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Public Service Commission

June 26, 2013

Robert L. McGee, Jr.
One Energy Place
Pensacola, Florida 32520-0780

Re: Docket 130151-EI 2013 Depreciation and Dismantlement Studies by Gulf Power Company.

Dear Mr. McGee:

Florida Public Service Commission staff is in the process of reviewing the depreciation and dismantlement study filed by Gulf Power Company in the above referenced docket. As a result some questions and concerns have arisen which are enclosed with this letter.

Please provide your responses by July 12, 2013. If there are any questions, please contact Devlin Higgins at (850) 413-6433.

Sincerely,

Devlin Higgins
Public Utility Analyst
Division of Economics

Attachment

cc: Office of the Commission Clerk
General Counsel (Klancke)
Office of Public Counsel
Division of Economics (Dean, Schafer, Stallcup)

General

1. Please provide the theoretical reserve calculation by site and by account for production, and by account for the transmission, distribution, and general accounts.

2. Please provide the whole life rate by site and by account for production, and by account for the transmission, distribution, and general accounts.

3. Please explain how Gulf calculates expense for the amortizable accounts. Staff is unable to replicate Gulf's 2013 amortization expense; therefore, for each amortizable account please explain the calculations that produce 2013 expense. An example of an account where staff cannot replicate Gulf's calculation is the Crist Plant's five-year amortization. According to Tab 5, the proposed amortization expense, $32,245, is 23 percent of the $137,572 2013 plant balance (there is no activity budgeted for 2013).

4. Please explain what is associated with the Asset Retirement Obligation shown in Tab 10 for each of the accounts for the year ending December 31, 2013. Please include in your response how these obligations are determined.

5. Does Gulf intend to propose any reserve transfers? If no, please explain why not. If yes, please provide Gulf's proposed reserve transfers.

Production Plant

For the following questions, please refer to the Depreciation Study (Volumes 1 and 2) for Production

6. Please list the entities owning an interest in each generating unit, the percentage of ownership by each entity, and whether (and by what percentage) each unit is dedicated to retail use.

7. Please provide a description of any major overhauls or upgrades (including environmental) planned for production plant for 2014 – 2017. Please describe the planned work to be performed, any retirement units expected to be replaced as a direct result, and in what year(s) each overhaul or upgrade is scheduled to take place.

8. Referring to Tab 1, page 2, please explain in detail why there is an increase in depreciation rates for steam production.

9. In what month of 2015 is Plant Scholz expected to close?

10. When Plant Scholz closes, does Gulf plan to retire the property in the five-year and seven-year amortization accounts? If not, will the property be transferred to other sites? Please explain.

11. Does Gulf expect that Plant Scholz's depreciable and amortizable investment will be fully recovered at the time of its closure? If no, what is the amount of each account that Gulf expects to be unrecovered and what is Gulf's proposal to recover it?

12. Please explain each difference between how Gulf calculated production plant's average service life and remaining life in its 2009 study (Docket No. 090319-EI) and its current study. Please also explain why Gulf believes any changes from the 2009 study are appropriate.

13. To the extent not already answered, please explain why Gulf did not use stratified investment in its analysis of production plant provided in Volume 2, Production Tab.

14. Referring to Tab 2, page 1, please explain how the "average remaining life of a generating unit reflects the adjustment for the effects of interim retirements," and provide an example complete with formulas.

15. Page 2 of Tab 2 states that Gulf's interim retirement rates "were based on an analysis of Gulf Power's historical interim retirement data." Please explain how Gulf calculated the interim retirement rate for each account and provide the backup documentation for each account.

16. Please refer to Tab 6, page 1. Please explain how Gulf's proposed "net removal cost factor of 25% was applied to the interim retirements," and provide an example complete with formula(s).

17. Please refer to Tab 8, Net Removal, page 2, Gulf's 25 percent net removal for steam production and to Tab 4, page 3, Column B, Net Removal. Please explain how a 25 percent net removal becomes the net removal percentages of 0 to 6.4 for the different steam production sites. Please include a calculation example in your response, showing formula(s).

18. According to Tab 7, the following accounts show negative accumulated depreciation (reserve). For each of the accounts, please explain the reason(s) and provide Gulf's proposal for eliminating the negative reserve, and include a discussion on whether capital recovery schedules would be an appropriate solution.

