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Public Service Commission

June 9, 2011

Paula K. Brown
Administrator, Regulatory Coordination
Tampa Electric Company
Post Office Box 111
Tampa, FL 33601

Re: Docket No. 110131-EI: Tampa Electric Company's Petition for Approval of its 2011 Depreciation Study and Annual Dismantlement Accrual Amounts

Dear Ms. Brown:

The staff is in the process of reviewing the depreciation and dismantlement study filed by Tampa Electric Company in the above referenced docket. As a result questions have arisen, which are covered on the attached.

Please provide your response by July 8, 2011. If there are any questions, please contact Sue Ollila at (850) 413-6540.

Sincerely,

Dave Dowds
Supervisor, Cost Analysis Section

Attachment
Cc: Office of the Commission Clerk
General Counsel (Klancke)
Office of Public Counsel
Division of Economic Regulation (Willis, Bulecza-Banks)
James D. Beasley
J. Jeffry Wahlen

Production

1. Please explain TECO's methodology (including the use of stratified investment) used to determine the curve shape, average service life, future net salvage, and average remaining life for production plant. Please provide an example with sample calculations.

2. Please explain how the stratified life categories for each production plant site were determined. Please provide an example, such as for the SCR Systems.

3. How is the average age of each life category determined?

4. If an interim retirement rate is used, how was it derived? Please provide both a quantitative explanation as well as a narrative explanation.

5. If a future estimated retirement rate is used, how was it derived? Please provide both a quantitative explanation as well as a narrative explanation.

6. Are the stratified life categories used for each production plant site the same as those used in the 2007 depreciation study? If the categories are different from the 2007 study, please identify the specific reasons justifying each life category change.

7. Please provide an example of assets contained in each stratified life category.

8. For production plant, is TECO proposing any curve shapes (e.g., S3-25) different from what are currently prescribed? If so, please explain, by account, the quantitative and qualitative reasons for the change.

9. Please refer to Bates-stamped page 7, "Capital Recovery Dates." What changes, if any, have been made to the Capital Recovery year in the 2011 depreciation study? If changes have been made since the last depreciation study, please explain the specific reasons for each capital recovery date revision.

10. Please explain how production plant investment and reserve balances were estimated and developed for the budget year ending December 31, 2011.

11. On Bates-stamped pages 36–42, "Comparison of Reserve-Actual vs. Theoretical," please explain why the "Post Transfer Accumulated Reserve" is shown and compared to the calculated theoretical reserve rather than the estimated actual reserve as of 12/31/11 as shown on Bates-stamped pages 43–49.

12. Please explain how TECO calculated the amount of reserve associated with its proposed transfer of the Big Bend SCR units.

13. Bates-stamped pages 43–49 contain TECO's Summary of Reserve Transfers for production plant. Please explain TECO's philosophy for transferring reserve among production plant units and accounts. The explanation should include any information describing how TECO determined the "to" and "from" generating stations, units, and accounts for reserve transfers, as well as the amounts. In addition, the explanation should describe the significance, if any, of TECO's proposed reserve transfer of $5,400,317 from the Bayside generating station to the Polk generating station.

14. Please refer to "Summary of Reserve Transfers," Bates-stamped page 43. TECO's proposed reserve transfers, as shown on this page, are less than $3 million for Big Bend Common and Units 1 and 3. Please explain, by account, why TECO's proposed reserve transfers for Units 2 and 4 are so much greater, i.e., between $23-$29 million.

15. Are there any major overhauls or upgrades planned for production plant during 2011 – 2015? If so, please include a description of the work to be performed, any retirement units expected to be replaced as a direct result, and identify the year(s) each overhaul or upgrade is planned to take place. Please provide the January 1, 2012 estimated investment and reserve associated with the equipment currently planned for replacement during each overhaul, by account by plant site.

16. Are there any substantial retirements or additions for production plant expected in connection with current or proposed state or federal regulations, including environmental regulations, during 2011–2015? If so, please include a description of the regulation and the work to be performed, any retirement units expected to be replaced as a direct result, and identify the year(s) each retirement or addition is planned to take place. Please provide the January 1, 2012 estimated investment and reserve associated with the equipment currently planned for replacement, by account by plant site.

17. For each production account where TECO's proposed interim future net salvage differs from what is currently prescribed, please explain the reasons for changing the future net salvage. The explanation should include relevant quantitative data and analysis as well as a brief narrative explanation for each account.

18. On Bates-stamped page 4 TECO explains that it stratified the SCR systems, and that "as a result" TECO proposes to transfer the SCR investment and reserve to new plant accounts. Please explain exactly what is meant by "result," i.e., what were the specific reasons that caused TECO to propose new accounts?

19. When did each unit of the Gannon Power Station retire? Please also identify, where applicable, the renamed generating station and unit.

20. Please explain why there are two 25-year life categories for Polk Units 2, 3, 4, and 5 (Bates-stamped pages 411, 432, 453, and 474).

21. Please explain why Phillips is being retained on standby and not retired.

22. Does TECO expect any additions to Phillips between 2011 and 2015? If so, please explain how TECO plans to depreciate those additions.

