

One Energy Place  
Pensacola, Florida 32520

Tel 850.444.6000

ORIGINAL



April 8, 1998

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

Re: Docket No. 970643-EI

Enclosed are an original and fifteen copies of Gulf Power Company's response to the Staff Report in the referenced docket. Additionally, Gulf has provided comments to Staff's general discussion in the report wherever it appeared that a Company comment could provide additional information.

We appreciate the opportunity to respond to the questions and discussion in the Staff Report. If you have any questions, please contact Carl Punyko at 850-444-6467.

Sincerely,

*Susan D. Cranmer*

Susan D. Cranmer  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Beggs and Lane  
Jeffrey A. Stone, Esquire  
Florida Public Service Commission  
Patricia Lee

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FPSC-RECORDS/REPORTING

Staff Information Request  
Docket No. 970643-EI  
GULF POWER COMPANY  
GENERAL QUESTIONS  
AND COMMENTS  
April 9, 1998  
Item No. 1  
Page 1 of 1

1. Please provide the 1997 end of year actual investment and reserve, as well as the 1997 activity for both plant and reserve.

**RESPONSE:**

See the attached schedules; Electric Plant in Service, sheets 1 through 3 and Accumulated Provision for Depreciation and Amortization sheets 1 through 3.



GULF POWER COMPANY  
ELECTRIC PLANT IN SERVICE  
ACTUAL: DECEMBER, 1997

Sheet 1 of 3

		Balance First of Year	Current Year				Balance End of Year
			Additions	Retirements	Adjustments	Reclass	
<b>INTANGIBLE:</b>							
Organization	301	7,417.45	0.00	0.00	0.00	0.00	7,417.45
Franchises and Consents	302	594.15	0.00	0.00	0.00	0.00	594.15
Total Intangible:		8,011.60	0.00	0.00	0.00	0.00	8,011.60
<b>STEAM PRODUCTION:</b>							
<b>DANIEL PLANT:</b>							
Plant		205,879,448.76	213,710.68	464,370.42	0.00	0.00	205,628,789.02
Land		967,300.94	0.00	0.00	0.00	0.00	967,300.94
Easements		77,160.27	0.00	0.00	0.00	0.00	77,160.27
Cooling Lake, 23 Year		8,954,191.92	0.00	0.00	0.00	0.00	8,954,191.92
Rail Track System		2,741,618.37	0.00	0.00	0.00	0.00	2,741,618.37
Total Daniel Plant:		218,619,720.26	213,710.68	464,370.42	0.00	0.00	218,369,060.52
<b>CRIST PLANT:</b>							
Plant		384,822,521.10	71,867.77	391,034.67	403,871.62	0.00	384,907,225.82
Land		1,771,449.90	0.00	0.00	0.00	0.00	1,771,449.90
Easements		20,377.91	0.00	0.00	0.00	0.00	20,377.91
Base Coal, 5 Year		141,840.00	0.00	0.00	0.00	0.00	141,840.00
5 Year		265,293.66	0.00	175,469.80	0.00	0.00	89,823.86
7 Year		1,099,479.64	242,520.53	86,786.03	0.00	0.00	1,225,214.14
Total Crist Plant:		388,090,962.21	314,388.30	653,290.50	403,871.62	0.00	388,155,931.63
<b>SCHOLZ PLANT:</b>							
Plant		28,904,562.07	616.21	230,398.01	41,161.32	0.00	28,715,941.59
Land		44,578.61	0.00	0.00	0.00	0.00	44,578.61
Base Coal, 5 Year		71,300.00	0.00	0.00	0.00	0.00	71,300.00
5 Year		87,853.09	0.00	69,671.57	0.00	0.00	18,181.52
7 Year		200,798.42	1,333.94	30,618.93	0.00	0.00	171,513.43
Total Scholz Plant:		29,309,092.19	1,950.15	330,688.51	41,161.32	0.00	29,021,515.15
<b>SMITH PLANT:</b>							
Plant		104,341,784.62	1,222,211.21	523,589.96	97,878.14	12,540.49	105,150,824.50
Land		611,758.56	0.00	0.00	0.00	0.00	611,758.56
Base Coal, 5 Year		108,300.00	0.00	0.00	0.00	0.00	108,300.00
5 Year		129,174.06	0.00	112,352.75	0.00	0.00	16,821.31
7 Year		632,530.71	25,957.09	112,852.00	0.00	0.00	545,635.74
Total Smith Plant:		105,823,547.95	1,248,168.24	748,794.71	97,878.14	12,540.49	106,433,340.11
<b>SCHERER PLANT:</b>							
Plant		174,393,061.92	336,392.21	22,792.43	0.00	0.00	174,708,661.70
Land		807,131.19	0.00	0.00	(1,021.22)	0.00	806,109.97
7 Year		0.00	17,578.91	0.00	0.00	0.00	17,578.91
Total Scherer Plant:		175,200,193.11	353,971.12	22,792.43	(1,021.22)	0.00	175,530,350.58
<b>TOTAL STEAM PRODUCTION:</b>							
		917,043,515.72	2,132,188.49	2,219,936.57	541,889.86	12,540.49	917,510,197.99

**GULF POWER COMPANY  
ELECTRIC PLANT IN SERVICE  
ACTUAL: DECEMBER, 1997**

Sheet 2 of 3

		Current Year					
		Balance First of Year	Additions	Retirements	Adjustments	Reclass	Balance End of Year
<b>OTHER PRODUCTION:</b>							
Structures and Improvements	341	696,767.66	0.00	0.00	0.00	0.00	696,767.66
Fuel Holders and Accessories	342	283,273.55	0.00	0.00	0.00	0.00	283,273.55
Prime Movers	343	76,654.92	0.00	0.00	0.00	0.00	76,654.92
Generators	344	3,063,475.80	0.00	0.00	0.00	0.00	3,063,475.80
Accessory Electric Equipment	345	126,764.86	0.00	0.00	0.00	0.00	126,764.86
Miscellaneous Equipment	346	4,331.80	0.00	0.00	0.00	0.00	4,331.80
<b>TOTAL OTHER PRODUCTION:</b>		<b>4,251,268.59</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4,251,268.59</b>
<b>TOTAL PRODUCTION:</b>		<b>921,294,784.31</b>	<b>2,132,188.49</b>	<b>2,219,936.57</b>	<b>541,889.86</b>	<b>12,540.49</b>	<b>921,761,466.58</b>
<b>TRANSMISSION:</b>							
Land	350.0	1,175,061.10	0.00	0.00	0.00	1,115.14	1,176,196.24
Easements	350.2	9,519,950.51	10,645.47	3,269.09	0.00	0.00	9,527,326.89
Structures and Improvements	352	4,117,253.43	18,704.13	40,291.59	0.00	0.00	4,095,665.97
Station Equipment	353	54,298,229.64	2,006,916.15	636,398.09	0.11	(12,540.49)	55,656,207.32
Towers and Fittings	354	22,293,643.64	3,396.90	80,474.12	0.00	(13,284.30)	22,203,302.12
Poles and Fittings	355	30,635,598.26	538,340.17	929,278.66	163,304.55	107,004.58	30,514,966.90
Overhead Conductors & Devices	356	25,929,144.44	435,713.97	101,822.37	10,905.93	(93,740.28)	26,180,201.69
Underground Conductors & Devices	358	13,612,397.25	0.00	0.00	0.00	0.00	13,612,397.25
Roads and Trails	359	52,176.42	0.00	0.00	0.00	0.00	52,176.42
<b>TOTAL TRANSMISSION:</b>		<b>161,633,472.69</b>	<b>3,013,716.79</b>	<b>1,791,533.92</b>	<b>174,210.59</b>	<b>(11,425.35)</b>	<b>163,018,440.80</b>
<b>DISTRIBUTION:</b>							
Land	360.0	1,512,023.77	0.00	0.00	0.00	0.00	1,512,023.77
Easements	360.2	0.00	0.00	0.00	0.00	0.00	0.00
Structures and Improvements	361	9,885,870.44	15,300.90	114,903.44	0.00	(15,704.33)	9,750,563.57
Station Equipment	362	98,102,213.61	2,080,997.66	2,140,446.40	111,457.88	(7,395.88)	98,146,828.87
Poles, Towers & Fittings	364	89,631,043.55	3,670,882.38	700,078.93	(1,077.71)	353.82	72,601,123.11
Overhead Conductors & Devices	365	88,622,081.15	2,401,027.49	715,609.22	0.00	(351,882.15)	88,955,617.27
Underground Conduit	366	1,190,037.64	0.00	0.00	0.00	0.00	1,190,037.64
Underground Conductors & Devices	367	37,234,813.98	3,830,320.63	339,552.58	0.00	351,882.15	41,077,464.18
Line Transformers	368	118,870,956.83	6,728,964.00	1,291,427.28	4,229.09	10,195.80	124,322,918.44
Services:							
- Overhead	369.1	32,144,073.85	734,704.33	402,677.88	0.00	0.00	32,476,100.30
- Underground	369.2	14,611,883.26	961,720.15	51,715.42	0.00	0.00	15,521,887.99
- House Power Panel	369.3	6,694,665.80	0.00	366,290.00	0.00	0.00	6,328,375.80
Meters	370	24,597,775.65	1,074,180.26	202,163.92	(59.03)	0.00	25,469,732.96
Street Lighting & Signal Systems	373	27,389,101.19	2,648,911.27	987,580.55	0.00	0.00	29,050,431.91
<b>TOTAL DISTRIBUTION:</b>		<b>530,466,540.72</b>	<b>24,147,008.07</b>	<b>7,312,445.62</b>	<b>114,550.23</b>	<b>(12,550.59)</b>	<b>547,403,103.81</b>



GULF POWER COMPANY  
ELECTRIC PLANT IN SERVICE  
ACTUAL: DECEMBER, 1997

Sheet 3 of 3

		Current Year					
		Balance First of Year	Additions	Retirements	Adjustments	Reclass	Balance End of Year
<b>GENERAL PLANT:</b>							
Land	389.0	6,960,325.27	(5,867.42)	0.00	(35,681.42)	(1,115.14)	6,917,661.29
Structures and Improvements:							
- Corporate Office, 3rd Floor	390	3,840,807.00	0.00	0.00	0.00	0.00	3,840,807.00
- Other	390	48,798,321.99	330,733.85	236,659.75	0.00	12,550.59	48,904,946.68
Office Furniture & Equipment:							
- Computer, 5 Year	391	5,499,574.61	2,550.11	558,230.45	0.00	(242,011.13) *	4,701,883.14
- Non-Computer, 7 Year	391	1,063,271.68	106,705.58	495,935.16	0.00	242,011.13 *	916,053.23
Transportation Equipment:							
- Automobiles	392.1	433,333.39	0.00	433,333.39	0.00	0.00	0.00
- Light Trucks	392.2	3,401,389.04	883,336.87	460,888.42	0.00	0.00	3,823,837.49
- Heavy Trucks	392.3	15,288,610.62	1,562,836.96	1,499,305.99	0.00	0.00	15,352,141.59
- Trailers	392.4	1,198,894.16	52,035.51	6,814.08	0.00	0.00	1,244,115.59
- Marine, 5 Year	392	164,398.75	0.00	0.00	0.00	0.00	164,398.75
Stores Equipment:							
- Other	393	1,325,783.83	0.00	3,428.75	0.00	0.00	1,322,355.08
- 7 Year	393	176,452.66	896.46	107,680.04	0.00	0.00	69,669.08
Tools Shop & Garage Equipment:							
- Other	394	1,011,159.67	0.00	30,066.10	0.00	0.00	981,093.57
- 7 Year	394	1,340,547.14	84,180.07	134,102.38	11,369.65	0.00	1,301,994.48
Laboratory Equipment:							
- Other	395	631,359.74	9,161.64	17,903.91	0.00	0.00	622,617.47
- 7 Year	395	1,261,110.72	117,720.34	221,011.04	0.00	0.00	1,157,820.02
Power Operated Equipment	396	391,699.95	0.00	0.00	0.00	0.00	391,699.95
Communication Equipment:							
- Other	397	13,602,504.19	3,880,816.14	3,880,904.95	1,350.96	0.00	13,594,766.34
- 7 Year	397	2,392,662.04	677,106.56	102,929.86	0.00	0.00	2,966,838.74
Miscellaneous Equipment - 7 Year	398	2,015,994.57	9,728,771.75	32,277.07	16,347.08	0.00	11,728,836.34
<b>TOTAL GENERAL:</b>		<u>110,798,201.02</u>	<u>17,430,984.42</u>	<u>8,230,471.34</u>	<u>(6,613.72)</u>	<u>11,435.45</u>	<u>120,003,535.83</u>
<b>TOTAL ELECTRIC PLANT-IN-SERVICE:</b>		<u>1,724,201,010.34</u>	<u>46,723,896.77</u>	<u>19,554,367.45 *</u>	<u>824,036.96</u>	<u>(0.00)</u>	<u>1,752,194,556.62</u>

\* \$242,011.13 reclassification was booked in error in December, 1997 and subsequently reversed in January, 1998.