<u>Plant Smith CT</u>	
Account 346 (Misc. Power Equipment):	($7,302)
<u>Plant Smith CC</u>	
Account 342 (Fuel Holders):	($532,194)
Account 343 (Prime Movers):	($8,563,463)
Account 346 (Misc. Power Plant Equipment):	($852,368)

19. The December 31, 2013 plant balances for the five-year amortization for Plants Scholz and Smith in Tab 5 are different from the plant balances in Tabs 7 and 10. Which Tab(s) contain the correct plant balances?

20. Referring to Tab 7, Crist Plant Easements show $0 of plant and an accumulated provision for depreciation of $420. On a more detailed basis, Tab 10 shows that during 2012 a negative addition of $5,103 brought the plant balance to $0 by the end of 2012. Tab 11 shows that $72 in depreciation expense added to $348 in accumulated depreciation brought the balance to

$420 at the end of 2012. Please explain the negative addition, address why it resulted in a positive balance for accumulated depreciation, and explain Gulf's proposal for addressing the positive balance in accumulated depreciation.

21. For the following sites and accounts (as shown in Tab 7), please explain why there is $0 investment. If the investment was omitted in error, please provide any applicable replacement pages.

    Plant Daniel #1-4 Common – Account 314 (Turbogenerator Units)
    Plant Pace CT – Accounts 341 (Structures and Improvements) and 342 (Fuel Holders)
    Perdido Landfill Plant – Account 344 (Generators)

22. Please refer to the Production Tab in Volume 2 of the depreciation study. Please explain what the column heading "An Alternate Theo Res" means and how it is calculated.

<u>Transmission and Distribution</u>

23. Please refer to page 7 of Tab 7 Parameter Schedules of the Depreciation Study for the following questions pertaining to Account 370:

    a. Please provide detailed explanation on the differences and relationships among the following accounts. Please also specify what types of meters are included in each account, when and why that account was established.

        i. 370 Meters,
        ii. 370.1 Meters-AMI,
        iii. 370.1 Meters-FPSC Segregated, and
        iv. 370.1 Meters-Non FPSC-Segregated.

    b. Please explain why sub-account Meters-FPSC Segregated is fully depreciated while sub-account Meters-Non FPSC-Segregated is over depreciated. Please specify how Gulf will treat the amount of $346,201 over depreciation.

    c. In Order No. PSC-10-0458-PAA-EI, second paragraph on page 5, in Docket No. 090319-EI, the Commission ordered that the amount of net investments of $9,650,700 associated with a near-term retirement of $4,352,459 be placed in a separate category and amortized over 4 years. (The amortization period was changed from 4 to 8 years in Order No. PSC-12-0179-FOF-EI) Please identify which of the three sub-accounts discussed in 1a is the "separate category" established per the order. For the sub-account identified, please also reconcile its plant balance and reserve with the amounts of investment and reserve stated in the Commission order.

    d. Does Gulf have Automatic Meter Reading (AMR) meters? If affirmative, which account discussed in 1a contains the AMR meters.

e. Does Gulf still have manually read meters? If affirmative, which account discussed in 1a contains these meters?

f. According to page 106 of Gulf's response to Staff's Report in Docket No. 090319-EI, Gulf started to deploy the Advanced Metering Infrastructure equipment (AMI) meters in 2012. According to Tabs 10 and 11, Gulf established the sub-account 370.1 AMI in 2012. Order No. PSC-12-0179-FOF-EI approved that the service life of AMI is 15 years, which has been confirmed by Gulf in this study (Tab 6, page 34). Please explain why Gulf needed to retired the amounts of $1,079,937 of AMI in 2012 and $500,000 in 2013, respectively, just after the AMI meters were placed in service for less than three years.

24. Please refer to Tab 8 Net Removal Cost Study, page 6, Account 353 Station Equipment. Please explain:

 a. What has caused the large removal cost recorded in 2012?

 b. The significant decrease of salvage annually for the period 2010 through 2012.

25. Referring to Tab 8, page 7, Account 354 Towers:

 a. Please explain the major causes for transmission tower retirements for this account.

 b. Please explain the reasons of the very large removal costs, which were greater than 700%, incurred in 2009 and 2010.