23. What is TECO's ownership percentage in the shared facility with the City of Tampa?

24. Please describe the types of amortizable property included for each production site.

25. Please explain how the amortization expense for production plant accounts is calculated.

26. Please explain how TECO is complying with the vintage group concept.

2010 Annual Status Report – Production

27. Please explain, by account, why adjustments and transfers booked to production plant accounts do not net to zero in Schedules B-7 and B-9 for 2010.

28. There are several production plant accounts that show negative additions in Schedule B-7 for 2010. Please explain, by account, the reason for each negative addition. (Bates-stamped pages 1092–1098)

29. Bayside Common Account 343.30 has seen significant growth since 2006, with the plant balance increasing from $9,455,470 at beginning-of-year 2007 to $33,845,452 at end-of-year 2010 (Bates-stamped pages 1046 and 1096). Please explain the reasons for the growth.

30. The beginning-of-year 2010 balance for Polk Common, Account 342.80, was $1,573,552. Please explain the reason for the addition of $959,687 in 2010 (Bates-stamped page 1095).

2011 Budget – Production

31. Please explain the reasons for the adjustments or transfers shown for the Bayside units on Schedule B-7, 2011 budget, Bates-stamped pages 1118-1119.

32. Schedule B-7, 2011 budget, shows adjustments and transfers for Bayside Units 1 and 2, Prime Movers accounts 34331 and 34332, respectively. (Bates-stamped page 1118) Please explain why there are no corresponding adjustments and transfers in Schedule B-9.

33. Schedule B-9, 2011 budget, shows adjustments and transfers for the Phillips Power Station, Accounts 34128, 34228, 34328, 34528, and 34628. (Bates-stamped page 1127) Please explain why there are no corresponding adjustments and transfers in Schedule B-7.

Transmission and Distribution

34. On Bates-stamped page 587, the narratives for transmission and distribution plant state that a common trend in the structures, station equipment, towers (for transmission plant), poles and conductor accounts is longer expected lives. "Industry experience and technology changes have contributed to this phenomenon."

    a. For each account where technology changes have impacted or are expected to impact the life of a given account, please indicate the account, the technology change, and how the change is impacting or expected to impact the life of the account.

    b. Please explain specifically how each change has contributed to a longer expected life for each account identified in (a).

    c. Please explain the specific industry experience referenced.

35. On Bates-stamped page 587, the narrative for distribution plant states that a significant change made in the instant study relates to automated meter reading technology.

    a. What portion of the meters account (Account 370) is associated with AMR meters and other digital metering assets?

    b. Please explain what is meant by "other digital metering assets." Please list examples of these assets.

    c. Please explain the reasons why AMR meters and other metering assets should be expected to have shorter lives than the traditional electro-mechanical metering assets.

    d. What expected life has TECO assumed for the AMR meters and other digital metering assets? Please explain the basis and support for the assumed life.

    e. What expected life has TECO assumed for the electro-mechanical meters? Please explain the basis and support for the assumed life.

    f. Please explain specifically how the shorter digital lives and longer traditional electro-mechanical lives were blended for a composite life for the meters category.

    g. Does TECO have a replacement program for its electro-mechanical meters? If affirmative, please explain the program.

    h. Please identify the December 31, 2010 investment and reserve associated with electro-mechanical meters planned for retirement during the 2011-2015 period.

    i. When meters are retired, are they junked for scrap salvage?

j. Are meters refurbished as new meters? If affirmative, what is the accounting treatment for the costs of refurbishment?

k. Are meters accounted for as cradle-to-grave? If negative, please explain why not.

l. The meters account has experienced growth in investment of almost 26% during the 2006-2011 period. Please explain the specific reasons for this growth.

m. When did TECO begin adding AMR meters?

n. Retirements in the meters account during the 2006-2011 period represent approximately 48% of the retirements booked historically. Is this increase in retirements due to the AMR meter replacement program? If negative, please explain what caused such an increase in retirements.

36. For each transmission and distribution account where TECO is proposing a change in average service life and/or curve shape, please explain the specific reasons justifying the change, other than it results from statistical analyses.

37. For each transmission and distribution account in which the Simulated Plant-Record Method was used in developing the company's proposed curve shape and average service life, please provide the Conformance Index, Index of Variation, and Retirement Experience Index measures.

38. For each transmission and distribution account where TECO is proposing a change in net salvage, please explain the specific reasons justifying the change.

39. Please refer to Bates-stamped pages 614-640, Account 350.01, Land Rights.

a. Please identify in what year the $600,000 retirement shown for age 0.5 on Bates-stamped page 614 was booked.

b. The $600,000 retirement shown for age 0.5 on page 614 is located on Bates-stamped page 639 and appears to have been installed in 1949 and retired in 1950. Is this correct? If not, what were the installation and retirement years?

c. For the observed life table shown on Bates-stamped pages 614-616, please explain why an experience band of 1950 to 2011 was used.

d. For the observed life table shown on Bates-stamped pages 614-616, please identify the placement band selected.

e. For the observed life table shown on Bates-stamped pages 614-616, please explain why the placement band identified in (d) was selected.

f. There is no net salvage analysis found in the instant study for Account 350.01. Please provide.

g. Please explain what comprises the investment in account 350.01.