\* Y-T-D Retirements to P.I.S. do not match Y-T-D Retirements to Deprec. Reserve, due to incorrect entry in December, 1997 for \$6,086.67. Corrected in January, 1998.

**GULF POWER COMPANY**  
**ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION**  
**ACTUAL: DECEMBER, 1997**

Sheet 1 of 3

	Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage	Adjustments	Balance Close of Period
<b>STEAM PRODUCTION:</b>							
<b>DANIEL PLANT:</b>							
Plant	84,866,776.04	5,144,591.99	464,370.42	58,357.87	9,278.74	0.00	89,497,918.48
Easements	39,714.40	1,465.68	0.00	0.00	0.00	0.00	41,180.08
Cooling Lake, 23 Year	6,309,868.34	386,860.56	0.00	0.00	0.00	0.00	6,696,728.90
Old Fly Ash Pond, 4 Year	(433,865.40)	433,865.40	0.00	0.00	0.00	0.00	0.00
Rail Track System	1,505,612.00	41,124.24	0.00	0.00	0.00	0.00	1,546,736.24
Dismantlement - Fixed	8,121,697.12	550,457.00	0.00	0.00	0.00	0.00	8,672,154.12
<b>Total Daniel Plant:</b>	<b>100,409,802.50</b>	<b>6,558,364.87</b>	<b>464,370.42</b>	<b>58,357.87</b>	<b>9,278.74</b>	<b>0.00</b>	<b>106,454,717.82</b>
<b>CRIST PLANT:</b>							
Plant	148,314,887.98	10,395,748.56	391,034.67	184,752.77	5,881.32	403,871.62	158,544,802.04
Easements	9,255.10	387.00	0.00	0.00	0.00	0.00	9,642.10
DOE Project, 2 Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unit 6 Old Precipitator, 4 Year	(489,196.00)	489,196.00	0.00	0.00	0.00	0.00	0.00
Base Coal, 5 Year	141,840.00	0.00	0.00	0.00	0.00	0.00	141,840.00
5 Year	180,367.90	53,169.27	175,469.80	0.00	0.00	0.00	58,067.37
7 Year	470,733.28	158,029.92	86,786.03	0.00	0.00	0.00	541,977.17
Dismantlement - Fixed	24,444,834.24	2,614,167.00	0.00	0.00	0.00	0.00	27,059,001.24
<b>Total Crist Plant:</b>	<b>173,072,722.50</b>	<b>13,710,697.75</b>	<b>653,290.50</b>	<b>184,752.77</b>	<b>5,881.32</b>	<b>403,871.62</b>	<b>186,355,129.92</b>
<b>SCHOLZ PLANT:</b>							
Plant	19,476,500.42	490,288.25	230,398.01	0.00	0.00	41,161.32	19,777,552.98
Base Coal, 5 Year	71,300.00	0.00	0.00	0.00	0.00	0.00	71,300.00
5 Year	65,680.46	17,570.76	69,671.57	0.00	0.00	0.00	13,559.65
7 Year	118,499.04	30,006.10	30,618.93	0.00	0.00	0.00	117,886.21
Dismantlement - Fixed	5,479,769.64	564,889.00	0.00	0.00	0.00	0.00	6,044,658.64
<b>Total Scholz Plant:</b>	<b>25,211,729.56</b>	<b>1,102,755.11</b>	<b>330,688.51</b>	<b>0.00</b>	<b>0.00</b>	<b>41,161.32</b>	<b>26,024,957.48</b>
<b>SMITH PLANT:</b>							
Plant	51,456,989.46	2,832,281.97	523,589.96	0.00	0.00	102,404.01	53,868,085.48
Base Coal, 5 Year	108,300.00	0.00	0.00	0.00	0.00	0.00	108,300.00
5 Year	99,530.37	26,279.42	112,352.75	0.00	0.00	0.00	13,457.04
7 Year	270,729.28	92,019.95	112,852.00	0.00	0.00	0.00	249,897.23
Dismantlement - Fixed	9,237,302.00	898,662.00	0.00	0.00	0.00	0.00	10,135,964.00
<b>Total Smith Plant:</b>	<b>61,172,851.11</b>	<b>3,849,243.34</b>	<b>748,794.71</b>	<b>0.00</b>	<b>0.00</b>	<b>102,404.01</b>	<b>64,375,703.75</b>
<b>SCHERER PLANT:</b>							
Plant	49,471,954.92	4,015,157.86	16,725.76	5,459.27	0.00	0.00	53,464,927.75
Dismantlement - Fixed	3,288,925.12	37,079.00	0.00	0.00	0.00	0.00	3,326,004.12
7 Year	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Scherer Plant:</b>	<b>52,760,880.04</b>	<b>4,052,236.86</b>	<b>16,725.76</b>	<b>5,459.27</b>	<b>0.00</b>	<b>0.00</b>	<b>56,790,931.87</b>
<b>TOTAL STEAM PRODUCTION:</b>	<b>412,627,985.71</b>	<b>29,273,297.93</b>	<b>2,213,869.90</b>	<b>248,569.91</b>	<b>15,160.06</b>	<b>547,436.95</b>	<b>440,001,440.84</b>



**GULF POWER COMPANY**  
**ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION**  
**ACTUAL: DECEMBER, 1997**

Sheet 2 of 3

		Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage	Adjustments	Balance Close of Period
<b>OTHER PRODUCTION:</b>								
Structures and Improvements	341	569,228.92	13,938.12	0.00	0.00	0.00	0.00	583,167.04
Fuel Holders and Accessories	342	209,255.47	5,666.52	0.00	0.00	0.00	0.00	214,921.99
Prime Movers	343	59,442.80	1,533.36	0.00	0.00	0.00	0.00	60,976.16
Generators	344	2,879,767.30	61,281.72	0.00	0.00	0.00	0.00	2,941,049.02
Accessory Electric Equipment	345	105,859.49	2,535.72	0.00	0.00	0.00	0.00	108,395.21
Miscellaneous Equipment	346	4,111.18	86.64	0.00	0.00	0.00	0.00	4,197.82
Smith C.T. Dismantlement - Fixed		44,001.00	14,667.00	0.00	0.00	0.00	0.00	58,668.00
<b>TOTAL OTHER PRODUCTION:</b>		<b>3,871,666.16</b>	<b>99,709.08</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>3,971,375.24</b>
<b>TOTAL PRODUCTION:</b>		<b>416,499,651.87</b>	<b>29,373,007.01</b>	<b>2,213,889.90</b>	<b>248,569.91</b>	<b>15,160.06</b>	<b>547,436.95</b>	<b>443,972,816.08</b>
<b>TRANSMISSION:</b>								
Easements	350.2	3,367,582.30	114,236.42	3,269.09	0.00	0.00	0.00	3,478,549.63
Structures and Improvements	352	1,288,093.83	114,766.19	40,291.59	1,091.96	0.00	0.00	1,361,476.47
Station Equipment	353	19,593,743.90	1,470,118.20	636,398.09	18,712.97	0.00	(20,020.65)	20,388,730.39
Towers and Fixtures	354	15,197,750.78	690,806.68	80,474.12	0.62	0.00	(9,337.71)	15,798,546.99
Poles and Fixtures	355	9,437,906.73	1,102,210.81	929,278.66	97,067.37	296.59	236,448.36	9,750,516.46
Overhead Conductors & Devices	356	14,767,126.10	958,045.88	101,822.37	12,859.65	0.00	(52,900.17)	15,557,589.79
Underground Conductors & Devices	358	2,030,173.21	381,092.64	0.00	0.00	0.00	0.00	2,411,265.85
Roads and Trails	359	15,426.11	730.56	0.00	0.00	0.00	0.00	16,156.67
<b>TOTAL TRANSMISSION:</b>		<b>65,697,802.94</b>	<b>4,831,808.38</b>	<b>1,791,533.92</b>	<b>129,732.57</b>	<b>296.59</b>	<b>154,189.83</b>	<b>68,762,832.25</b>
<b>DISTRIBUTION:</b>								
Easements	360.2	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Structures and Improvements	361	2,841,774.61	264,629.57	114,903.44	883.33	0.00	(4,410.76)	2,986,196.65
Station Equipment	362	26,479,932.00	2,746,679.94	2,140,446.40	51,511.97	10,000.00	145,017.03	27,189,670.60
Poles, Towers & Fixtures	364	23,704,711.84	3,391,637.06	700,078.93	888,263.84	409,750.30	(11,237.06)	25,906,519.37
Overhead Conductors & Devices	365	30,578,843.41	2,853,183.75	715,609.22	274,917.84	417,755.98	(113,646.56)	32,745,809.52
Underground Conduit	366	575,435.31	22,605.84	0.00	0.00	0.00	0.00	598,041.15
Underground Conductors & Devices	367	10,994,530.39	1,352,007.54	339,552.58	45,684.67	28,791.66	121,878.60	12,111,970.94
Line Transformers	368	41,873,424.19	5,916,486.34	1,291,427.28	547,915.69	136,515.21	(20,084.65)	46,086,998.12
Services:								
- Overhead	369.1	16,429,063.20	1,450,288.61	402,677.88	89,402.64	0.00	3.96	17,387,275.25
- Underground	369.2	3,672,271.93	565,923.68	51,715.42	16,084.57	5,804.40	271.56	4,176,471.58
- House Power Panel	369.3	4,782,224.03	219,413.01	366,290.00	0.00	0.00	0.00	4,635,347.04
Meters	370	10,872,874.57	852,788.39	202,163.92	24,698.16	1,617.40	0.00	11,500,418.28
Street Lighting & Signal Systems	373	7,792,296.06	2,079,582.16	987,580.55	58,016.07	20,905.40	1,225.44	8,848,412.44
<b>TOTAL DISTRIBUTION:</b>		<b>180,597,381.54</b>	<b>21,715,225.89</b>	<b>7,312,445.62</b>	<b>1,997,388.78</b>	<b>1,031,140.35</b>	<b>119,017.56</b>	<b>194,152,930.94</b>