26. Please refer to Tab 8, page 8, Account 355 Poles:

 a. What portion of the poles in this account are steel, concrete and wood at the end of 2011 and 2012, respectively?

 b. Please explain the major causes for transmission pole retirements.

 c. Does Gulf have a transmission pole treatment program? If affirmative, please explain.

 d. Please explain Gulf's transmission pole inspection program including what the program entails.

 e. Please explain how Gulf disposes of its transmission poles.

 f. Please explain the reasons of the large increase in removal costs incurred in 2010 and 2012, which were greater than 550% and 440%, respectively

 g. What are the causes of the very large retirements in 2012? ($3.2 million in 2012 versus $0.3 million in 2011, $0.4 million in 2010, and $0.6 million in 2009)?

 h. Please explain how the 50% Cost of Removal Rate was calculated for this account. Please provide work paper to support your response.

27. Please refer to Tab 8, page 9, Account 356 Overhead Conductors:

a. Please explain the reason for the large removal costs recorded in 2011.

b. Please explain the cause of the large retirements recorded in 2012.

28. Referring to Tab 8, page 10, Account 358 Underground Conductors, please explain why there is cost of removal recorded in 2012 while the corresponding retirement is zero.

29. Please refer to Tab 8, page 13, Account 364 Poles:

a. What portion of the poles in this account are steel, concrete and wood at the end of 2011 and 2012, respectively?

b. Please explain the major causes for distribution pole retirements for this account.

c. Please explain how Gulf disposes of its distribution poles.

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

e. Please explain the nature and cause of the negative salvage recorded in 2012.

f. Does Gulf have a distribution pole treatment program? If affirmative, please explain.

g. Please explain Gulf's distribution pole inspection program including what the program entails.

h. What is the "write off of retirement?" Please elaborate on the statement that "[t]he write off of retirements in 2012 have been spread to all years of the analysis and has the effect of decreasing net removal."

i. Please explain how the 80% Cost of Removal Rate was calculated for this account. Please provide work paper to support your response.

j. Please explain how the 80% Cost of Removal Rate was calculated for this account. Please provide work paper to support your response.

k. Please explain the nature and cause of the negative amount of $19,824 salvage recorded for 2012.

30. Please refer to Tab 8, page 14, Account 365 Overhead Conductors:

a. What is a "recloser activity?"

b. Please provide details of the "recloser activity of 2009-2012." Why it was deemed to be abnormal?

c. Please explain the reasons of the large removal costs recorded in 2009 and 2010.

31. The following questions pertain to the transmission and distribution conductors accounts, 356 (page 9), 358 (page 10), 365 (page 14), and 367 (page 16) of Tab 8.

    a. Please explain the cause of retirement of conductors in each account.

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

    c. Please explain how retired overhead conductors are disposed.

    d. Please explain how retired underground conductors are disposed.

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

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

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

32. The following questions refer to page 15 of Tab 8, Accounts 366 Distribution conduit:

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

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

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

33. The following questions refer to Tab 8, page 17, Account 368 Line Transformers:

    a. Please explain the major causes for the retirement of line transformers.

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

    c. Please explain the reason of the large removal cost recorded in 2010.

34. The following questions refer to Tab 8, page 20, Account 370 Meters:

    a. Please describe the types of meters which Gulf installs on its system for its different customer classes and how such meters may differ functionally from meters installed in 2009.

    b. Please provide a percentage breakdown of the types of meters in Account 370.

    c. What are the criteria Gulf uses to retire its customer meters?

    d. How does Gulf dispose of the retired meters?

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

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

g. In its response to Staff's Report in Docket No. 090319-EI, Gulf indicated that it planed to deploy Advanced Metering Infrastructure (AMI) in 2010. Does Gulf plan to deploy more AMI across its territory in the next five years? If affirmative, please provide details.

h. What expected life has Gulf assumed for the AMI? Please explain the basis and support for the assumed life.

i. If Gulf assumes different expected lives for AMI and traditional meters, please explain specifically how different lives of different types of meters were blended for a composite life for the meters category.

35. The following questions refer to Tab 8, page 21, Account 373, Street Lighting:

a. Please explain the major causes for the retirement of street lights.

b. Please identify the different kinds of street lights recorded in Account 373.

c. 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.

d. Have there been any changes to Gulf's retirement policy for this account?

e. Please explain the reason of the large removal cost recorded in 2012.