40. There is no net salvage analysis found in the instant study for Account 352, Structures & Improvements. Please provide.

41. The following requests relate to transmission and distribution station equipment accounts, Account 353 and Account 362.

a. Please list the major items comprising the investment in Accounts 353 and 362.

b. Please explain the differences and similarities between transmission station equipment (Account 353) and distribution station equipment (Account 362).

c. Have there been any changes in the operation or design of equipment contained in Account 353 or Account 362 since TECO's last depreciation study? If affirmative, please detail the changes and explain how each is expected to impact the life of the given account.

d. Please explain TECO's transformer replacement policy.

e. Are there any transformer change out programs in effect currently or will be in effect in the next four years? If affirmative, please explain the programs and identify the December 21, 2011 investment and reserve associated with these near term retirements.

f. Have any operational procedures changed since the last depreciation study that would affect the life of station equipment (transmission or distribution)? If affirmative, please explain what operational procedures changed, how they changed, and how the changes are expected to impact the life of account 353 and account 362.

42. The following refers to transmission station equipment, Account 353.

a. Account 353 has experienced a 25% growth rate in the last four years and a 50% growth rate in the last eight years. Please explain what has caused this growth. Please include in your response whether this type of growth is expected during the next four years, and why or why not.

b. Net salvage for Account 353 has historically averaged negative 1%, with the most recent five years averaging 11%. Please explain what caused the gross salvage realized in 2007, 2008, and 2010. Also, please explain why gross salvage should not be expected to be realized in the future.

c. Please refer to Bates-stamped page 596. Please explain the basis for proposing a future net salvage percentage of (5).

d. When transmission station equipment is retired, is the physical removal performed by contract or in-house labor?

e. Please refer to Bates-stamped page 664. Please explain what caused the removal costs incurred in 2009 for Account 353.

43. The following refers to distribution station equipment, Account 362.

a. Account 362 experienced growth in investment of nearly 27% in the last four years and approximately 44% during the 2003-2010 period. In fact, 25% of additions booked during the 1990-2010 period were incurred during the last four years, 2007-2010. Please explain what caused the growth in the 2007-2010 period and the 2001-2010 period. Please explain in your response whether this rate of growth is expected during the next four years.

b. Retirements have increased during the 2007-2010 period, even though the retirement rate continues to average less than 1%. About 46% of the 1990-2010 retirements were incurred during 2003-2010 and nearly 30% were incurred in the last four years. What has caused the increased retirement activity?

c. When distribution station equipment is retired, is the physical removal performed by contract or in-house labor?

44. The following questions relate to Account 354, Towers and Fixtures, and Account 355, Poles and Fixtures.

a. Please provide a list of the major items that comprise the investment in Accounts 354 and 355.

b. Are all poles and towers contained in Account 354 comprised of steel? If negative, please identify the portion of investment associated with wood.

c. No net salvage analysis has been provided for Account 354. Please provide.

d. What portion of the poles in Account 355 are steel? What percent are wood?

e. What portion of new poles in Account 355 are steel? Wood?

f. Please explain the major causes for tower and pole retirements.

g. Do poles tend to experience longer life expectancies than conductors? Please explain.

h. Is TECO experiencing any corrosion problems in Accounts 354 and 355? If affirmative, please explain.

i. Please refer to Bates-stamped page 596, Account 355. Please explain the basis for proposing a future net salvage percentage of (40).

45. The following relates to distribution poles, towers, and fixtures, Account 364.

a. What percent of the December 31, 2010, investment in Account 364 is comprised of poles? What percent is comprised of towers?

b. Please provide a percent breakdown of the investment in Account 364 by pole type.

c. Are distribution poles expected to live as long as transmission poles? Please explain why or why not.

d. Please explain the major causes of the retirement of distribution poles.

e. What percent of the December 31, 2010, investment in Account 364 is comprised of steel poles? What percent is comprised of wood poles? What percent is comprised of concrete poles?

f. Does TECO have a pole replacement program in place? If affirmative, please explain the program.

g. Cost of removal increased dramatically in the 2006 – 2009 period, averaging about 191%. In 2010 and years prior to 2005, cost of removal averaged 57%. Please explain what caused the cost of removal to escalate during 2006 – 2009.

h. Gross salvage of 79% was realized in 2010 and 20% was realized in 2009. Nominal gross salvage was realized during 1989 – 2008, averaging 9%, with higher amounts realized during 1982-1988, averaging 67%. Please explain what caused the high gross salvage to be realized in 2009 and 2010. If the high salvage was due to reimbursements or reuse, does TECO expect this type of activity to continue in the future? Please explain.

i. Please explain how TECO disposes its distribution poles.

j. Is pole replacement performed by contract labor or in-house labor? Please provide the average cost rates per pole, identifying the overhead amount separately.

k. Does TECO have a pole treatment program? If affirmative, please explain.

l. The investment in Account 364 has experienced 61% growth during the past decade and 29% growth since 2006. Please explain what has caused the growth during the past decade and since 2006. Have the number of poles in service grown since 2006? Approximately how much has the cost per pole increased since 2006?

m. Please explain TECO's pole inspection program including what the program entails.

n. Please refer to Bates-stamped page 597, Account 364. Please explain the basis for proposing a future net salvage percentage of (50).