**GULF POWER COMPANY**  
**ACCUMULATED PROVISIONS FOR DEPRECIATION AND AMORTIZATION**  
**ACTUAL: DECEMBER, 1997**

Sheet 3 of 3

		Balance First of Year	Provisions	Retirements	Cost of Removal	Salvage	Adjustments	Balance Close of Period
<b>GENERAL PLANT:</b>								
Structures and Improvements:								
- Corporate Office, 3rd Floor	390	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- Other	390	14,528,759.48	1,120,555.74	236,659.75	48,594.91	0.00	3,502.48	15,367,563.04
Office Furniture & Equipment:								
- Computer, 5 Year	391	1,960,922.97	1,206,612.35	558,230.45	0.00	0.00	0.00	2,609,304.87
- Non-Computer, 7 Year	391	369,202.28	233,660.96	495,935.16	0.00	0.00	0.00	106,928.08
Transportation Equipment:								
- Automobiles	392.1	413,887.09	0.00	433,333.39	0.00	113,295.56	0.00	93,849.26
- Light Trucks	392.2	2,109,525.39	576,181.99	460,888.42	0.00	111,171.92	0.00	2,325,990.88
- Heavy Trucks	392.3	4,561,502.77	1,220,196.67	1,499,305.99	0.00	245,574.25	0.00	4,527,967.70
- Trailers	392.4	279,973.32	40,365.85	6,814.08	0.00	445.00	0.00	313,970.09
- Marine, 5 Year	392	37,046.06	32,879.75	0.00	0.00	0.00	0.00	69,925.81
Stores Equipment:								
- Other	393	943,232.71	83,461.32	3,428.75	0.00	0.00	0.00	1,023,265.28
- 7 Year	393	101,387.88	26,348.81	107,680.04	0.00	0.00	0.00	20,056.65
Tools Shop & Garage Equipment:								
- Other	394	108,681.14	38,094.81	30,066.10	252.90	0.00	0.00	116,456.95
- 7 Year	394	462,525.36	200,052.83	134,102.38	0.00	0.00	0.00	528,475.81
Laboratory Equipment:								
- Other	395	246,447.38	37,057.19	17,903.91	0.00	0.00	0.00	265,600.66
- 7 Year	395	432,679.28	225,182.53	221,011.04	0.00	0.00	0.00	436,850.77
Power Operated Equipment	396	240,792.00	11,750.88	0.00	0.00	0.00	0.00	252,542.88
Communication Equipment:								
- Other	397	3,554,762.69	513,272.20	3,889,904.95	62,414.39	1,084,780.36	4,705.98	1,205,201.91
- 7 Year	397	632,290.16	345,690.42	102,929.86	0.00	0.00	0.00	875,050.72
Miscellaneous Equipment - 7 Year	398	466,239.69	305,217.22	32,277.07	0.00	0.00	0.00	739,179.84
<b>TOTAL GENERAL:</b>		<u>31,449,857.65</u>	<u>6,216,581.52</u>	<u>8,230,471.34</u>	<u>111,262.20</u>	<u>1,545,267.11</u>	<u>8,208.46</u>	<u>30,878,181.20</u>
<b>TOTAL ELECTRIC PLANT-IN-SERVICE:</b>		<u>694,244,694.00</u>	<u>62,138,623.80</u>	<u>19,548,320.78</u>	<u>2,486,953.46</u>	<u>2,591,884.11</u>	<u>828,852.80</u>	<u>737,786,760.47</u>



2. Gulf's work in reviewing the investment associated with power production equipment appears diligent. The resulting data presentation in this study is different from those previously provided, and staff anticipates that it may prove very useful. As staff understands the situation, the analysis is yet being polished, and further refinements may lead to additional insight.

In the following discussion, staff will present several concerns. We would like as much additional information as Gulf can provide in regard to the Company's view(s) on these matters. Our inquiry is not intended to imply that results or proposals in the study are unreasonable. On the contrary, Staff's cursory review to date has produced no contraindications to the Company's proposals for production plant. However, we would like to understand more about the Company's view on each point. Further, we are seeking to better understand the operation and implications involved with use of this model.

Staff recognizes that the purpose of a model is to capture the essential features, dynamics or pattern of a process in such a way that meaningful results can be ascertained. Typically, the model does not purport to treat each and every feature of a process with equal emphasis, but may very well exclude certain effects if they are judged "unimportant".

For each concern listed, the major issue is the extent to which it impacts the results obtained by utilizing the model, and how the Company would justify application of the model under such circumstances. Since each point is a direct observation of the data presented, we would not expect that Gulf would need to state agreement with what is said, except in a case where the company perceives some misunderstanding or misinterpretation on the part of staff. Our goal is a better understanding of the model, and the way Gulf has applied it, through dialogue.

Where an example is used or given, it should be understood as an example of the dynamics as the model captures them, and not as a particular set of numbers to be reconciled in the accounting sense. Any answer given should apply equally to any instance similar to the example used, with particular numbers serving only as illustration.

Staff Information Request  
Docket No. 970643-EI  
**GULF POWER COMPANY**  
**PRODUCTION PLANT**

April 9, 1998

Item No. 2

Page 2 of 3

- a. In the initial review, item 2 for production plant addressed the inclusion of negative plant balances for some vintages in the surviving distributions. Gulf reports finding some 319 such entries, but we do not know the dollar volume involved with these errors. From the Company's reply, staff understands that each negative balance resulted from activity incorrectly applied to a unit or group, and recognizes that at least two incorrect data entries are therefore associated with each of the 319 items identified.

In each case, the identified negative vintage balance reduces the average age calculated for the group. For the other (companion) error(s), the group age is skewed; but the error may be an over or understatement of age, depending on whether the impacted vintage is older or younger than the calculated average age. Please provide an assessment of the impact of these observations, from the Company's viewpoint. What is the support for that assessment?

- b. In using this model, the remaining life for each vintage of surviving investment in the 0-20 year group is calculated as the difference between the age and the 20-year maximum. By this pattern, all 1995 investment in this group for a unit projected to retire in the year 2016 has a remaining life of 17.5 years. Likewise, both 1996 and 1997 investment has a remaining life of 18.5 years. When the age exceeds 20 years, the remaining life becomes zero. Why is this approach used, rather than some other approach, such as moving such items to another group?
- c. Staff would like to understand what categories of plant items would be included in the 0-20 life group(s). There can be a variation of service lives among the contained items in the group, even if all the items are identical. We are interested to know how the model accommodates these types of items, in Gulf's view.

**RESPONSE:**

- a. The sum of the negative amounts presented in the -Production Plant Forecast Analysis- previously provided to Staff in item 1 of Staff's Initial Request is less than 1% of the total depreciable balance for production plant estimated at 12/31/97. This amount is negligible to total age calculation relating to the depreciable balances for each plant location. As Staff states, the effect to the average age may be higher or lower with respect to these negative investments if the retirements had been applied to the wrong vintage year. However, the error may simply have been a retirement to the wrong retirement unit code but for the correct vintage. There is not any effect to the age calculation in this instance.



Another possibility is applying the retirement to the wrong generating unit. Again, there is not any effect to the total age calculation for that location using a composite rate. In any event the calculation of the age for each category is based on a dollar-weighted average of the total investment for each vintage. Due to the time constraints required and the immateriality of the amounts at issue, Gulf does not see the need to rerun the entire Forecast Analysis with correcting entries at this time.

- b. The assets included in each depreciable group were classified by Gulf using the retirement units included in the Company's Continuing Property Record. While there are instances in the calculation of the depreciation rates when a unit of property has reached the maximum life of an assigned group it is more conservative (from an accounting perspective) to treat these item as--fully depreciated--rather than extending the life over a longer period of time. The classification of the retirement units in this study attempts to match both short-lived assets and long-lived assets in their respective categories. Extending the life of these assets may cause a reserve deficit if they are retired prior to the maximum life of another classification.
- c. Attachment A through D is a schedule describing the assets included in the 0-20 year life category. The schedule includes a description of the Account, Subaccount, and Retirement Unit.

As stated in Tab 6, Analysis Results, the average remaining life for each classification is determined using the maximum life of each category (1-20, 21-35, 35-end) not exceeding the projected retirement date for each unit. As such, the assets have been stratified into short lived and long lived categories which recognizes the effect of future interim retirements for each location, generating unit, and account, by identifying retirement units maintained in Gulf's Continuing Property Records. Less than 10% of the total depreciable Steam Production Plant is included in the 1-20 year life category. The model does not attempt to further subcategorize this group into smaller life components.

03/19/98



Gulf Power Company  
1997 Depreciation Study  
Production Stratification  
Twenty Year Life Property

Serv Life	Description	Life Group	FERC	SUB	RUC
1	Live Storage System, Coal Handling System, Belt Conveyor	0 to 20 years	312	5261	7169
1	Live Storage System, Coal Handling System, Drive Reduction Gear	0 to 20 years	312	5261	7110
1	Radial Stacker Conveyor, Coal Handling System, Drive Motor	0 to 20 years	312	5262	7124
1	Radial Stacker Conveyor, Coal Handling System, Weighing Device	0 to 20 years	312	5262	7125
1	Radial Stacker Conveyor, Coal Handling System, Belt Conveyor	0 to 20 years	312	5262	7128
1	Building Appurtenances, Coal Handling Unloading Control House, Water Cooler	0 to 20 years	312	5306	1732
1	Building Appurtenances, Coal Handling Unloading Control House, Water Heater	0 to 20 years	312	5306	1733
1	Building Appurtenances, Coal Handling Garage, Water Cooler	0 to 20 years	312	5326	1832
1	Building Appurtenances, Coal Handling Garage, Water Heater	0 to 20 years	312	5326	1833
1	Building Appurtenances, Coal Handling Garage, Heater	0 to 20 years	312	5326	1851
1	Building Appurtenances, Coal Handling Switchgear House, Water Cooler	0 to 20 years	312	5346	1932
1	Building Appurtenances, Coal Handling Switchgear House, Water Heater	0 to 20 years	312	5346	1933
1	Pyritic Removal System, Wet Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5641	3102
1	Pyritic Removal System, Wet Ash Handling System, Ejector or Hydrovactor Exhauster	0 to 20 years	312	5641	3104
1	Pyritic Removal System, Wet Ash Handling System, Belt, Conveyor	0 to 20 years	312	5641	3108
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Clinker Grinder	0 to 20 years	312	5642	3122
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Ejector	0 to 20 years	312	5642	3123
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Piping Under 4 inches in Diameter	0 to 20 years	312	5642	3125
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5642	3126
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Drive, Clinker Grinder	0 to 20 years	312	5642	3127
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Refractory Water Pump	0 to 20 years	312	5642	3128
1	Boiler Bottom Ash Removal System, Wet Ash Handling System, Drive, Refractory Water Pump	0 to 20 years	312	5642	3129
1	Ash Separator System, Wet Ash Handling System, Ejector	0 to 20 years	312	5643	3143
1	Ash Separator System, Wet Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5643	3145
1	Transport System, Wet Ash Handling System, Pump, Ash Shaker	0 to 20 years	312	5644	3164
1	Transport System, Wet Ash Handling System, Drive, Ash Shaker Pump	0 to 20 years	312	5644	3165
1	Transport System, Wet Ash Handling System, Pump, Ash Booster	0 to 20 years	312	5644	3167
1	Transport System, Wet Ash Handling System, Drive, Ash Booster Pump	0 to 20 years	312	5644	3168
1	Transport System, Wet Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5644	3170
1	Transport System, Wet Ash Handling System, Set of Batteries	0 to 20 years	312	5644	3173
1	Transport System, Wet Ash Handling System, Battery Charger	0 to 20 years	312	5644	3175
1	Transport System, Wet Ash Handling System, Pump, Seal Water	0 to 20 years	312	5644	3176
1	Transport System, Wet Ash Handling System, Drive, Seal Water Pump	0 to 20 years	312	5644	3177
1	Shake Water System, Wet Ash Handling System, Pump, Ash Shaker	0 to 20 years	312	5645	6674
1	Shake Water System, Wet Ash Handling System, Drive, Ash Shaker Pump	0 to 20 years	312	5645	6675
1	Shake Water System, Wet Ash Handling System, Pump, Ash Shaker Booster	0 to 20 years	312	5645	6677
1	Shake Water System, Wet Ash Handling System, Drive, Ash Shaker Booster Pump	0 to 20 years	312	5645	6678
1	Shake Water System, Wet Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5645	6680
1	Shake Water System, Wet Ash Handling System, Strainer	0 to 20 years	312	5645	6681
1	Bottom Ash Hydro Blas, Wet Ash Handling System, Valve, Unloading	0 to 20 years	312	5647	7083
1	Scales, Dry Ash Handling System, Batch Processor	0 to 20 years	312	5661	3183
1	Scales, Dry Ash Handling System, Printer	0 to 20 years	312	5661	3184
1	Transport System, Dry Ash Handling System, Blower	0 to 20 years	312	5663	3224
1	Transport System, Dry Ash Handling System, Drive Blower	0 to 20 years	312	5663	3225
1	Transport System, Dry Ash Handling System, Valve, Special or Power Operated	0 to 20 years	312	5663	3229
1	Transport System, Dry Ash Handling System, Vacuum Pump	0 to 20 years	312	5663	3231
1	Transport System, Dry Ash Handling System, Drive, Vacuum Pump	0 to 20 years	312	5663	3232
1	Transport System, Dry Ash Handling System, Air Compressor	0 to 20 years	312	5663	3234
1	Transport System, Dry Ash Handling System, Drive, Air Compressor	0 to 20 years	312	5663	3235
1	Transport System, Dry Ash Handling System, After Cooler	0 to 20 years	312	5663	3236

Docket No. 970643  
Item No. 2-C  
Attachment B

Gulf Power Company  
1997 Depreciation Study  
Production Stratification  
Twenty Year Life Property