36. Following questions pertain to the potential Capital Recovery Schedules:

a. Please identify major upgrades, if any, that Gulf has planned for any generating unit at each of Gulf's plant during the next four years.

b. Please identify the total, as well as individual, investments and associated reserves that will retire in connection with each of the planned upgrades. Please explain what each identified upgrade will entail.

c. Please explain and provide any available work papers showing the development of the reserve associated with the retiring investments at each site.

d. Please identify any gross salvage or cost of removal expected from each of the retirements.

e. Please identify meter investments that will retire over the 2014-2017 period in connection with the Gulf's AMI program.

f. Please identify the reserve associated with the retiring meter investments discussed above. Please also provide the work papers showing the development of the reserve.

g. Please provide the estimated net salvage expected from the retirement of these meters discussed above so they can be included with net unrecovered costs to amortize.

37. Please refer to Tab 10, Plant Investment Activity - 2009 to 2013, for the following questions.

a. Referring to Sheet 2 of December 2013 Budget, please provide explanations for the following: (i) why was the plant addition of Account 355 increased more than 260% in 2013, compared with the addition in the other years during period 2009-2013 (see Sheet 2 of Budget of 2012, 2011 2010, and 2009). (ii) Why was plant addition of Account 356 increased more than 340% in 2013, compared with other years in the same period.

b. Referring to Sheet 3 of December 2013 Budget, please provide explanations for the following: (i) why did Gulf transfer $11,287,000 from sub-account Meters into sub-account Meters-AMI Equipment. (ii) Why was the retirement of Account 373 increased more than 244% in 2013, compared with other years in the same period.

c. Referring to Sheet 2 of December 2012 Budget, (i) please explain the reason and cause of the adjustments recorded in accounts: 350.0, 350.2, 353, 354, 355, and 356. Please also identify the source account(s) from which the investment was transferred for each activity. (ii) Please explain why the retirement of Account 354 was increased more than 495% in 2012, compared with the retirement rate in the other years during period 2009-2013. (iii) Please explain why the retirement of Account 355 was increased more than 892% in 2012, compared with the other years in the same period.

d. Referring to Sheet 3 of December 2012 Budget, please explain the reason and cause of the adjustments recorded in the following accounts: 360.0, 362, 364, 365, and 368. Please also explain why Gulf adjusted negative amount of $34,299,000 to sub-account Meters and positive amount of $34,299,000 to sub-account Meter-AMI Equipment.

e. Referring to Sheet 2 of December 2011 Budget, please explain the reason and cause of the transfer recorded in 353. Please also identify the source account(s) from which the investment was transferred for this activity.

f. Referring to Sheet 3 of December 2011 Budget, please explain the reason and cause of the transfers recorded in the following accounts: 361, 362, 364, 365, 367, 368, and 373. Please also identify the source account(s) from which the investment was transferred for each activity.

g. Referring to Sheet 2 of December 2010 Budget: (i) please explain the reason and cause of the transfer recorded in accounts: 350.0, 350.2, 352, 353, 354, and 355; and identify the source account(s) from which the investment was transferred for each of these activities. (ii) Please explain the reason and cause of the adjustment recorded in account 350.0.

h. Referring to Sheet 3 of December 2010 Budget: (i) please explain the reason and cause of the transfer recorded in the following accounts: 362, 365, 367, and 368; and identify the source account(s) from which the investment was transferred for each activity. (ii) Please explain the reason and cause of the adjustment recorded in account 360.0. (iii) Please explain why Gulf transferred an amount of $21,673,392 from sub-account Meters and credited a portion of it, which was $12,176,660, into sub-account Meters-FPSC-Segregated, and credited the rest, which was $9,496,732, into sub-account-Meters-Non FPSC Segregated.

i. Referring to Sheet 2 of December 2009 Budget: (i) please explain the reason and cause of the transfer recorded in the following accounts: 350.0, 352, 353, 354, 355, and 356; and identify the source account(s) from which the investment was transferred for each of these activities. (ii) Please also explain the reason and cause of the adjustment recorded in account 350.02.

j. Referring to Sheet 3 of December 2009 Budget: (i) please explain the reason and cause of the transfer recorded in the following accounts: 362, 365, 367 and 368; and identify the source account(s) from which the investment was transferred for each of these activities. (ii) Please explain the reason and cause of the adjustment recorded in accounts 360.0 and 368.

k. Account 353 has experienced growth of about 47% during 2009-2013 period. Please explain what caused the growth.

l. Account 355 has experienced growth of about 67% during 2009-2013 period. Please explain what caused the growth.

m. Account 356 has experienced growth of about 73% during 2009-2013 period. Please explain what caused the growth.

n. Account 362 has experienced growth of about 51% during 2009-2013 period. Please explain what caused the growth.

o. Account 359 has experienced growth of about 284% during 2009-2013 period. Please explain what caused the growth.