46. The following questions refer to transmission and distribution conductors, Accounts 356, 358, 365, and 367.

a. Please explain the equipment types comprising the investment in each account.

b. Please provide a percentage breakdown of the kinds of conductors in each account.

c. Please explain TECO's reconductoring policy.

d. Does TECO have any injection programs? If affirmative, please explain whether injection is expected to increase the life of conductors and why.

e. Please explain the causes of retirement of conductors in each account.

f. Please explain any environmental impacts on the life expectancy of conductors in each account.

g. Is underground cable abandoned in place or cut and sealed?

h. About 40% of the 1982-2010 retirements occurred during the past five years with 68% of the 2006-2010 retirements occurring in 2009 and 2010. Please explain what caused such an increase in retirements in 2009 and 2010 and if this type of activity is expected to continue in the future.

i. Please explain how retired overhead conductors are disposed.

j. Please explain how retired underground conductors are disposed.

k. No net salvage analysis has been provided for Account 358, Underground Conductors and Devices. Please provide.

l. The 2010 retirements in Account 367, Underground Conductors and Devices, represent about 28% of retirements booked in the 1982-2010 period. In fact, 55% of the retirements booked during 1982-2010 occurred during the last five years. Please explain what caused the increase in retirements during the last five years and especially in 2010. Is this level of retirement activity expected to continue in the future? Please explain why or why not.

m. What portion of the December 31, 2010, investment in Account 367, Underground Conductors and Devices, is associated with duct system conductors? What portion is associated with direct buried conductors?

n. Please explain the difference between duct system and direct buried conductors.

o. Are duct system underground conductors abandoned in place when retired or are they physically removed?

p. Are direct buried underground conductors abandoned in place when retired or are they physically removed?

q. Please explain what caused the 18.8% growth in Account 367, Underground and Devices, during the 2006-2010 period.

47. The following requests refer to transmission and distribution underground conduit, Accounts 357 and 366.

a. Please explain the causes for the retirement of transmission and distribution underground conduit.

b. Is conduit expected to experience a longer life than conductors? Please explain.

c. When conduit is retired, is it cut and sealed, abandoned in place, or physically removed?

d. No net salvage analysis has been provided for transmission underground conduit, Account 357. Please provide.

e. About 56% of the 1982-2010 retirements booked to distribution underground conduit, Account 366, were experienced in 2010. In fact 80% of the 1982-2010 retirements were experienced in the 2008-2010 period. Please explain the reasons for these large retirements booked in the 2008-2010 period.

48. The following questions relate to Account 368, Line Transformers.

    a. Additions during the 2007-2011 period increased nearly 60% over the 2000-2006 period. Please explain what caused the growth during the 2007-2011 period. Does TECO expect this level of growth to continue in the future?

    b. Retirements during the 2007-2011 period increased nearly 27% over those experienced in the 2000-2006 period. Please explain what caused the increase in retirement activity.

    c. Does TECO have a replacement program for line transformers? If affirmative, please explain the program.

    d. Please refer to Bates-stamped page 598. Please explain the basis for proposing a future net salvage percentage of 10 for Account 368.

49. The following questions relate to Account 373, Street Lighting.

    a. Are there any technology changes on the horizon that may affect the life of Account 373? If affirmative, please explain the technology and how it may impact the expected life of the account.

    b. Please explain the causes for the retirement of street lights.

    c. Have there been any changes to TECO's retirement units for street lights? If affirmative, please explain the changes.

    d. Please identify different kinds of street lights contained in Account 373 and the percent of the account's December 31, 2010 investment associated with each.

50. Please refer to Bates-stamped page 598, Account 370. Please explain the basis for proposing a future net salvage percentage of (30).

2010 Annual Status Report – Transmission and Distribution

51. The plant balance at the end of 2009 for transmission land rights, Account 350.01, is shown on Bates-stamped page 1078 as $8,433,196. The plant balance at the beginning of 2010 is shown on Bates-stamped page 1098 as $9,266,946. Please explain why these plant balances are not the same.

52. Please explain the nature and cause for the adjustment/transfer of investment out of Account 350.01 with an adjustment/transfer of reserve into the account. One would expect that adjustments/transfers of investment out of an account would be followed with adjustments/transfers of reserve out of the account.

53. Please explain the nature and cause for the adjustment/transfer of investment out of Account 356.00 in 2010. Please identify the receiving accounts for these adjustments/transfers.

