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April 20, 2020

**VIA: ELECTRONIC FILING**

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

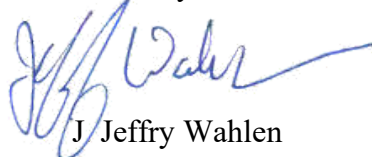
Re: In re: Petition of Tampa Electric Company to Eliminate Accumulated Amortization Reserve Surplus for Intangible Software Assets; Docket No. 20200065-EI

Dear Mr. Teitzman:

Attached for filing in the above docket are Tampa Electric Company's responses to Staff's First Data Request (Nos. 1-7) propounded on March 17, 2020.

Thank you for your assistance in connection with this matter.

Sincerely,



J Jeffrey Wahlen

JJW/ne  
Attachment

cc: All Parties of Record (w/attachment)

**TAMPA ELECTRIC COMPANY  
DOCKET NO. 2020065-EI  
STAFF'S FIRST DATA REQUEST  
REQUEST NO. 1  
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1. In reference to TECO's Petition for Limited Proceeding to Eliminate Accumulated Amortization Reserve Surplus for Intangible Software Assets (Petition) filed February 28, 2020, Items 3 and 4, please provide responses to the following questions:
  - a. On page 2, footnote 1, of the Petition, TECO discussed subaccount 303.99; on page 3, Item 4, of the Petition, TECO discussed Account Nos. 303.00 and 303.01; in Attachment One of the Petition, TECO reported Account 30315. Please explain the relationship among these four Intangible Accounts.
  - b. Please complete Table 1 below:

Table 1: TECO's Intangible Accounts						
		Software	General Software	ERP Software	Solar Software	Other Accounts
1	Account Description <sup>1</sup>					
2	Account Number <sup>2</sup>	30315	303.00	303.01	303.99	
3	Intangible assets booked in the account					
4	Amortization period (years)					
	<u>Actual for the year end 12/31/2019:</u>					
5	End of year plant balance					
6	Total plant added					
7	Retirements					
8	Plant adjustments or transfers					
9	End of year reserve balance					
10	Total amortization expense					
11	Reserve adjustments or transfers					
	<u>Estimates for the year end 12/31/2020:</u>					
12	End of year plant balance					
13	Total plant added					
14	Retirements					
15	Plant adjustments or transfers					
16	End of year reserve balance					
17	Total amortization expense					
18	Reserved adjustments or transfers					
	<sup>1,2</sup> Source of information: Petition, pages 2 and 3, and Attachment One.					

- A. a. Prior to 2013, accounts 303.00 and 303.01 were used for amortizable software costs. Account 303.00 was used for software amortizable assets with a 5-year life. Account

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303.01 was used for software amortizable assets with a 10-year life.

Account 303.15 was created based on the approval of a 15-year amortization period for all computer software beginning January 1, 2013. In November 2013, the assets that were originally mapped to accounts 303.00 and 303.01 were transferred to account 303.15, the software amortizable account with a 15-year life. Please reference Order No. PSC-13-0443-FOF-EI dated September 30, 2013, in Docket No. 130040-EI for the approval to amortize software over a 15-year life.

Tampa Electric created subaccount 303.99 for the intangible software associated with its solar photovoltaic ("PV") facilities and is amortizing that software over a 30-year life as specified in Order No. PSC-15-0573-PAA-EI dated December 18, 2015, in Docket No. 150211-EI.

Account 303.99 uses a 30-year life for solar PV intangible software. All other amortizable intangible software uses a 15-year life under account 303.15. Accounts 303.00 and 303.01 are inactive accounts with a zero balance and both accounts have not been used since 2013.

- b. See the attached chart for the detail requested. The original chart was modified to represent the flow of Account No. 303 activity with formulas. All of the data requested in the Staff's original chart is included in the attached modified version of the chart.