38. Please refer to Tab 11, Depreciation Reserve Activity-2009 to 2013, of the Depreciation Study for the following questions:

a. On Sheet 2 of December 2013 Budget, Gulf recorded the amount of $150,000 removal cost for Account 355, but recorded no retirement activity for the same account. Please provide explanation.

b. On Sheet 3 of December 2013 Budget, Gulf recorded $5,595,000 transfers between accounts Meters and Meters-AMI. Please explain the reason and cause.

c. Referring to Sheet 2 of December 2012 Budget: (i) Gulf recorded transfers and adjustments in four accounts: 353, 354, 355, and 356. Please explain the nature and cause of these activities, and identify the source account(s) from which the reserve was transferred for each activity. (ii) Please explain why the removal cost of Account 353 was increased more than 200% while the salvage was decreased 40% in 2012, compared with the other years during period 2009-2013.

d. Referring to Sheet 3 of December 2012 Budget: (i) please explain the nature and cause of the transfers and adjustments in accounts: 362, 364, 365, 368, and 370, and identify the source account(s) from which the reserve was transferred for each activity. (ii) Gulf recorded $6,031,603 transfers between accounts Meters and Meters-AMI. Please explain the reason and cause of this activity.

e. On Sheet 2 of December 2011 Budget, Gulf recorded transfers and adjustments in account 353. Please explain the nature and cause of this activity, and identify the source account(s) from which the reserve was transferred.

f. Referring to Sheet 3 of December 2011 Budget, (i) Gulf recorded transfers and adjustments in seven accounts: 361, 362, 364, 365, 367, 368, and 373. Please explain the nature and cause of these activities, and identify the source account(s) from which the reserve was transferred for each activity. (ii) Please explain the reason why there is negative amount of removal cost recorded in Account 361.

g. Referring to Sheet 2 of December 2010 Budget, (i) please explain why Gulf transfers $26,501 from Accounts 350.2 into Account 350. (ii) Please explain the nature and cause of the transfers and adjustments recorded in accounts: 352, 353, 354 and 355, and identify the source account(s) from which the reserve was transferred for each activity.

h. Referring to Sheet 3 of December 2010 Budget, (i) Gulf recorded transfers and adjustments in accounts: 362, 365, 367, 368, 369.3, and 373. Please explain the nature and cause of these activities, and identify the source account(s) from which the reserve was transferred for each activity. (ii) Gulf recorded transfers and adjustments in accounts 370 Meters, and 370 Meters-FPSC Segregated, 370 Meters-Non-FPSC Segregated. Please explain the nature and cause of these activities, and identify the source account(s) from which the reserve was transferred for each activity. (iii) In Account 370 Meters-Non-FPSC Segregated Gulf recorded the amount of $52,754 removal cost. Please explain why such removal cost was incurred while there was zero retirement for the same account.

i. On Sheet 2 of December 2009 Budget, Gulf recorded transfers and adjustments in accounts: 352, 354, 355 and 356. Please explain the nature and cause of these activities. Please also identify the source account(s) from which the reserve was transferred for each activity.

j. On Sheet 3 of December 2009 Budget, Gulf recorded transfers and adjustments in accounts: 362, 365, 367 and 368. Please explain the nature and cause of these activities, and identify the source account(s) from which the reserve was transferred for each activity.

39. Referring to Vol. 1 of Depreciation Study, it appears that Gulf presented accounts 360.1 and 360.2 interchangeably in different places as shown in Table 1 below. Please identify the correct account number and name combination, and clarify whether the four accounts listed in Table 1 are a same one. If not, please explain the difference between one and the other. Please also provided the relevant schedules associated with each account that Gulf has not yet provided in Tab 6, 7, 10 and 11, respectively.