54. Please explain the logic and cause for the negative removal costs recorded in Accounts 350.01 and 353.00.

55. Please explain the logic and cause for the negative removal costs and negative gross salvage recorded in 2010 to Accounts 354.00, 357.00, and 358.00.

56. Please explain the logic and cause for the negative gross salvage realized in 2010 in Accounts 355.00 and 356.00.

57. Please explain the logic and cause for the negative cost of removal and negative gross salvage booked in 2010 to Accounts 369.00 and 369.02.

58. Please explain the cause for the nearly 85% removal costs incurred in 2010 for Account 370. Please identify the tasks involved with removing a meter.

2011 Budget – Transmission and Distribution

59. Please explain how transmission and distribution investment and reserve activity were estimated and developed for the budget year ending December 31, 2011.

60. Please explain the nature and cause for the removal costs of over 100% budgeted for 2011 in each of the following accounts: Account 355.00, Account 356.00. Account 365, and Account 369.

61. Please explain the nature and cause for the gross salvage of nearly 80% and removal costs of over 100% budgeted for 2011 in Account 364.

62. Please explain the nature and cause for the gross salvage and removal costs of over 100% budgeted for 2011 in Account 366.

General Plant

63. For each general plant account for which the Simulated Plant-Record Method was used in developing the company's proposed curve shape and average service life, please provide the Conformance Index, Index of Variation, and Retirement Experience Index measures.

64. Please identify the basis and support for a change in the curve shape underlying the currently approved remaining life for Structures & Improvements, Account 390, other than the curve shape is the product of the statistical analysis.

65. Please refer to Bates-stamped pages 978 and 980. Please explain why no activity is shown for Structures & Improvements, Account 390, prior to 1996.

66. Please refer to Bates-stamped page 980 that shows the input data to the Simulated Plant-Record Method. 2010 additions are shown as $361,641. Looking at the 2010 activity on Bates-stamped page 1099 for the same Account 390, 2010 additions are shown as negative $96,107. The 2010 additions shown on Bates-stamped page 980 appear to be the sum of the additions and adjustments shown on Bates-stamped page 1099. This netting treats adjustments as though they are new additions, which in reality they are not.

    a. Please explain the cause for the 2010 negative additions on Bates-stamped page 1099.

    b. Please explain the specific cause for the 2010 adjustments/transfers into Account 390 of $457,748. Do these adjustments/transfers relate to the adjustments reported out of Production plant, specifically Big Bend Common, Accounts 311.40 and 315.40?

    c. Recognizing that the adjustments/transfers are made up of many transactions, please provide a breakdown of the major amounts comprising the $457,748, with the associated ages at the time the adjustment/transfer was made.

    d. Please explain the meaning of the note on Bates-stamped page 980, "warning. . . . insufficient data for test interval."

67. Please explain the nature and cause for the investment and reserve adjustments/transfers into Account 390.00, Structures & Improvements, in 2007, 2008 and 2009 (referring to Bates-stamped pages 1048 and 1055, 1062 and 1069, 1079 and 1089, respectively). Please identify the originating account(s) from which these amounts were adjusted/transferred.

68. Please refer to Bates-stamped page 978, Net Salvage Analysis for Structures & Improvements, Account 390. During the 2000-2004 period, gross salvage exceeded cost of removal, averaging about 17%. Cost of removal during that same period was negligible, averaging about 5%. From 2005-2010, gross salvage has averaged zero with cost of removal averaging about 9%.

    a. Please explain what the gross salvage realized in the 2000-2004 period was due to, and what transpired that has resulted in no realized gross salvage after 2004.

    b. Please explain the activities resulting in removal costs associated with the 2006, 2008, and 2010 retirements recorded in Account 390, Structures & Improvements.

69. a. Please explain the difference between Account 392.02, Light Trucks-Energy Delivery, and Account 392.12, Light Trucks-Energy Supply.

    b. Please explain the difference between Account 392.03, Heavy Trucks-Energy Delivery, and Account 392.13, Heavy Trucks-Energy Supply.

c. Please explain the difference between Account 392.04, Medium Trucks-Energy Delivery, and Account 392.14, Medium Trucks-Energy Supply.

70. Please refer to Bates-stamped pages 986-994, 1014-1033, and 1039-1043. Bates-stamped pages 986-989 and 991-994 appear to show the life analysis for Account 392.02, Light Trucks-Energy Delivery. Bates-stamped pages 1014-1017 and 1019-1028 appear to show the life analysis for Account 392.04, Medium Trucks-Energy Delivery. Bates-stamped pages 1029-1032 and 1039-1042 show the development of the average remaining life for Account 392.12, Light Trucks-Energy Supply, and Account 392.14, Medium Trucks-Energy Supply, but do not show the actuarial life analyses supporting the selected curve shapes and average service lives.

a. Please indicate where in the study the life analyses for the determination of curve shape and average service life for Account 392.12, Light Trucks-Energy Supply, and Account 392.14, Medium Trucks-Energy Supply, are located.

b. Please explain the specific reasons supporting a change in curve shape for Accounts 392.02, 392.12, 392.04, and 392.14, other than the proposed curve shapes are simply the result of company's statistical analyses.