Serv Life	Description	Life Group	FERC	SUB	RUC
1	Transport System, Dry Ash Handling System, Dryer	0 to 20 years	312	5663	3237
1	Transport System, Dry Ash Handling System, Primary Collector	0 to 20 years	312	5663	3239
1	Transport System, Dry Ash Handling System, Secondary Collector	0 to 20 years	312	5663	3240
1	Dry Ash Storage Facilities, Dry Ash Handling System, Blower	0 to 20 years	312	5664	3243
1	Dry Ash Storage Facilities, Dry Ash Handling System, Drive, Blower	0 to 20 years	312	5664	3244
1	Dry Ash Storage Facilities, Dry Ash Handling System, Filters, Baghouse	0 to 20 years	312	5664	3246
1	Dry Ash Storage Facilities, Dry Ash Handling System, Sump Pump	0 to 20 years	312	5664	3248
1	Dry Ash Storage Facilities, Dry Ash Handling System, Drive, Sump Pump	0 to 20 years	312	5664	3249
1	Dry Ash Storage Facilities, Dry Ash Handling System, Pump, Water Supply	0 to 20 years	312	5664	3250
1	Dry Ash Storage Facilities, Dry Ash Handling System, Drive, Water Supply Pump	0 to 20 years	312	5664	3251
1	Dry Ash Storage Facilities, Dry Ash Handling System, Air Compressor	0 to 20 years	312	5664	3254
1	Dry Ash Storage Facilities, Dry Ash Handling System, Drive, Air Compressor	0 to 20 years	312	5664	3255
1	Dry Ash Storage Facilities, Dry Ash Handling System, Heater	0 to 20 years	312	5664	3256
1	Steam Generator Hoist, Lifting System	0 to 20 years	312	5681	9999
1	Air Dryer System, Control Air System, Dryer	0 to 20 years	312	5701	3301
1	Compressors and Drives, Control air system, Compressor	0 to 20 years	312	5702	3301
1	Compressors and Drives, Control air system, Drive, Compressor	0 to 20 years	312	5702	3302
1	Raw Water Supply System, Treated Water System, Pump	0 to 20 years	312	5721	3344
1	Raw Water Supply System, Treated Water System, Drive, Pump	0 to 20 years	312	5721	3345
1	Water Treatment System, Treated Water System, Pump	0 to 20 years	312	5722	3363
1	Water Treatment System, Treated Water System, Drive, Pump	0 to 20 years	312	5722	3364
1	Water Treatment System, Treated Water System, Water Heater	0 to 20 years	312	5722	3367
1	Water Treatment System, Treated Water System, Chlorinator	0 to 20 years	312	5722	3368
1	Water Treatment System, Treated Water System, Filter	0 to 20 years	312	5722	3369
1	De-Island Service Water System, Treated Water System, Pump	0 to 20 years	312	5724	3401
1	De-Island Service Water System, Treated Water System, Drive, Pump	0 to 20 years	312	5724	3402
1	Water Treatment System, Treated Water System, Pump	0 to 20 years	312	5725	3421
1	Water Treatment System, Treated Water System, Drive, Pump	0 to 20 years	312	5725	3422
1	Service Water Pumping Structure, Service Water System, Heater	0 to 20 years	312	5741	3446
1	Service Water Pumping Structure, Service Water System, Air Conditioner	0 to 20 years	312	5741	3447
1	Service Water Pumping Structure, Service Water System, Drive, Travelling Water Screen	0 to 20 years	312	5741	3449
1	Service Water Pumping Structure, Service Water System, Water System Strainer	0 to 20 years	312	5741	3450
1	Plant Service Water System, Service Water System, Pump	0 to 20 years	312	5742	3461
1	Plant Service Water System, Service Water System, Drive, Pump	0 to 20 years	312	5742	3462
1	Plant Service Water System, Service Water System, Valve, Special or Power Operated	0 to 20 years	312	5742	3464
1	Plant Service Water System, Service Water System, Fan	0 to 20 years	312	5742	3473
1	Plant Service Water System, Service Water System, Fan Drive	0 to 20 years	312	5742	3474
1	Service Water Chlorination system, Service Water System, Pump	0 to 20 years	312	5746	3543
1	Service Water Chlorination system, Service Water System, Drive, Pump	0 to 20 years	312	5746	3544
1	Plant Service Water Return System, Service Water System, Sump Pump	0 to 20 years	312	5747	3563
1	Turbine Water Induction Protection System, Extraction Steam System	0 to 20 years	312	6448	9999
1	Feedwater Pump Turbine Steam and Exhaust System, Auxiliary Turbine Steam and Exhaust	0 to 20 years	312	6521	4986
	Vibration Monitoring System				
1	Condensate Piping System, Condensate System, Flow Meter	0 to 20 years	312	6581	4986
1	Chemical Feed System, Condensate Auxiliary System	0 to 20 years	312	6601	9999
1	Feedwater Pumps and Drives, Feedwater System, Expansion Joint, Exhaust, Turbine	0 to 20 years	312	6625	5397
1	Water Sampling and Analysis System, Analysis Equipment	0 to 20 years	312	6660	5701
1	Water Sampling and Analysis System, Sampler	0 to 20 years	312	6660	5703
1	Feedwater Pump turbine Oil System, Lube Oil System, Filter	0 to 20 years	312	6702	6025
1	Feedwater Pump turbine Oil System, Lube Oil System, Vapor Extractor	0 to 20 years	312	6702	6029

Docket No. 970643  
Item No. 2-C  
Attachment C



Gulf Power Company  
1997 Depreciation Study  
Production Stratification  
Twenty Year Life Property

Serv Life	Description	Life Group	FERC	SUB	RUC
1	Feedwater Pump turbine Oil System, Lube Oil System, Motor, Vapor Extractor	0 to 20 years	312	6702	6030
1	Turbine, Turbine Generator System, Blading Rotating, Complete Row	0 to 20 years	314	7522	0013
1	Turbine, Turbine Generator System, Blading Stationary, Complete Row	0 to 20 years	314	7522	0014
1	Turbine, Turbine Generator System, Turbine Insulation	0 to 20 years	314	7522	0018
1	Electro-Hydraulic Control System, Turbine Generator system, Filter	0 to 20 years	314	7526	0105
1	Condenser Tube Cleaning System, Condensing System	0 to 20 years	314	7704	9999
1	Cooling Water Intake Structure, Cooling Water System, Protective Barrier	0 to 20 years	314	7742	0530
1	Cooling Water Intake Structure, Cooling Water System, Set of Batteries	0 to 20 years	314	7742	0531
1	Cooling Water Intake Structure, Cooling Water System, Battery Charger	0 to 20 years	314	7742	0533
1	Cooling Water Chlorinating System, Cooling Water System, Chlorinator	0 to 20 years	314	7747	0626
1	Cooling Water Chlorinating System, Cooling Water System, Dechlorinator	0 to 20 years	314	7747	0629
1	Architectural Work, Cooling Tower, Cell Fill/Splash Bars	0 to 20 years	314	7765	0804
1	Cooling Tower Equipment, Cooling Towers, Fan	0 to 20 years	314	7766	0824
1	Cooling Tower Equipment, Cooling Towers, Drive, Fan	0 to 20 years	314	7766	0825
1	Cooling Tower Equipment, Cooling Towers, Set of Batteries	0 to 20 years	314	7766	0829
1	Cooling Tower Equipment, Cooling Towers, Battery Charger	0 to 20 years	314	7766	0831
1	Turbine Overhead Crane, Lifting System, Remote Control Unit	0 to 20 years	314	7802	1022
1	Turbine Generator Oil System, Lube Oil System, Filtering Unit	0 to 20 years	314	7901	1201
1	Turbine Generator Oil System, Lube Oil System, Pump	0 to 20 years	314	7901	1203
1	Turbine Generator Oil System, Lube Oil System, Drive, Pump	0 to 20 years	314	7901	1204
1	Turbine Generator Oil System, Lube Oil System, Valve, Special or Power Operated	0 to 20 years	314	7901	1206
1	Turbine Generator Oil System, Lube Oil System, Vapor Extractor	0 to 20 years	314	7901	1208
1	Turbine Generator Oil System, Lube Oil System, Motor, Vapor Extractor	0 to 20 years	314	7901	1209
1	Turbine Generator Oil System, Lube Oil System, Special Enclosure, Oil Lube Reservoir	0 to 20 years	314	7901	1210
1	Auxiliary Cooling Tower Equipment, Auxiliary Cooling Towers, Set of Batteries	0 to 20 years	314	7926	1329
1	Auxiliary Cooling Tower Equipment, Auxiliary Cooling Towers, Rack	0 to 20 years	314	7926	1330
1	Auxiliary Cooling Tower Equipment, Auxiliary Cooling Towers, Battery Charger	0 to 20 years	314	7926	1331
1	Steam Generator Control System, Centralized Plant control System, Flame Scanner (Camera)	0 to 20 years	315	8143	1041
1	Battery System, D.C. System - 24/40 Volts	0 to 20 years	315	8203	9999
1	Battery System, D.C. System - 125/250 Volts	0 to 20 years	315	8243	9999
1	Machine Shop Equipment, Plant Support Equipment, Welding Curtains	0 to 20 years	316	1507	0019
1	Machine Shop Equipment, Plant Support Equipment, Pipe Threading Machine	0 to 20 years	316	1507	0020
1	Machine Shop Equipment, Plant Support Equipment, Gear Puller, Set	0 to 20 years	316	1507	0021
1	Plant Welding System	0 to 20 years	316	1620	9999
1	Plant Heating, Ventilating, and Air Conditioning System, Heater	0 to 20 years	316	1640	2001
1	Plant Heating, Ventilating, and Air Conditioning System, Air conditioner	0 to 20 years	316	1640	2002
1	Plant Heating, Ventilating, and Air Conditioning System, Fan	0 to 20 years	316	1640	2003
1	Plant Heating, Ventilating, and Air Conditioning System, Heat Pump	0 to 20 years	316	1640	2004
1	Plant Heating, Ventilating, and Air Conditioning System, Humidifier	0 to 20 years	316	1640	2005
1	Plant Heating, Ventilating, and Air Conditioning System, Chiller	0 to 20 years	316	1640	2006

Service Life: 1 - 0-20 Years

3. Gulf has reported that overhauls are planned for both Unit 1 and Unit 2 at Plant Smith during the 1998 -- 1999 period. For each unit, projected retirements amount to less than \$400,000. Replacement of the generator rotors and exciters are projected to cost over \$2.5 million for each unit. Please describe the equipment to be installed, and in layman's terms explain the "how and why" of the replacement cost being more than six times the retiring investment. In particular, the differences in technology, operation, and performance should be described.

**RESPONSE:**

The radial path generator rotors for installation on Lansing Smith Unit #1 (1999), and Unit #2 (1998), are new designs that incorporate improved design features, without altering either of the original stators. The new radial path design philosophy will allow for a more efficient rotor. These new radial path rotors have an improved cooling design that will enhance the cyclic duty capability of the rotors. The new radial path rotor will have a directly cooled winding, with hydrogen cooling flow radially through the winding, instead of through the tooth tops. The radial path rotor's directly cooled windings eliminate the need for the current axial and radial ventilation holes from the rotor tooth tops. These holes, present in both of the original rotors, induce stress concentrations that can lead to tooth top/vent hole cracking.

Additional operational enhancements are the installation of an enhanced insulation system designed specifically for cyclic duty and heavy service (ANSI Class "F" Insulation). This system includes the most advanced technology, design concepts and materials. Also 18Mn18Cr (Manganese-Chromium) steel alloy retaining rings are being installed. This material is highly resistant to stress corrosion cracking in the presence of moisture or any generator environment, eliminating the need for any future retaining ring inspections.

The corresponding excitation systems for installation on the units are a new design that incorporate improved design features. The Potential Source Static Exciter/Voltage Regulator is a solid state system that brings increased operating efficiencies and increased reliability to the overall system. The general benefits of the new Static Excitation System include: Improved availability, increased protection, higher initial response, higher efficiency (lower losses) and reduced operating and maintenance costs due to:



1. Inherent reliability of solid state
2. Availability of spare parts
3. Elimination of rotating losses
4. Modularity of components

Although some of these differences may contribute to the new equipment being more costly, the main "how and why" of the replacement cost being more than six times the retiring investment can be attributed to inflationary cost escalation. The rotors and exciters that will be retired for Units 1 and 2 were placed in service in 1965 and 1967. Application of the applicable electric account cost index percents from the most recent bulletin of the Handy Whitman Index of Public Utility Construction Costs to the in service dollars of this equipment yields a January 1, 1998 trended cost of approximately \$1.9 to 2.1 million for each unit; or five times its original amount.