Table 1: TECO's Intangible Accounts

		Active Accounts in 2019-2020			Note 1		
		Non-Solar	Solar	Total	General	ERP	Other
1	Account Description <sup>1</sup>	Software	Software	Software	Software	Software	Accounts
2	Account Number <sup>2</sup>	303.15	303.99	Account 303	303.00	303.01	None
3	Intangible assets booked in the account						
4	Amortization period (years)	15	30				
	Actual for the year end 12/31/2019:						
5	Beginning of year plant balance	214,011,038	0	214,011,038			
6	Total plant added	17,979,915	0	17,979,915			
7	Retirements	0	0	0			
8	Plant adjustments or transfers	2,407,844	415,159	2,823,004			
	12/31/2019 End of year plant balance	234,398,797	415,159	234,813,956			
9	Beginning of year reserve balance	66,784,075	0	66,784,075			
10	Total amortization expense	14,725,798	1,152	14,726,950			
11	Reserve adjustments or transfers	1,576,470	3,349	1,579,819			
	12/31/2019 End of year reserve balance	83,086,343	4,501	83,090,843			
	Estimates for the year end 12/31/2020:						
12	Beginning of year plant balance	234,398,797	415,159	234,813,956			
13	Total plant added	36,437,222	0	36,437,222			
14	Retirements	0	0	0			
15	Plant adjustments or transfers	0	0	0			
	12/31/2020 End of year plant balance	270,836,019	415,159	271,251,178			
16	Beginning of year reserve balance	83,086,343	4,501	83,090,843			
17	Total amortization expense	16,416,898	13,700	16,430,598			
18	Reserve adjustments or transfers		0	0			
	12/31/2020 End of year reserve balance	99,503,240	18,201	99,521,441			
19	12/31/2019 Total Surplus / (Deficiency)	15,971,292	(2,418)	15,968,874			
	<sup>1,2</sup> Source of information: Petition, pages 2 and 3, and Attachment One						
	Row 19 is inserted to include the surplus / (deficiency) disclosed in Attachment One of the Petition.						
	Blue font denotes formulas to derive the data represented.						
Note 1:	<p>Prior to 2013, Accounts 303.00 and 303.01 were used for software amortization. Account 303.00 was used for software amortizable assets with a 5-year life. Account 303.01 was used for software amortizable assets with a 10-year life. Account 303.15 was created based on the approval of a 15-year amortization period for all computer software beginning January 1, 2013. In 2013, the Intangible Software assets that were originally mapped to Accounts 303.00 and 303.01 were transferred to Account 303.15, the software amortizable account with a 15-year life. Accounts 303.00 and 303.01 have not been used since 2013, and have a zero balance. Currently, Tampa Electric has two active accounts under Account 303 (Accounts 303.15 and 303.99); there are no other subaccounts under Account 303 on the company's books and accounting records at this time.</p>						

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- 2.** Referring to the Petition, page 6, Item 14, please identify the amortization period(s) TECO used before January 1, 2013, if any, for Account Nos. 303.00 and 303.01.
  - A.** Prior to January 1, 2013, Account 303.00 was used for software amortizable assets with a 5-year life and Account 303.01 was used for software amortizable assets with a 10-year life.

3. Referring to the Petition, page 11, Item 27(j) - (l), please provide TECO's estimated impact on its forecasted 2020 return on equity for the scenarios listed below:
- a. Credit \$16.0 million intangible assets' accumulated amortization reserve surplus to the assets' amortization expense in 2020;
  - b. Credit \$16.0 million intangible assets' accumulated amortization reserve surplus over 11.4 (**Revised 10.7**) years, TECO's stated average remaining life of Account 303;
  - c. No reserve surplus credit or amortization.
- A.
- a. The \$16 million credit of the intangible software accumulated amortization reserve surplus to amortization expense in 2020 would have a projected return on equity (ROE) impact of 38 basis points, moving the current forecast of 9.41% to 9.79%.
  - b. Please note a correction ... 303.15.' The \$16 million credit of the intangible software accumulated amortization reserve surplus to amortization expense over the average remaining life of Account 303.15 of 10.7 years would have a projected ROE impact of 4 basis points, moving the current forecast of 9.41% to 9.45%.
  - c. If no surplus credit to amortization occurs, then there would be no ROE impact, leaving the current forecast at 9.41%.

4. Please refer to the Petition, page 7, Item 16 and footnote 3.
- a. Regarding whether TECO's instant petition violates the 2017 Agreement, has TECO sought the opinions from the other signators, including Federal Executive Agencies (FEA) and WCF Hospital Utility Alliance (HUA), of the 2017 Agreement?
  - b. If your response to Question 4(a) is affirmative, please confirm the following and provide explanation, if necessary:
    - i) all the signators of the 2017 Agreement believe that TECO's instant petition can be approved by the Commission without violating the 2017 Agreement;
    - ii) all the signators of the 2017 Agreement agree that disposing of the accumulated amortization reserve surplus of approximately \$16.0 million for intangible software assets through a one-time credit to amortization expense in 2020 is appropriate.
  - c. If your response to Question 4(a) is negative, please why TECO has not sought such opinions.
- A.
- a. Tampa Electric has sought the opinions of OPC, FRF, FEA, and FIPUG regarding whether the petition violates the 2017 Agreement.
  - b.
    - i) Tampa Electric believes that OPC, FRF, FEA, and FIPUG agree that the petition can be granted without violating the 2017 Agreement and is working with them to formalize that in writing.
    - ii) See above.

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- c. Tampa Electric served the petition on counsel for HUA by email when it was filed on February 28, 2020, and has contacted HUA to discuss it. Tampa Electric will update this response when those discussions have been concluded.