c. Bates-stamped page 1029 indicates that the average age of the investment in Account 392.12 is 7 years and the average remaining life resulting from the R2 curve shape is 5.0 years. However, Bates-stamped page 598 indicates the average remaining life for Account 392.12 is the same as proposed for Account 392.02, 3.6 years. Please reconcile the average remaining life shown on Bates-stamped page 1029 with that shown on Bates-stamped page 598 for Account 392.12.

d. Bates-stamped page 1039 indicates that the average age of the investment in Account 392.14 is 14 years and the average remaining life resulting from the L3 curve shape is 2.7 years. However, Bates-stamped page 599 indicates the average remaining life for Account 392.14 is the same as proposed for Account 392.04, 5.0 years. Please reconcile the average remaining life shown on Bates-stamped page 1039 with that shown on bates-stamped page 599 for Account 392.14.

e. Please explain the specific reasons for decreasing the currently prescribed net salvage parameter for Account 392.02, 392.12, 392.04, and 392.14, from 15% to 10%.

f. Please explain why the net salvage analyses shown on Bates-stamped pages 990, 1018, 1033, and 1043 reflects combined data for light trucks and medium trucks, both Energy Delivery and Energy Supply, given that the data for each account is maintained separately and the life analysis has been performed for each separate account rather than on a combined basis.

g. Please explain the source and logic of the negative cost of removal in the amount of $2,269,028 recorded in 2009 shown on Bates-stamped page 990.

h. Please explain the specific cause of the high gross salvage realized in 2008 shown on Bates-stamped page 990.

i. Please explain the logic and cause for the negative retirements recorded in 2008 in Account 392.02 (mistakenly labeled as 392.01), Light Trucks-Energy Delivery shown on Bates-stamped page 1062.

j. Please explain the logic and cause of the negative gross salvage recorded in 2010 in Account 392.02 (shown on Bates-stamped page 1109). Please also explain the logic and cause of the negative removal costs recorded in 2009 (shown on Bates-stamped page 1089) and 2010 (shown on Bates-stamped page 1109) in Account 392.02. If these negative amounts reflect reversals from a prior year, please indicate the year and amount.

k. Please explain the logic and cause of the negative gross salvage recorded in 2010 in Account 392.12 (shown on Bates-stamped page 1109). Please also explain the logic and cause of the negative removal costs recorded in 2009 (shown on Bates-stamped page 1089) and 2010 (shown on Bates-stamped page 1109) in Account 392.12. If these negative amounts reflect reversals from a prior year, please indicate the year and amount.

l. Please explain the logic and cause of the negative gross salvage recorded in 2010 (shown on Bates-stamped page 1109) in Account 392.14. Please also explain the logic and cause of the negative removal costs recorded in 2009 (shown on Bates-stamped page 1089) and 2010 (shown on Bates-stamped page 1109) in Account 392.14. If these negative amounts reflect reversals from a prior year, please indicate the year and amount.

m. Referring to Bates-stamped page 1055, please explain the logic supporting the recording of gross salvage with no commensurate retirement in Account 392.04, Medium Trucks-Energy Delivery.

n. Account 392.02, Light Trucks-Energy Delivery, has experienced growth of about 25% during the 2007-2010 period. Please explain what caused the growth.

o. Account 392.02, Light Trucks-Energy Delivery, has experienced a negative cost of removal factor of about 194% during the 2007-2010 period. Please explain what caused such a high negative cost of removal factor.

p. Account 392.12, Light Trucks-Energy Supply, has experienced growth of about 38% during the 2007-2010 period. Please explain what caused the growth.

q. Account 392.12, Light Trucks-Energy Supply, has experienced a negative cost of removal factor of about 70% during the 2007-2010 period. Please explain what caused such a high negative cost of removal factor.

r. Account 392.04, Medium Trucks-Energy Delivery, has experienced growth of about 23% during the 2007-2010 period. Please explain what caused the growth.

s. Account 392.04, Medium Trucks-Energy Delivery, has experienced a negative cost of removal factor of about 176% during the 2007-2010 period. Please explain what caused such a high negative cost of removal factor.

t. Account 392.14, Medium Trucks-Energy Supply, has experienced negative growth of about 42% during the 2007-2010 period. Please explain what caused the growth.

u. Account 392.12, Light Trucks-Energy Supply, has experienced a retirement rate of about 11% during the 2007-2010 period. Please explain what caused such a high retirement rate.

v. Account 392.14, Medium Trucks-Energy Supply, has experienced a retirement rate of about 21% during the 2007-2010 period. Please explain what caused such a high retirement rate.