4. The following questions relate to Gulf's 7-year life extension for Units 1, 2, & 3 at Plant Crist. The Company states that the mechanical condition of the units warrants the extension, and mentions the last inspection report, number of operating hours since the last inspection, performance of the unit in operation, and equipment condition observed during maintenance. Please amplify these responses, and include particular information as follows, at a minimum:
- a. What are the major factors or points evaluated in assessing mechanical condition?
  - b. Please address the number of start-ups and number of run hours, as compared to projections, since the previous inspection.
  - c. Please comment more specifically about the equipment condition(s) which correlate with the extended service, as compared to conditions which would have been associated with a "status quo" assessment and period in service.

**RESPONSE:**

The extended retirement date is based on the value of the units to the system that has resulted from a good, normal, and routine maintenance program. Normal maintenance includes periodic inspections in which the entire unit is disassembled for a mechanical assessment to repair or replace parts as appropriate.

- a. Major factors in assessing the mechanical condition of a turbine are the extent of wear, erosion, cracking, or breakage found when the turbine/generator is disassembled for inspection. These assessments include a review of the current conditions compared to the historical repairs made during previous outages. The major factor for the generator is the condition of the electrical insulation.

An important, additional, major factor in accessing the mechanical condition of the turbine/generator is the observations made by well-trained operating personnel. Our employees continuously monitor the performance and operation of the unit from start up to shut down. The operators are especially attentive to vibration, sound, operating characteristics and unit output as key indicators of mechanical condition.



- b. Gulf does not project the number of unit start-ups per year for the generating units. The number of hours each unit is expected to run is projected in the Energy Budget. The Energy Budget projection is used to determine the adequacy of generation supply to meet our customer demands. The projected hours of operation of a unit is only one of the parameters used for maintenance planning or setting unit retirement dates.

The 1989 Energy Budget will be used as the comparison of projections to actual operating hours as the 1986 Energy Budget is not available. The 1989 Energy Budget projection for Crist 1 & 2 increased from zero in 1989 to 300 hours in 1993. Crist unit 3 was projected to run an average of 225 hours per year between 1989 and 1993. The actual operation of Crist units 1, 2, & 3 has averaged approx. 1000 hours per year from 1986 to 1997 peaking at 1700 hours in 1996. The units have run more hours than the budget projections. The 1997 Energy Budget projects the generation from Crist units 1, 2, & 3 to increase from 460 hours per year in 1997 to over 6000 hours per year in 2007.

- c. There are three alternative decisions that could be made during any inspection of a turbine/generator:
1. If the repair cost were greater than the value of the unit to the system, the unit could face immediate retirement.
  2. If the unit is repairable but the repairs extensive, the decision would be the best economic decision to meet system needs. This repair decision would be based on the value of the unit to the system verses the cost and availability of replacement generation. One option would include a partial repair to allow the unit to return to service with limitations.
  3. If the repairs were complete the unit would be returned to service without limitations. The retirement date would be re-evaluated for extension as the unit nears the end of its originally projected retirement date.

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The findings and repairs of the last inspection were the critical factors in the decision to delay the retirement date of these units. The condition of the rotating elements of these turbines was found to be in exceptional condition, as was the stationary elements. There was normal, expected wear on seals and bearings. The turbine cylinders and shells were likewise found to be in sound condition. The minimal repairs required to return the units to service were routine in nature and the non destructive testing for hidden faults affirmed the decision to return the unit to service in a full capacity status.

The repair history of Crist 1,2, & 3 and the operators' report that the machines are running well put the units in the third category. The units are in sound operating condition without operating limitations and should remain in service to the revised retirement date.



5. In the initial review, item 3, the question of maintaining depreciation rates by unit within the plant site is addressed. The rationale for subcategorization is to provide more homogeneous categories thereby providing more accurate rates of recovery, not a proliferation of record-keeping. It goes without saying that if homogeneity exists at a site level, then further subcategorization would perhaps be unnecessary. While Gulf has provided details at an account by unit level; it has nevertheless proposed rates continue to be maintained at a site level. The argument presented in response to staff's initial review is that rates by unit by site are not justified or necessary since application of a composite rate for each site results in approximately the same total accruals as if rates were applied on a unit basis. To the extent there are homogeneous groups within the plant site or unit that consist of substantial portions of investment expected to have inherently different life patterns than the group average, those homogeneous groups should be given a separate depreciation rate. If not recovery will be achieved over a shorter or longer period of time depending on the group average life. The matching of expenses to consumption will no longer be accomplished and any inherent reserve deficiencies will not be recovered until the demise of the associated group.

**RESPONSE:**

Gulf agrees with Staff that homogenous groups of property should be used in the "development" of the depreciation rates as has been performed in Gulf's depreciation rate study. The Company does not agree with Staff's position that there is a requirement to apply separate rates for each homogeneous group. Instead, Gulf proposes the continued application of a "composite depreciation rate". Gulf is in compliance with Florida Administrative Code Rule 25-6.04361 as subcategories are used in the design and development of the depreciation rates.

A composite rate results in essentially the same amount of depreciation expense as if the rates for homogenous were applied separately. Composite Rate is defined in the publication "Public Utility Depreciation Practices" as follows:

"The weighted average of two or more component rates. Accruals resulting from the application of a composite depreciation rate should always equal the accruals calculated by applying component rates to their related investments."

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In response to Staff Information Request item #3, Gulf showed an example of the immaterial difference in total depreciation expense for a plant site between applying a composite rate and individual unit rates on the investment for the site. The example used in the initial review for Gulf's Crist Plant yielded a difference of only \$30,390 or two tenths of one percent. The rates currently in effect and the rates proposed by Gulf are in accordance with the rules of the Florida Public Service Commission.

Gulf Power--by law--is required to review and revise its depreciation rates prior to any significant distortions which may occur in the application of a composite depreciation rate. Distortions in the composite rate are caused as the mix in the investment comprising the composite rate changes over-time. Florida Administrative Code Rule 25-6.0436 requires utilities to review their depreciation rates at a minimum of every four years. As such, there is no need to record depreciation for each generating unit at each plant site.

In a memorandum dated August 29, 1991 regarding Rule 25-6.0436 and the application of depreciation rates at a subcategory level, the PSC Staff also stated:

"Staff emphasizes that this rule, along with all the specified subaccounts, is for depreciation purposes only and do not affect other accounting procedures. The Economic Impact Statement (EIS) contains cost data submitted by utilities based on a worst case scenario. This scenario assumes that the utilities will be required to implement the methodology prescribed in the rule throughout their accounting procedures and that all subaccounts will be "booked". This is not the intent of the rule (emphasis added), and Staff has made changes to the language of the rule to emphasize that the stratification is for depreciation purposes only."



6. **Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (General)**

The accounts for station equipment and for structures, in the transmission and distribution functions, will be reviewed together, in order to incorporate the relationships between the life patterns of these accounts. It has generally been said that the transmission station equipment and the distribution station equipment were very similar, and the same life pattern was used for the two accounts. In the present study, Gulf is describing some specific differences in the life patterns associated with the equipment in the two accounts.

The distribution equipment is subject to more frequent retirement to accommodate growth and changing customer needs, according to the Company. The retirement of all 12/4 KV distribution substations in recent years is cited as an example. The retirements for Account 362, for the years 1993 through 1996, total approximately \$3.2M.

- a. What portion of these retirements were associated with the 12/4KV substations mentioned?

**RESPONSE:**

- a. Retirements for Account 362 for the years 1993 through 1996 total approximately \$2.8 million. For this same period retirements associated with Account 362 for the 12/4 KV substations were approximately \$115,000. Since 1990 Gulf has made retirements of approximately \$450,000 of this type of investment.

6. Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (Account 362)

The Company proposes to retain the R2-38 life pattern for the Distribution Station Equipment, and proposes a decrease in remaining life from 29 years to 27 years. The reported activity for this account since the last study indicates a growing investment. For the years 1993 through 1996, the additions amount to more than \$13 M, while retirements are less than \$3 M. Such activity would be expected to decrease the account average age, and the remaining life would increase if the expected life pattern (such as R2-38) is a constant.

- b. What average age is associated with the investment in this study, and how does that compare with the age in the last study?

RESPONSE:

- b. Gulf calculated an average age of 13.2 years for estimated 12/31/97 investment. The previous study provides an average age of 11.1 years for data as of 12/31/93. Neither of these in conjunction with the service life provide the remaining life for the two studies; however, remember that the life expectancy for each vintage of the R2 curve and 38 year life are the mathematical drivers for the average remaining life.

The age of the investments for this account is based on a dollar-weighted average. Although the account has increased \$13 million for the periods 1993-1996, this is only 12% of the total investment in the account. The survivors prior to 1993 represent 88% of the account which has aged an additional 4 years since the last depreciation study. As the age of the property increases, the expectancy (remaining life) would decrease. The use of an R2-38 curve provides the statistical data needed to determine the weighted average of the life expectancy for all investment surviving as estimated as of December 31, 1997. The calculation of the remaining life for this account has been included as an attachment in response to 6 (e) and includes all vintages in its derivation.



6. Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (Account 362 Continued)
- c. Does the Company keep the records for Distribution Station Equipment as a mass property account, or can each individual retirement unit of installed physical plant be identified?
  - d. Please explain how the proposed decrease in remaining life has come about, given these observations.
  - e. Also, please provide the theoretical reserve percentage along with the calculation by which it was determined. There is a small discrepancy of approximately \$0.5 M between staff's calculation and the theoretical reserve in the study.

**RESPONSE:**

- c. Records for distribution station equipment are kept by vintage and location.
- d. Based on the facts as presented in response to 6 (b), (e), a decrease in the average remaining life would be expected as the age of the property increases. The depreciation rates proposed and related service life, age, and remaining life for this account are logical and appropriate.
- e. Please see attachments A through C for the theoretical reserve calculation for Account 362. The reserve ratios are calculated by vintage year reflecting the vintage life expectations of an R2-38 curve and life.

**DEPRECIATION RESERVE**  
**BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 362  
 Date of Study: 1997  
 Curve: R2 - 38.0  
 Salvage 0.0  
 Truncation? NO

Account  
 362 STATION EQUIPMENT

Subaccount

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1926	2,393	38.0	0.0	63	0.5	0.9868	2,361
1928	825	38.0	0.0	22	0.5	0.9868	814
1930	1,722	38.0	0.0	45	0.9	0.9763	1,681
1938	7,669	38.0	0.0	202	3.1	0.9184	7,043
1939	4,693	38.0	0.0	124	3.3	0.9132	4,286
1940	2,106	38.0	0.0	55	3.5	0.9079	1,912
1941	4,517	38.0	0.0	119	4.0	0.8947	4,041
1942	47,513	38.0	0.0	1,250	4.2	0.8895	42,263
1943	12,137	38.0	0.0	319	4.4	0.8842	10,732
1944	23,537	38.0	0.0	619	4.8	0.8737	20,564
1945	3,182	38.0	0.0	84	5.0	0.8684	2,763
1946	3,677	38.0	0.0	97	5.5	0.8553	3,145