Table 1: Account No. 360.x				
Location		Account No. Gulf Used	Account Name Gulf Used	For the purpose of reporting:
Tab 6	Page 23	360.2	Easements and Rights of Way	Depreciation property
Tab 7	Page 7	360.2	Easements	Parameter Schedule
Tab 10	Sheet 3	360.1	Land Rights	Investment Activity
Tab 11	Sheet 3	360.1	Easements	Reserve Activity

40. In its Depreciation Study, Gulf has referenced to the "industry range" and "industry experience" many times in data analysis and proposed depreciation parameter explanation. Examples are accounts 353, 355, 361, 368, 373, 390 presented in Tab 8 of Vol. 1, and accounts 352, 353, 354, 366, 390 contained in Vol. 2. Please provide the industry range of the depreciation parameters for each and all of the accounts listed in Tab 7, pages 6 - 8, of the Depreciation Study by completing Table 2 below.

Table 2: Comparison of the Depreciation Parameters

Account No.	Account Name	Parameters	Gulf Company: 2009-2013 current approved	Gulf Company: Company Proposed	Gulf Company: Industry range Gulf referred to	Other Florida Utilities in Florida: Florida Power & Light	Other Florida Utilities in Florida: Duke Energy Florida	Other Florida Utilities in Florida: Tampa Electric Company	Other Florida Utilities in Florida: ...
350	Easements	Depreciation rate							
		Average service life							
		Average remaining life							
		Net salvage							
		Average age years							
		Curve type							
		Reserve ratio							
...	...	Depreciation rate							
		Average service life							
		Average remaining life							
		Net salvage							
		Average age years							
		Curve type							
		Reserve ratio							
398	Miscellaneous Equipment	Depreciation rate							
		Average service life							
		Average remaining life							
		Net salvage							
		Average age years							
		Curve type							
		Reserve ratio							

General Plant

41. Please list the proposed inventory and reserve amount for accounts 391.1 "Furniture Non-Computer", and 391.2 "Computer Equipment". The account amounts on Schedule 5, "Proforma Expense Comparison", page 3, are presented in reverse order on Schedule 7, "Parameter Schedule", page 9.

42. In Order No. PSC-12-0300-PAA-EI in Docket No. 120059-EI, the Commission required Gulf Power Company to include a new depreciation classification, Account 392-4110 – Automobiles, with a whole life depreciation rate of 12.1 percent implemented effective with the in-service date of vehicles. This classification does not appear in Gulf's 2013 Depreciation Study filed in Docket No. 130151-EI. Please describe:

    a. The automobiles currently in Gulf Power's rate base (make, model, in-service date, and associated investment amounts),

    b. How the depreciation expense for such automobiles are being recovered in Gulf Power's rates, and

    c. Why does Account 392-4110 not appear in Gulf's 2013 Depreciation Study?

43. The 2013 Gulf Power Depreciation Study, Volume 1 of 2, Tab 10 (Plant Investment Activity) shows that Account 303 - Intangible Plant – Software" had additions of $12,661,466 in 2010 and has had further additions in 2011, 2012, and 2013, with no retirements during these years.

    a. Provide a list of these assets.

    b. Explain why these plant balances began in 2010 and continue to increase each year.

    c. How was Account 303 selected for these assets?

    d. What is the basis for a seven year amortization shown in Tab 5?

44. Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 7, Page 8 indicates that Account 392.2 – Light Trucks net removal cost is -5 percent, or a net salvage of 5 percent. In Order No. PSC-12-0300-PAA-EI in Docket No. 120059-EI, the Commission established a net salvage for this account at 12 percent. Please explain the reason(s) for the change in net salvage.

45. Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 7, Page 8 indicates that the average service life (ASL) for Account 396.0 - Power Operated Equipment is 17 years, which is two years greater than the current ASL of 15 years. For this same account, no change is indicated in net removal cost (-20 percent). Why does Gulf Power expect no change in net removal cost for these assets despite the increased ASL?

46. Please refer to Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 7, Page 9. The following accounts show negative accumulated depreciation (reserve). For each of the accounts, please explain the reason(s) and provide Gulf's proposal for eliminating the negative reserve:

    a. Account 392.5 – Marine Equipment ($21,324)

    b. Account 398.0 – Miscellaneous Equip ($219,160)

47. Please refer to Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 7, Page 9 and the Commission's "List of Retirement Units (Electric Plant) as of January 1, 2000", Page 103. The Depreciation Study indicates an average service life (ASL) of 7.0 years for Account 367 based on amortization, but the List of Retirement Units indicates that the amortization of Account 367 is 5 years. Please explain why Gulf has selected a 7.0 year ASL for this account.