71. Please refer to Bates-stamped pages 995-1013. Bates-stamped pages 995-998 and 1000-1013 appear to show the life analysis for Account 392.03, Heavy Trucks-Energy Delivery. However, Bates-stamped pages 999 and 1038 imply that the salvage analysis was performed based on the combined activity for Account 392.03, Heavy Trucks-Energy Delivery and Account 392.13, Heavy Trucks-Energy Supply. Bates-stamped pages 1034-1037 appear to show the derivation of the average remaining life for Account 392.13, Heavy Trucks-Energy Supply, but do not show the full life analysis for the account (average service life and curve shape development).

a. Please indicate where in the study the life analysis for the determination of curve shape and average service life for Account 392.13, Heavy Vehicles-Energy Supply is located.

b. Please explain the basis and support, other than the results of the statistical analysis, for a decrease in the currently prescribed average service life from 15 years to 12 years for the energy delivery and energy supply heavy vehicles.

c. Please explain the basis and support for decreasing net salvage from 12% to 10%.

d. Please explain the basis and support, other than the results of the statistical analysis, for changing the curve shape underlying the currently prescribed life parameters from L2 to R3 for Account 392.03 and Account 392.13.

e. For Account 392.03, Heavy Trucks-Energy Delivery, please explain what activities resulted in gross salvage of $1.7 million being realized in 2010 (shown on bates-stamped page 1109).

f. Bates-stamped page 1034 indicates a remaining life of 2 years for Account 392.13 Heavy Trucks-Energy Supply. Please explain why the company appears to be proposing an average remaining life of 3.2 years that is the result for Account 392.03, Heavy Trucks-Energy Delivery rather than the 2 years shown on Bates-stamped page 1034.

g. Please explain why the net salvage analysis on Bates-stamped page 999 is for the combined activity for Heavy Vehicles-Energy Delivery and Energy Supply rather than for each separate account.

h. Account 392.03, Heavy Trucks – Energy Delivery, has experienced growth of about 27% during the 2007-2010 period. Please explain what caused the growth.

i. Account 392.13, Heavy Trucks – Energy Supply, has experienced negative growth of about 17% during the 2007-2010 period. Please explain what caused such negative growth.

j. Account 392.13, Heavy Trucks-Energy Supply, has experienced a retirement rate of about 8% during the 2007-2010 period. Please explain what caused such a higher retirement rate vs. the about 5% retirement rate experienced by Account 392.03, Heavy Trucks – Energy Delivery, for the same period of time.

72. What is TECO's policy with respect to the retirement of its motor vehicles – e.g., based on age, mileage?

73. Please provide a list of each vehicle in service as of December 31, 2010, by vehicle account, showing the in-service date, original cost, and age.

74. For each of the years 2006-2010, please provide a list of each vehicle retired by vehicle account with the associated in-service date, amount retired, salvage realized, and cost of removal incurred.

75. On Bates-stamped pages 1079, 1089, 1109 and 1120, 10 amortizable accounts are listed under General Plant. However, Bates-stamped page 599 indicates only two amortizable accounts. Please explain why all general plant amortizable accounts are not included in the depreciation study.

76. Please explain how TECO handles retirements of investments in the amortizable accounts. As investments are fully amortized, are they retired regardless of whether or not the related equipment has retired? If no, how do retirements affect the amortization expenses?

Attachment

2010 Annual Status Report – General Accounts

77. Please explain the nature and cause for the investment and reserve adjustments/transfers into Account 390.00, Structures & Improvements. Please identify the originating account(s) from which these amounts were adjusted/transferred.

78. Please explain the nature, cause, and logic of the negative additions recorded in Account 390.00, Structures & Improvements.

79. Please explain the nature, cause, and logic of the negative additions recorded in Account 391.01, Computer Equipment-Amort.

80. Account 391.04, Mainframe Equipment-Amort., experienced growth of nearly 50% in 2010. Please identify the equipment associated with the major portions of investment added in this account.

81. Please explain the nature and cause for the adjustments/transfers into the reserve for Accounts 392.02, 392.03, 392.04, 392.12, 392.13, and 392.14. Include in your response the logic of adjustments/transfers into the reserve for these accounts without any commensurate adjustments/transfers into the respective plant accounts. Please also identify the accounts from which these adjustments/transfers originated.

82. Please explain why there is no depreciation expense recorded in the motor vehicle accounts – Accounts 392.02, 392.03 392.04, 392.12, 392.13, and 392.14.

83. Please explain the nature and cause of the negative cost of removal recorded in the following accounts: Account 392.02, Light Trucks-Energy Delivery, Account 392.04, Medium Trucks-Energy Delivery, Account 392.12, Light Trucks-Energy Supply, and Account 392.14, Medium Trucks-Energy Supply.

84. Please explain the logic supporting the recording of cost of removal and gross salvage with no commensurate retirement. (Account 392.02, Light Trucks-Energy Delivery, Account 392.03, Heavy Trucks-Energy Delivery, Account 392.04, Medium Trucks-Energy Delivery, and Account 392.13, Heavy Trucks-Energy Supply.)

85. Please explain the nature and cause for the negative gross salvage recorded in the following accounts: Account 392.02-Energy Delivery; Account 392.04, Medium Trucks-Energy Delivery; Account 392.12, Light Trucks-Energy Supply; and Account 392.14-Energy Supply.