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1947	6,797	38.0	0.0	179	5.7	0.8500	5,778
1948	70,546	38.0	0.0	1,857	5.9	0.8447	59,590
1949	67,930	38.0	0.0	1,788	6.4	0.8316	56,491
1950	92,430	38.0	0.0	2,432	6.7	0.8237	76,135
1951	55,634	38.0	0.0	1,464	6.9	0.8184	45,531
1952	184,505	38.0	0.0	4,855	7.4	0.8053	148,582
1953	511,719	38.0	0.0	13,466	7.7	0.7974	408,045
1954	156,883	38.0	0.0	4,129	8.3	0.7816	122,620
1955	495,438	38.0	0.0	13,038	8.6	0.7737	383,320
1956	213,382	38.0	0.0	5,615	8.9	0.7658	163,408
1957	298,641	38.0	0.0	7,859	9.5	0.7500	223,961
1958	893,069	38.0	0.0	23,502	9.8	0.7421	662,747
1959	608,776	38.0	0.0	16,020	10.2	0.7316	445,381
1960	371,955	38.0	0.0	9,788	10.8	0.7158	266,245
1961	380,704	38.0	0.0	10,019	11.2	0.7053	268,511
1962	295,295	38.0	0.0	7,771	11.7	0.6921	204,374
1963	375,825	38.0	0.0	9,890	12.3	0.6763	254,170
1964	1,040,812	38.0	0.0	27,390	12.8	0.6632	690,267
1965	650,777	38.0	0.0	17,126	13.4	0.6474	421,313
1966	425,575	38.0	0.0	11,199	14.0	0.6316	268,793
1967	375,369	38.0	0.0	9,878	14.5	0.6184	232,128
1968	874,132	38.0	0.0	23,004	15.2	0.6000	524,479
1969	967,114	38.0	0.0	25,450	15.7	0.5868	567,503
1970	1,197,220	38.0	0.0	31,506	16.3	0.5711	683,732
1971	971,634	38.0	0.0	25,569	17.0	0.5526	536,925
1972	1,751,405	38.0	0.0	46,090	17.6	0.5368	940,154
1973	1,818,035	38.0	0.0	47,843	18.4	0.5158	937,742
1974	2,454,331	38.0	0.0	64,588	19.0	0.5000	1,227,166
1975	2,068,584	38.0	0.0	54,436	19.7	0.4816	996,230
1976	537,070	38.0	0.0	14,133	20.4	0.4632	248,771
1977	827,582	38.0	0.0	21,779	21.1	0.4447	368,026
1978	1,914,912	38.0	0.0	50,392	21.8	0.4263	816,327
1979	2,825,834	38.0	0.0	74,384	22.6	0.4053	1,145,311
1980	2,208,508	38.0	0.0	58,119	23.3	0.3868	854,251

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Attachment B

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1981	1,561,205	38.0	0.0	41,084	24.1	0.3658	571,089
1982	4,035,369	38.0	0.0	106,194	24.9	0.3447	1,390,992
1983	196,529	38.0	0.0	5,172	25.6	0.3263	64,127
1984	3,288,520	38.0	0.0	86,540	26.5	0.3026	995,106
1985	2,745,379	38.0	0.0	72,247	27.3	0.2816	773,099
1986	1,579,551	38.0	0.0	41,567	28.0	0.2632	415,738
1987	8,956,895	38.0	0.0	235,708	28.9	0.2395	2,145,176
1988	3,644,185	38.0	0.0	227,489	29.7	0.2184	1,887,973
1989	11,925,003	38.0	0.0	313,816	30.5	0.1974	2,353,996
1990	5,482,100	38.0	0.0	144,286	31.4	0.1737	952,241
1991	3,382,713	38.0	0.0	89,019	32.3	0.1500	507,407
1992	4,729,912	38.0	0.0	124,471	33.1	0.1290	610,159
1993	4,981,272	38.0	0.0	131,086	34.0	0.1053	524,528
1994	2,216,302	38.0	0.0	58,324	34.9	0.0816	180,850
1995	2,460,019	38.0	0.0	64,737	35.8	0.0579	142,435
1996	3,353,486	38.0	0.0	88,250	36.7	0.0342	114,689
1997	5,115,000	38.0	0.0	134,605	37.5	0.0132	67,518
SUM	<u>102,756,214</u> =====			<u>2,704,112</u> =====			<u>29,052,755</u> =====

ACCRUAL RATE: 2.6  
 RESERVE RATIO: 28.3  
 CALCULATED REMAINING LIFE: 27.3



**6. Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (Account 353)**

For the Transmission Station Equipment account, the proposal is to retain the R2 curve and increase the average service life to 45 years. The proposed remaining life is 32 years, increasing from the current remaining life of 26 years. Again, growth in the account would produce a decrease in average age, which would tend to increase remaining life. However, the proposed increase may be too great.

While the Company's experience appears to indicate that average life for transmission station equipment will be longer than the average life for station equipment in the distribution function, a decrease for distribution equipment could theoretically maintain that relationship. The proposed increase for transmission station equipment is beyond the expectations of other Florida companies. When there is a shift of the magnitude proposed, and beyond the experience of others in the industry, it is often tied to a different technology or a difference in Company policy.

- f. Please elaborate on the Company's specific experience as it relates to the proposed increase in average service life.**
- g. What is the current average age for this investment, and what was the average age at the last study?**
- h. Are records maintained by vintage and location for each retirement unit in this account?**
- i. What information supports the selection of the 45-year service life, as compared to 40, 43, or 46 years for example?**
- j. Also, please provide the theoretical reserve percentage along with the calculation by which it was determined.**

**RESPONSE:**

- f. As previously stated in response to 6 (b), the growth in the account does not necessarily cause an increase in the average age of the account. The relative young age of new investment is dollar-weighted with the older age of all other surviving investment. Therefore, it is reasonable and logical for the average age to increase with the addition of new investment.

The life of Gulf's Transmission substation equipment should be increased based on the actuarial data supporting Gulf's depreciation rate study. Attached (attachment A) is the -Actuarial Graph- for Account 353 supporting Gulf's estimate of the R2-45 curve and life. With respect to other Florida utilities, the life of Gulf's transmission substation equipment is based on historical data that shows a longer life and should be depreciated accordingly.

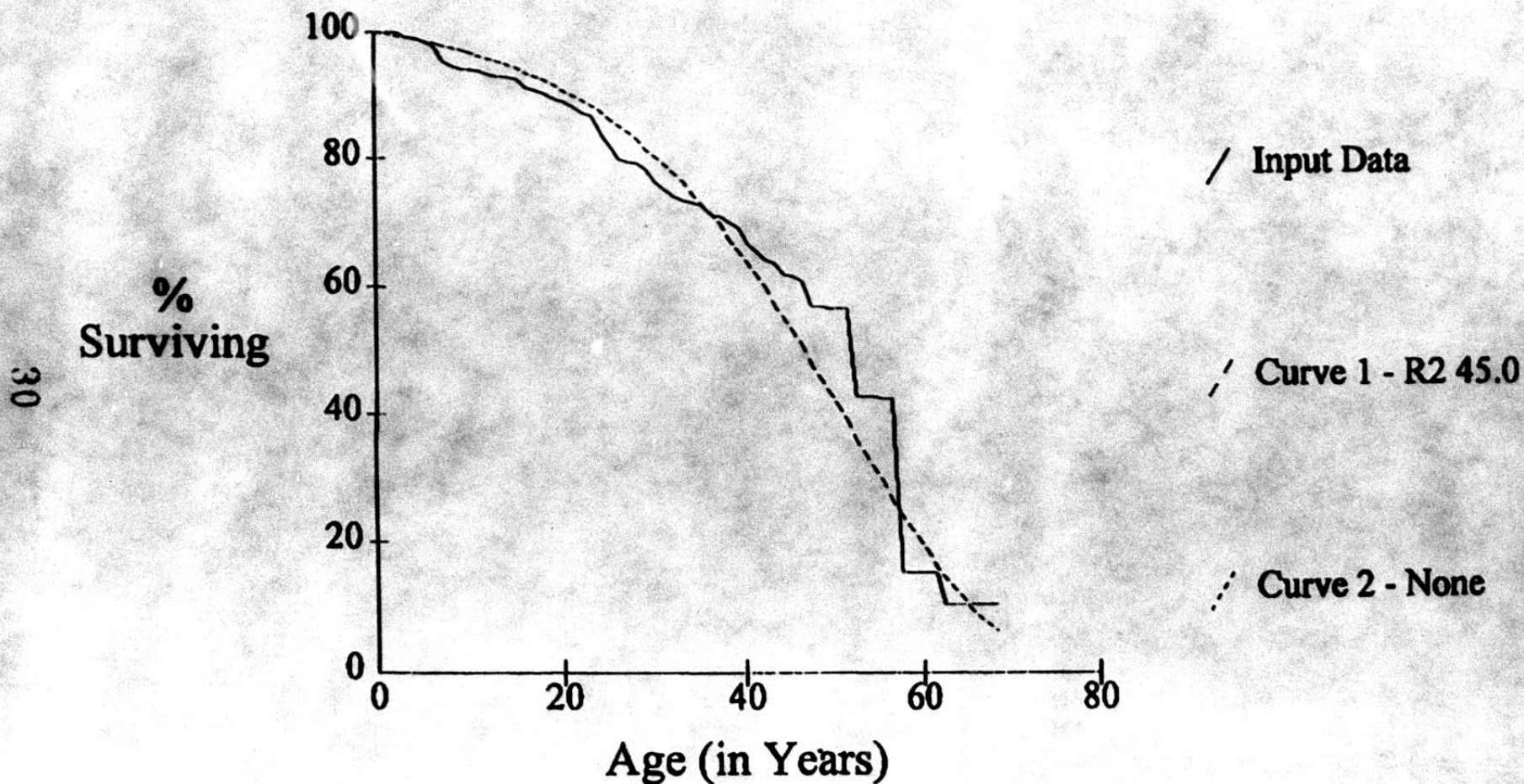
Transmission substations, particularly step-up subs, are built to higher specifications than distribution subs to ensure transmission system reliability. These stations in the Southern system are built for larger capacity and do not typically undergo growth and changing customer needs as do Distribution substations. Other companies within the Southern system are also experiencing the longer lives for this equipment. Currently, Georgia Power Company and Mississippi Power Company are using 49 years and 45 years, respectively. It is reasonable to assume that Gulf's experience is more related to that of its sister companies since Southern maintains an integrated system.

Staff's premise that the life of Distribution substation should be reduced to create a contrast with Transmission substation equipment is not logical and is not supported by the historical data. Attached (attachment B) is the -Actuarial Graph- for account 362 which clearly supports Gulf's position that the curve and life for this account should be an R2-38. Also attached (attachment C & D) are two exhibits presenting the percent surviving of original placements for both accounts 362 and 353. For account 362, there is approximately 50% or less surviving for investments which have attained an age equal to its average service life of 38 to 40 years. This would be expected for an R2-38 curve and life. The age at which there is consistently 50% survivors or less for transmission substation equipment is much older.