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5. Please refer to the Petition, page 11, Item 26(l), for the questions below:
- a. Please clarify whether or not the referenced Account 303 is composed of subaccounts 303.00, 303.01, 30315, and 30399.
  - b. Please explain how the average remaining life of 11.4 (**Revised 10.7**) years is determined for the referenced Account 303.
  - c. Please identify the average service life and the average age of Account 303.
  - d. Please specify the intangible assets booked in Account 303.
  - e. Please explain how the annual amortization expense of approximately \$1.5 (**Revised \$1.6**) million for Account 303 is derived, and provide workpapers to support your response. Also, please specify to which account(s)/subaccount(s) discussed in Question 5(d) the surplus will be credited to reduce the amortization expense.
  - f. Please provide TECO's most recent estimate of its 2020 return on equity, or the range of returns on equity, assuming the approach of surplus amortization over the remaining life discussed in this Item.
  - g. Referring to the last sentence of Item 26(l), please elaborate on the statement "materially improve the company's ability to honor the Stay-Out Provision."
- A. a. See the response to Request No. 1.b. above. Account 303 is composed of the active subaccounts 303.15 and 303.99.

- b. Please note a correction to Request No. 5.b. as recounted above, the account should change from 'Account 303' to 'Account 303.15.'

Since non-solar PV intangible software has been using a 15-year amortization period since January 1, 2013, as of December 31, 2019 the average remaining life for Account No. 303.15 is 10.7.

- c. Please note a correction to Request No. 5.c. as recounted above, the account should change from 'Account 303' to 'Account 303.15.'

See the response to Request No. 1.a. above. As of January 1, 2013, Account No. 303.15 has an average service life of 15 years with an annual depreciation rate of 6.7% (1/15 years). As of December 31, 2019, Account No. 303.15 has an average age of 4.3 years.

- d. See the response to Request No. 1.b. above. Account No. 303 is comprised of two accounts: Account Nos. 303.15 and 303.99.

Tampa Electric has been amortizing non-solar PV intangible software under Account No. 303.15 using a 15-year amortization period since January 1, 2013. This account is primarily new or upgraded software platforms related to SAP CRB, SAP ERP, PowerPlan, AMI, Sharepoint, HR/ServiceOne, Microsoft Windows 7/10, NERC, CIS, GIS, EMS, ETRM, IVR, PROMOD upgrade, PragmaCAD, and Motorola SmartNet.

The company has been amortizing solar PV intangible software under Account No. 303.99 using a 30-year amortization period since January 1, 2019. This account is

primarily related to ABB Portfolio Optimization software with a minimal amount associated with SCADA.

- e. The attached chart provides the information requested. Based on the approximate \$1.6 million annual reduction to the intangible software amortization expense from Account No. 303.15, the remaining life formula, with a surplus included, calculates a revised depreciation rate from 6.7% to 6.0% per year.
- f. See the response to Request No. 3.b. above.
- g. Based on the company's forecast for 2020 and actual results as of February 28, 2020 when the petition was filed, the company was concerned that weather and other uncontrollable circumstances could cause the company's earned 13-month average return on equity to fall below 9.25% in the third quarter of 2020, in which case it would be entitled under the 2017 Agreement to request a base rate increase to be effective prior to January 1, 2022, i.e., the end of the Stay Out Period. The \$16 million credit to expense requested in the Petition would give the company approximately 38 basis points of return on equity cushion that the company believes will materially improve its ability to earn within its authorized range of return on equity for 2020 and avoid seeking rate relief early.

**TAMPA ELECTRIC COMPANY**  
**Annual Depreciation Analysis - Rate Review**  
**Comparison of Rates and Components**

Account Number	Account Title	Curve Type	Whole Life			Remaining Life			Annual Expense Accrual
			Average Service Life (yrs)	Future Net Salvage (%)	Whole Life Rate (%)	Average Remaining Life (yrs)	Reserve Ratio (%)	Future Net Salvage (%)	
303.15	Intangible Software Subaccount	SQ	15	0	6.7	10.7	35.4	0	14,063,928
	Order No. PSC-13-0443-FOF-EI		6.7% = 1/15 years						15,704,719
							Difference		1,640,792

2019	
Asset Cost	234,398,797
Reserve with Surplus	83,086,342
	35.4%

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6. Please refer to the Petition, page 11, Item 26(l) and Attachment One. Assuming the Petition is granted by the Commission, does TECO intend to use a portion of the reserve surplus in Account 30315 to address the reserve deficiency of \$9,338 (**Revised \$2,418**) in Account 30399, before crediting the reserve surplus of Account 303 to its amortization expense in 2020. Please explain your response.
  - A. Account 303.99 has a reserve deficiency of \$2,418 as of December 31, 2019. Tampa Electric would not object to a corrective reserve transfer from Account 303.15 to Account 303.99 in the amount of \$2,418 to eliminate the reserve deficiency in Account 303.99.

7. Referring to the Petition, page 12, Item 27, please elaborate on “the other such relief” TECO envisions “as may be required or appropriate.”
  - A. The term “other such relief as may be required or appropriate” is boiler plate language often included in petitions filed by Tampa Electric. The company does not have any other specific relief in mind, except as mentioned in footnote 5 of the company’s Revised Petition, which relief would be at the discretion of the Commission.