Differences in Balances – General Accounts

86. The reported December 31, 2008 investment for Account 39000, Structures & Improvements, is $75,193,316.47. The beginning 2009 balance for Account 390 is reported as $75,239,303. Please explain the differences.

87. The reported December 31, 2008 investment for Account 39700, Communication Equipment-Amort., is $16,321,285.84. The beginning 2009 balance for Account 397-Amort. is reported as $16,321,331. Please explain the differences.

88. Please explain the differences between the reported December 31, 2008 and January 1, 2009 reserve balances for the following accounts: Account 391.01, Office Furniture & Equipment-Amort.; Account 391.02, Computer Equipment-Amort.; Account 391.03, Data Handling Equipment-Amort.; Account 391.04, Mainframe Equipment-Amort.; Account 394, Tools, Shop & Garage Equip.-Amort.; Account 397, Communication Equipment-Amort.; and Account 398, Miscellaneous Equipment-Amort.

2011 Budget – General Accounts

89. Referring to Bates-stamped page 1131, please explain the nature and cause of the gross salvage projected in 2011 in Account 392.02 and Account 392.03, without any commensurate retirement.

90. For Accounts 392.02 – 392.14, please explain why depreciation accruals for vehicle clearings are recorded as Adjustments or Transfers.

Dismantlement Study

91. Please describe in detail how labor rates were derived for use in TECO's 2011 Dismantlement Study.

92. How did TECO arrive at the 15% contingency factor level used in its 2011 Dismantlement Study?

93. Is TECO aware of any Florida Department of Environmental Protection (FDEP) regulations concerning "on-site" disposal of concrete material?

94. Does TECO intend to fully dismantle its Plant Gannon site? If so, what is the expected date of completion?

95. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study, Bates-stamped page 521. Is there a difference between "marketable or usable condition" and "site restoration" for the purposes of cost estimation? If so, please explain any differences.

96. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study, Bates-stamped page 530. Point number 26 in discussing PCB oil states, "The costs also include removal of one foot of soil beneath the pads for offsite disposal." Are there any federal and or state regulations that prescribe the treatment of PCB oil? If affirmative, please describe them.

97. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study, Bates-stamped page 530. Point number 29 states, "Soil testing and any other on-site testing has not been conducted for this study." Based on this statement, is it necessary to remove soil beneath oil tanks, foundations and supporting equipment as described in points 26 and 28?

98. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study, Bates-stamped page 533. For the Bayside Plant, please detail what is meant by the "abandoned spray areas."

99. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study, Bates stamped pages 549 and 1132. Please explain why the Summary of Surviving Assets total of $80,232,106 differs from the amount of $82,053,014 located on line 31, page 1132.

100. For the purposes of the following request, please refer to TECO's 2011 Dismantlement Study Bates-stamped pages 547 and 549. Please explain why the Summary of Surviving Assets total on Bates-stamped page 547 does not equal the Summary of Surviving Assets total located on Bates-stamped page 549.

101. Please explain why TECO's proposed dismantlement reserve transfers shown on Bates-stamped page 548 are separated into the cost categories of Labor, Materials and Equipment, Disposal and Salvage.

102. Please refer to Bates-stamped page 548. Please explain how TECO determined what dismantlement reserve to transfer from one cost category to another and from what unit to another.

103. Please provide a detailed narrative of the methodology and escalation rates used in converting the current estimated dismantlement costs to future estimated dismantlement costs and provide supporting documentation and analyses.

104. Please provide a summary and explanation of material differences between the current study and the utility's last filed study including changes in methodology and assumptions for determining the escalation rates.

105. Please refer to the tab titled "Escalation Factors" in the Excel file titled, "2011 ES – Dismantling Master File – FILED.xlsx."

    a. Please explain in detail how the escalation rates were derived.

    b. Please provide the supporting documentation used to determine the inflation forecasts, e.g., Global Insight or Moody's Economy.

106. Please provide a narrative of the supporting schedules, analyses, and data, including the contingency allowance, used in developing the dismantlement cost estimates and annual accruals proposed by the utility.

107. Please refer to the tab titled "Cost Estimates in 2011" in the Excel file titled, "2011 ES – Dismantling Master File – FILED.xlsx." In this worksheet, TECO provides a 15 percent contingency factor in the current cost estimates, but in the previous study in 2007, a 10 percent contingency factor was used. Please explain in detail why the Utility is proposing an increase in the contingency factor. Please provide supporting documentation and analyses for the increase.

108. Rule 25-6.04364(7), F.A.C., requires that the annual dismantlement accrual shall be a fixed dollar amount and shall be based on a four-year average of the accruals related to the years between the dismantlement study reviews. Please explain how TECO's proposed annual dismantlement accrual complies with the rule. In the explanation, please describe the calculation methodology.

Documents – Dismantlement Study

109. Please provide a copy of the American Metals Market Report used to determine scrap metal values for TECO's 2011 Decommissioning Study.

110. Please provide a copy of the Florida Department of Environmental Protection (FDEP) Guidance for Disturbance and Use of Old Closed Landfills or Waste Disposal Areas in Florida (Version 2 – June 2009).