	**3,738,482**	**1,294,943**	**(2,443,539)**	**1,336,986**	**(2,401,496)**
Gannon Common	71,854	0	(71,854)	0	(71,854)
Gannon Unit #1 Turbine & Coal	0	0	0	0	0
Gannon Unit #2 Turbine & Coal	0	0	0	0	0
Gannon Unit #3 Coal	0	0	0	0	0
Gannon Unit #4 Coal	0	0	0	0	0
Gannon Unit #5 Coal	0	0	0	0	0
Gannon Unit #6 Coal	0	0	0	0	0
Gannon CT's	0	0	0	0	0
Gannon Unit #3 Turbine	25,844	0	(25,844)	0	(25,844)
Gannon Unit #4 Turbine	40,723	0	(40,723)	0	(40,723)
Total Gannon Power Station	**138,421**	**0**	**(138,421)**	0	**(138,421)**
Summary of Retired Assets	**138,421**	**0**	**(138,421)**	0	**(138,421)**
Total Dismantlement Accrual	**3,876,903**	**1,294,943**	**(2,581,960)**	**1,336,986**	**(2,539,917)**