48. Please refer to Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 7, Page 9. Please provide a listing of items included in Account 392.5 - Marine Equipment.

49. Please refer to Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 10, Page 3 of 3 for 2013. Please describe the plant addition for the Account 390 – Structures and Improvements, shown as $8,805,220 and all relevant in-service dates.

50. Please refer to Gulf Power 2013 Depreciation Study, Volume 1 of 2, Tab 10, Page 3 of 3 for 2011. Please identify the nature and reason for the $538,382 transfer to Account 390 – Structures and Improvements in 2011.

<u>Dismantlement Study</u>

51. For the purposes of the following request, please refer to Gulf Powers 2013 Dismantlement Study, Volume 1, Section 7.5, page 26.

    a. Are the overhead cost factors applied only to the common portions of Gulf's generating units?

    b. Please detail and show how these factors, both direct and indirect, were applied to specific cost categories as presented in section 8.3 of gulf's Dismantlement Study for Plant Christ.

52. For the purposes of the following request, please refer to Gulf's Dismantling Study, Volume 1, Section 7.0, page 27.

    a. How was the value of $123.02 per gross ton for preparing ferrous metal for salvage/scrap determined?

b. Please detail the cost components that make up the $123.02 per gross ton value for preparing ferrous metal for salvage/scrap.

c. Are any portions of the $123.02 per gross ton value included for recovery in other cost categories in Gulf's Dismantlement study?

53. Please list the scrap values Gulf Power Company used in its 2009 Dismantlement Study for copper, Ferrous scrap, and non-ferrous scrap metal. Please list and compare both adjusted and unadjusted prices.

54. How did the company determine (or verify a third-party estimate) equipment usage/or rental rates used in it's dismantling study.

55. Why is the Asset Recovery Group responsible for removing Combustion Turbines (CTs) from Gulf's plant sites and are these items generally set for salvage?

56. Please explain how the cost of removing asbestos and other contaminants are considered in Gulf's 2013 dismantlement cost estimates.

57. For each generating unit which a dismantlement provision is being requested, please state Gulf's justification for its proposed terminal/final in-service year.

58. How soon does Gulf envision beginning dismantlement activities after plant shutdown, and for how long are such activities estimated to occur?

59. Does Gulf propose any accumulated book reserve (dismantlement) transfers between its generating sites? If so, please detail the proposed transfers.

60. How is Gulf accounting for, and segregating recovery amounts for dismantlement that it recovers through the Environmental Cost Recovery Clause (ECRC) rather than base rate depreciation expense?

61. Please detail by account number and name with dollar amounts, all funds for dismantlement that have been recovered through the ECRC.

62. Please detail by account number and name with dollar amounts, all costs and annual dismantlement accrual amounts that have been segregated from Gulf's 2013 Dismantlement Study that are being recovered through the ECRC.

63. Please provide a description of Plant Daniel similar to those of Gulf's other plants as found in section 4.0 of its 2013 Dismantlement Study.

64. Please provide the following information for Gulf's recent 2013 Dismantlement Study.

a. Please specify the employees assumed in the study that will conduct the dismantlement by site, job title, description of work performed, and labor rate.

b. If the labor rates used in the study include loadings, please identify the specific components of the loadings and how they are computed. Please provide any associated work papers and supporting documents.

c. Please identify what unloaded labor rates were used in the study (e.g., local union pay scales, RS Means, etc.)

d. If the response to (a), (b), and/or (c) have changed since the 2009 Dismantlement Study, please identify what changes have been made with any supporting documents, including but not limited to job title, description of work performed, loaded and unloaded labor rates, local union pay scales, etc.

Request for Documents

1. Please provide a copy of the pricing schedules from metalprices.com (and/or recycle.net if applicable) that were used to determine scrap metal values for Gulf's 2013 Dismantlement Study.

2. Please provide all supporting documentation used to derive the response to Request No. 64(c.).

3. Please provide all supporting documentation in hard copy format used to derive the escalation rates utilized in Gulf's 2013 Dismantlement Study.