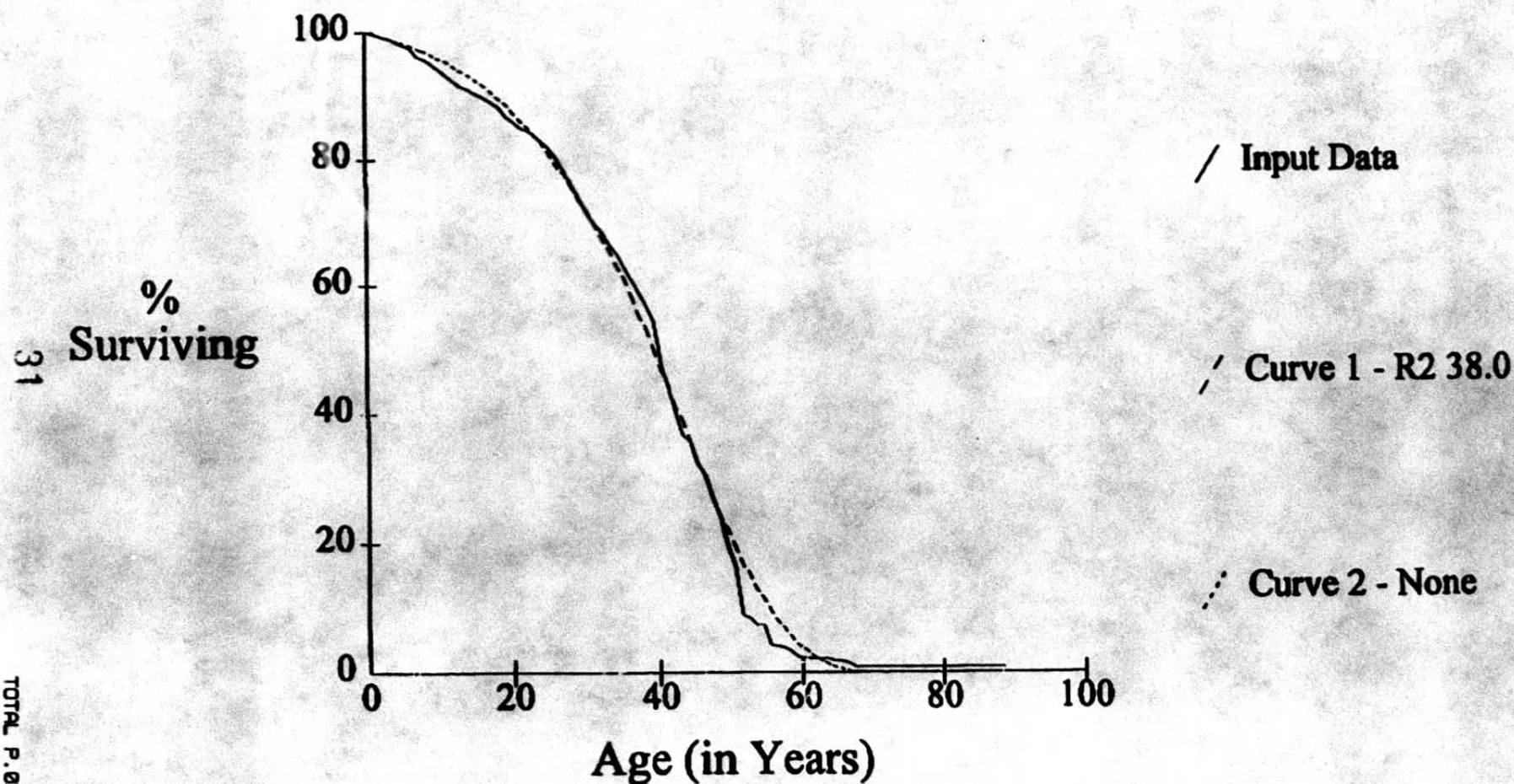
# ACTUARIAL GRAPH Project Name: 353

## 1977-1996 E 3/26/97



# ACTUARIAL GRAPH Project Name: 362

## 1977-1996 E 3/19/97





		Vintage Additions	Surviving Balance At 12/31/96	% Surviving
353	1928	32,345	1,778	5.5%
353	1930	771	0	0.0%
353	1938	29,189	0	0.0%
353	1939	271	0	0.0%
353	1940	1,970	805	51.3%
353	1941	1,883	0	0.0%
353	1942	197,716	100,915	51.0%
353	1943	126,016	30,446	24.2%
353	1944	47,095	5,877	12.5%
353	1945	115,586	86,334	74.7%
353	1946	10,025	39	0.4%
353	1947	29,713	2,210	7.4%
353	1948	84,434	100	0.1%
353	1949	587,458	386,567	65.8%
353	1950	36,799	16,527	44.9%
353	1951	318,778	178,657	56.0%
353	1952	858,891	675,252	78.6%
353	1953	761,948	610,670	80.1%
353	1954	92,781	80,148	86.4%
353	1955	56,527	18,313	32.4%
353	1956	94,641	28,525	30.1%
353	1957	494,809	381,424	77.1%
353	1958	540,427	454,533	84.1%
353	1959	358,275	241,471	67.4%
353	1960	599,373	526,921	87.9%
353	1961	577,493	416,825	72.2%
353	1962	279,514	258,066	92.3%
353	1963	141,599	106,944	75.5%
353	1964	63,028	49,174	78.0%
353	1965	680,010	590,521	86.8%
353	1966	362,691	47,034	13.0%
353	1967	2,061,518	1,627,499	78.9%
353	1968	1,762,351	1,511,596	85.8%
353	1969	342,966	207,819	60.6%
353	1970	990,705	872,054	88.0%
353	1971	1,452,826	1,300,000	89.5%
353	1972	84,899	59,105	69.6%
353	1973	4,871,916	4,393,667	90.2%
353	1974	1,738,699	1,606,948	92.4%
353	1975	759,242	645,110	85.0%
353	1976	220,196	185,398	84.2%
353	1977	1,945,673	1,870,367	96.1%
353	1978	241,090	241,090	100.0%
353	1979	1,160,083	1,075,740	92.7%
353	1980	1,260,827	1,249,434	99.1%
353	1981	1,520,627	529,917	34.8%
353	1982	755,072	728,321	96.5%
353	1983	447,848	238,909	53.3%
353	1984	304,848	178,883	58.7%
353	1985	97,596	86,961	89.1%
353	1986	151,323	151,323	100.0%
353	1987	3,671,167	3,614,779	98.5%
353	1988	2,468,302	2,339,020	94.8%
353	1989	5,437,171	5,413,106	99.6%
353	1990	460,563	385,806	83.8%
353	1991	5,088,730	5,071,992	99.7%
353	1992	2,608,636	2,597,253	99.6%
353	1993	1,444,836	1,444,836	100.0%
353	1994	736,091	736,091	100.0%
353	1995	796,212	796,212	100.0%
353	1996	4,323,082	4,323,082	100.0%
Total			32,778,394	

		Vintage Additions	Surviving Balance 12/31/96	% Surviving
362	1908	11,274		0.0%
362	1910	12,124		0.0%
362	1913	9,489		0.0%
362	1926	238,775	2,383	1.0%
362	1927	65,925		0.0%
362	1928	57,891	825	1.4%
362	1929	12,558		0.0%
362	1930	35,249	1,722	4.9%
362	1931	17,211		0.0%
362	1932	2,801		0.0%
362	1933	1,074		0.0%
362	1935	1,784		0.0%
362	1936	24,835		0.0%
362	1937	43,576		0.0%
362	1938	72,243	7,889	10.8%
362	1939	27,728	4,893	16.9%
362	1940	25,088	2,108	8.4%
362	1941	89,525	4,517	4.5%
362	1942	173,485	47,513	27.4%
362	1943	202,007	12,137	6.0%
362	1944	122,829	23,537	19.2%
362	1945	30,148	3,182	10.6%
362	1946	39,333	3,677	9.3%
362	1947	89,821	6,797	6.8%
362	1948	158,285	70,848	44.6%
362	1949	275,086	67,830	24.7%
362	1950	418,142	92,430	22.1%
362	1951	328,498	85,634	16.9%
362	1952	379,935	184,505	48.6%
362	1953	663,751	511,719	52.0%
362	1954	971,127	188,883	18.2%
362	1955	898,337	485,438	57.7%
362	1956	885,875	213,382	37.7%
362	1957	598,352	298,641	53.7%
362	1958	1,452,210	883,089	61.5%
362	1959	1,019,825	608,776	59.7%
362	1960	525,122	371,865	70.6%
362	1961	657,136	380,704	57.9%
362	1962	428,888	285,295	69.2%
362	1963	853,405	375,825	44.0%
362	1964	1,401,755	1,040,812	74.3%
362	1965	984,651	650,777	65.4%
362	1966	472,840	425,575	90.0%
362	1967	632,709	375,389	59.3%
362	1968	1,049,240	874,132	83.3%
362	1969	1,153,730	987,114	83.8%
362	1970	1,582,824	1,197,220	75.6%
362	1971	1,208,777	971,634	80.5%
362	1972	2,114,620	1,751,405	82.8%
362	1973	2,141,880	1,818,035	84.9%
362	1974	2,808,779	2,454,331	87.4%
362	1975	2,504,935	2,086,584	82.6%
362	1976	704,578	537,070	76.2%
362	1977	973,080	827,582	85.0%
362	1978	2,235,785	1,914,912	85.6%
362	1979	3,524,891	2,825,834	80.2%
362	1980	2,438,841	2,206,508	90.6%
362	1981	1,781,481	1,581,205	88.6%
362	1982	4,682,884	4,036,389	86.5%
362	1983	327,787	196,529	60.0%
362	1984	3,716,234	3,288,520	88.5%
362	1985	3,047,617	2,745,379	90.1%
362	1986	1,842,883	1,579,551	85.1%
362	1987	9,222,882	8,989,885	97.1%
362	1988	8,975,271	8,644,585	96.3%
362	1989	12,135,088	11,825,003	98.3%
362	1990	5,544,884	5,462,100	98.9%
362	1991	3,440,829	3,382,713	98.3%
362	1992	4,780,974	4,729,912	99.0%
362	1993	5,036,085	4,981,272	98.9%
362	1994	2,216,302	2,216,302	100.0%
362	1995	2,480,019	2,480,019	100.0%
362	1996	2,673,635	2,673,635	100.0%
362	1998	679,651	679,651	100.0%



- g. Current study - 16.3 years  
Prior study - 14.5 years**
- h. Yes**
- i. Company experience, historical analysis, engineering input, and professional judgment were all used in selecting the 45 year service life. A more detailed explanation of the supporting data has been presented in response to 6 (f).**
- j. Please see attachments A through C for the theoretical reserve calculation for Account 353.**

**DEPRECIATION RESERVE**  
**BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 353  
 Date of Study: 1997  
 Curve: R2 - 45.0  
 Salvage 0.0  
 Truncation? NO

Account  
 353 STATION EQUIPMENT

Subaccount

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1928	1,778	45.0	0.0	40	3.7	0.9178	1,832
1940	805	45.0	0.0	18	7.5	0.8333	671
1942	100,915	45.0	0.0	2,243	8.1	0.8200	82,750
1943	30,446	45.0	0.0	677	8.5	0.8111	24,695
1944	5,877	45.0	0.0	131	8.9	0.8022	4,715
1945	86,334	45.0	0.0	1,919	9.3	0.7933	68,489
1946	39	45.0	0.0	1	9.8	0.7822	31
1947	2,210	45.0	0.0	49	10.0	0.7778	1,719
1948	100	45.0	0.0	2	10.4	0.7689	77
1949	386,567	45.0	0.0	8,590	10.9	0.7578	292,941
1950	16,527	45.0	0.0	367	11.4	0.7467	12,341
1951	178,657	45.0	0.0	3,970	11.7	0.7400	132,206



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1952	675,252	45.0	0.0	15,006	12.2	0.7289	492,191
1953	610,670	45.0	0.0	13,570	12.7	0.7178	438,339
1954	80,148	45.0	0.0	1,781	13.3	0.7045	56,464
1955	18,313	45.0	0.0	407	13.6	0.6978	12,779
1956	28,525	45.0	0.0	634	14.2	0.6844	19,523
1957	381,424	45.0	0.0	8,476	14.7	0.6733	256,813
1958	454,533	45.0	0.0	10,101	15.3	0.6600	299,992
1959	241,471	45.0	0.0	5,366	15.9	0.6467	156,159
1960	526,921	45.0	0.0	11,709	16.3	0.6378	336,070
1961	416,825	45.0	0.0	9,263	17.0	0.6222	259,349
1962	258,066	45.0	0.0	5,735	17.6	0.6089	157,136
1963	106,944	45.0	0.0	2,377	18.2	0.5956	63,696
1964	49,174	45.0	0.0	1,093	18.7	0.5844	28,737
1965	590,521	45.0	0.0	13,123	19.4	0.5689	335,947
1966	47,034	45.0	0.0	1,045	20.1	0.5533	26,024
1967	1,627,499	45.0	0.0	36,167	20.7	0.5400	878,850
1968	1,511,596	45.0	0.0	33,591	21.4	0.5245	792,832
1969	207,819	45.0	0.0	4,618	22.0	0.5111	106,216
1970	872,054	45.0	0.0	19,379	22.7	0.4956	432,190
1971	1,300,000	45.0	0.0	28,889	23.4	0.4800	624,000
1972	59,105	45.0	0.0	1,314	24.2	0.4622	27,318
1973	4,393,667	45.0	0.0	97,637	24.8	0.4489	1,972,317
1974	1,606,948	45.0	0.0	35,710	25.5	0.4333	696,291
1975	645,110	45.0	0.0	14,336	26.3	0.4156	268,108
1976	185,398	45.0	0.0	4,120	27.1	0.3978	73,751
1977	2,491,606	45.0	0.0	55,369	27.9	0.3800	946,810
1978	241,090	45.0	0.0	5,358	28.5	0.3667	88,408
1979	975,740	45.0	0.0	21,683	29.3	0.3489	340,436
1980	1,149,434	45.0	0.0	25,543	30.1	0.3311	380,578
1981	2,014,852	45.0	0.0	44,775	30.9	0.3133	631,253
1982	628,321	45.0	0.0	13,963	31.8	0.2933	184,287
1983	479,776	45.0	0.0	10,662	32.5	0.2778	133,282
1984	199,108	45.0	0.0	4,425	33.3	0.2600	51,768
1985	87,482	45.0	0.0	1,944	34.2	0.2400	20,996

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1986	1,124,216	45.0	0.0	24,963	35.0	0.2222	249,801
1987	3,614,779	45.0	0.0	80,328	35.8	0.2045	739,222
1988	2,339,020	45.0	0.0	51,978	36.7	0.1844	431,315
1989	5,419,724	45.0	0.0	120,438	37.5	0.1667	903,468
1990	385,806	45.0	0.0	8,574	38.4	0.1467	56,598
1991	5,071,992	45.0	0.0	112,711	39.3	0.1267	642,621
1992	2,651,794	45.0	0.0	58,929	40.1	0.1089	268,780
1993	1,444,836	45.0	0.0	32,108	41.0	0.0889	128,446
1994	736,091	45.0	0.0	16,358	41.9	0.0689	50,717
1995	796,212	45.0	0.0	17,694	42.8	0.0489	38,935
1996	4,323,082	45.0	0.0	96,069	43.6	0.0311	134,448
1997	2,577,000	45.0	0.0	57,267	44.5	0.0111	28,605
<b>SUM</b>	<u>56,457,233</u> =====			<u>1,254,613</u> =====			<u>15,904,133</u> =====

ACCRUAL RATE: 2.2  
 RESERVE RATIO: 28.2  
 CALCULATED REMAINING LIFE: 32.3

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6. **Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (Account 361)**

The Company proposes to retain the S3-40 life pattern for the Structures account in the distribution function. Annually there have been retirements to the account, but the magnitude is infinitesimal. The magnitude of annual additions is small, but typically the additions amount to about three times the total retirements.

- k. Staff would like clarification as to the use of the structures in this account: do these structures serve to house anything in addition to the distribution station equipment?
- l. Are records for this account kept as mass property records?
- m. What average age is currently associated with the account, and is it an actuarial or synthesized age?

The proposal for remaining life, along with the underlying curve and service life, appear reasonable for this account. The salvage proposal of negative 10% reflects anticipated cost of removal, and appears to be associated with very small retirements. In view of staff, the proposed (10%) may not be typical of the greater portion of the investment in this account. The other Florida Companies do not anticipate that cost of removal will push salvage more negative than 5%. At this time, staff would anticipate maintaining (5%) for net salvage.

**RESPONSE:**

- k. Attachments A through E are a listing of Gulf's retirement unit manual for Account 361. This listing illustrates the various items included in Account 361. Items in Account 362, Station Equipment, are "housed" within these accounts.
- l. Records for this account are maintained by vintage and location for each retirement.
- m. Average age of survivors is 13.9 years based on aged data.

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Gulf agrees with Staff that there is limited salvage and removal cost experience available in which to base a conclusion for this account. As such, judgement should be used to make this estimate. The company also agrees with Staff that the historical experience may not be typical of the greater portion of the account. It is Gulf's position that the cost relating to the greater portion may be more, not less.

First, the removal of this property is a labor intensive process. Labor costs will escalate over time while the historical investment will not. This will cause the net removal cost, as a percent of original cost, to increase over time as opposed to decrease. For substation structures, the removal of most of this equipment would be late in its life. Second, other costs for the removal of structures and improvements may also be incurred including--but not limited to--environmental assessments, removal of contaminants (if any), removal of substructures, etc.. Gulf's 10% removal cost estimate is more conservative considering what may be entailed to retire and remove these substation sites from service.



ACCOUNT 361  
STRUCTURES AND IMPROVEMENTS  
RETIREMENT UNITS

PAGE 1

PLANT COST CODE	RUC DESCRIPTION	361 RETIREMENT UNIT
361.9021	Demolition, Initial Site Preparation	
0001	Initial Site Preparation, All	Each substation
361.9022	Clearing and Grubbing, Initial Site Preparation	
0001	Initial Site Preparation, All	Each substation
361.9023	Grading, Initial Site Preparation	
0001	Initial Site Preparation, All	Each substation
361.9041	Yard Improvements, Site Improvements	
0011	Landscaping, All	Each substation
0013	Surfacing (stone), All	Each substation
0014	Paving, All	Each substation
361.9042	Yard Drainage, Site Improvements	
0021	Drainage System, complete	Each system
0022	Pump	Each
0023	Drive, pump	Each
0024	Manhole	Each
361.9044	Yard Sanitary Water, Site Improvements	
0041	Yard Sanitary Water System, complete (within sub. fence & to property line)	Each system
0042	Pump	Each
0043	Drive, pump	Each
0044	Well	Each
0045	Tank	Each
0046	Water Supply Line (outside of substation property)	All
0047	Chlorinating System, complete	Each system
361.9045	Retaining Walls, Site Improvements	
0050	Retaining Wall, complete (when identified with a building or structure)	Each
361.9046	Roadways, Curbs and Gutters, Site Improvements	
0061	Roadway with curbs and gutters, All	Each substation
0062	Driveways, All	Each substation
361.9047	Sidewalks and Steps, Site Improvements	
0070	Sidewalk including steps, All	Each
0071	Steps	Each set

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STRUCTURES AND IMPROVEMENTS  
RETIREMENT UNITS

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RETIREMENT  
UNIT

PLANT RUC DESCRIPTION  
COST CODE

361.9049	Fences and Special Enclosures, Site Improvements	
0091	Fence, property line, All	Each substation
0092	Substation Area Enclosure	Each
0093	Special Alarm System	Each system
0094	Visual Screen, Fence	Each Side
361.9050	Bridges, Site Improvements	
0100	Bridge	Each
361.9051	Yard Lighting, Site Improvements	
0110	Yard Lighting System, Complete	Each substation
361.9061	Channel Improvements, Waterfront Improvements	
0120	Channel Improvements, All	Each substation
361.9062	Canals, Waterfront Improvements	
0170	Canals, All	Each substation
361.9063	Docking Facilities, Waterfront Improvements	
0181	Deck	Each
361.9064	Bulkheads, Waterfront Improvements	
0190	Bulkhead	Each
361.9081	Track System, Permanent Railroad System	
0300	Track System, complete	Each system
361.9082	Trestles, Permanent Railroad System	
0310	Trestle, complete	Each
361.9101	Water Piping System, Fire Protection System	
0342	Substructure, Valve House Complete	Each
0343	Superstructure, Valve House (excl. bldg appurtenances)	Each
0344	Drainage System, Complete	Each
0345	Lighting System, Complete	Each
0346	Heater	Each
0347	Well	Each
0348	Storage Tank	Each
0349	Pump	Each
0351	Water Piping System, complete	Each system

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ACCOUNT 361  
STRUCTURES AND IMPROVEMENTS  
RETIREMENT UNITS

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PLANT COST CODE	RUC DESCRIPTION	361 RETIREMENT UNIT
	0358 Fire Hose with rack or cabinet	Each
361.9102	Carbon Dioxide System, Fire Protection System	
	0360 Carbon Dioxide System, complete	Each system
361.9181	Subfoundation Work, Battery House	
	1101 Substructure, complete	Each
361.9182	Excavation Work, Battery House	
	1101 Substructure, complete	Each
361.9183	Concrete Work, Battery House	
	1101 Substructure, complete	Each
361.9184	Structural Steel, Battery House	
	1102 Superstructure (Excluding Building Appurtenances)	Each
361.9185	Architectural Work, Battery House	
	1102 Superstructure (Excluding Building Appurtenances)	Each
361.9186	Building Appurtenances, Battery House	
	1120 Drainage System, complete	Each system
	1140 Lighting System, complete	Each system
	1151 Heater	Each
	1152 Air Conditioner	Each
	1153 Fan, ventilating	Each
	1154 Heat Pump	Each
361.9201	Subfoundation Work, Substation Control House	
	0401 Substructure, complete	Each
361.9202	Excavation Work, Substation Control House	
	0401 Substructure, complete	Each
361.9203	Concrete Work, Substation Control House	
	0401 Substructure, complete	Each

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RETIREMENT UNITS

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PLANT COST CODE	RUC	DESCRIPTION	361 RETIREMENT UNIT
361.9204		Structural Steel, Substation Control House	
	0402	Superstructure (Excluding Building Appurtenances)	Each
361.9205		Architectural Work, Substation Control House	
	0402	Superstructure (Excluding Building Appurtenances)	Each
	0405	Roof (Concrete Building)	Each
	0406	Shingle Roof	Entire Roof
361.9206		Building Appurtenances, Substation Control House	
	0420	Drainage System, complete	Each system
	0424	Sump Pump	Each
	0431	Plumbing System, complete	Each system
	0432	Water Cooler	Each
	0433	Water Heater	Each
	0440	Lighting System, complete	Each system
	0451	Heater	Each
	0452	Air Conditioner	Each
	0453	Fan, ventilating	Each
	0454	Heat Pump	Each
	0455	Heating, Air Conditioning and Ventilating Ductwork	Each system
	0480	Fire Protection System, complete	Each system
361.9221		Subfoundation Work, Pump House	
	0501	Substructure, complete	Each
361.9222		Excavation Work, Pump House	
	0501	Substructure, complete	Each
361.9223		Concrete Work, Pump House	
	0501	Substructure, complete	Each
361.9224		Structural Steel, Pump House	
	0502	Superstructure (Excluding Building Appurtenances)	Each
361.9225		Architectural Work, Pump House	
	0502	Superstructure (Excluding Building Appurtenances)	Each
361.9226		Building Appurtenances, Pump House	
	0520	Drainage System, complete	Each system
	0540	Lighting System, complete	Each system
	0551	Heater	Each

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RETIREMENT UNITS

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PLANT COST CODE	RUC	DESCRIPTION	361 RETIREMENT UNIT
361.9261		Subfoundation Work, Storage Building	
0601		Substructure, complete	Each
361.9262		Excavation Work, Storage Building	
0601		Substructure, complete	Each
361.9263		Concrete Work, Storage Building	
0601		Substructure, complete	Each
361.9264		Structural Steel, Storage Building	
0602		Superstructure (Excluding Building Appurtenances)	Each
361.9265		Architectural Work, Storage Building	
0602		Superstructure (Excluding Building Appurtenances)	Each
361.9266		Building Appurtenances, Storage Building	
0605		Storage Ramp	Each
0620		Drainage System, complete	Each system
0640		Lighting System, complete	Each system
0651		Heater	Each
361.9280		Contribution in Aid of Construction	
1000		Contribution in Aid of Construction	Each contribution

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6. Station Equipment and Structures for Transmission and Distribution Functions, Accounts 352, 353, 361, and 362. (Account 352 and 353)

For the Transmission Structures account, the Company proposes to move from an S3-40 to an R4-45 life pattern. As discussed above, this account will have the greatest service life of the four related accounts. The proposed change does not meet that expectation. One illustration of this concern is a comparison with the associated station equipment in the advanced age ranges. Only about 11% of the structure survives at age 55, but almost 30% of the station equipment yet survives at that age. Without truncation, the R2-45 pattern (proposed for station equipment) has about 5% of investment surviving to age 70 years, but the R4-45 drops to zero survivors a few years earlier than age 70. At this juncture, staff would not find the proposed change acceptable.

In considering the transmission Station Equipment and Structures accounts and the relationship between them, Staff would be inclined to a more conservative increase for Account 353, perhaps to an R2-40 life pattern, accompanied by an S3-42 for the Structure Account 352.

RESPONSE:

The schedules included in Gulf's Depreciation Study, -Analysis Results-, pages 47-49, -Analysis Summary-, present the percent surviving for each age interval for Account 352. This schedule shows that the investment surviving at age 56.5 is 61%. This type curve is indicative of an R4 curve which goes out for years with few or no retirements and then truncates rather steeply. It is very similar to a square curve which has zero retirements until all the property is retired at once. The life and curve proposed in the depreciation rate study is appropriate and should be monitored for additional increases in the life of this account as the investment continues to age overtime. Gulf is not sure how the Staff has calculated the 11% and 30% surviving for investments obtaining the age of 55 years.

As previously discussed in response to Staff request 6 (f), the R2-45 curve and life included in Gulf's Depreciation Rate Study is the most appropriate estimate for Account 353, substation Equipment.



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7. Towers and Fixtures, Account 354

The proposed change to an R5-45 appears to be in line with Gulf's experience for this account, as well as being in line with industry thinking. The continuation of a negative 20% net salvage is acceptable. It appears reasonable as an estimate for removal by Company personnel and it is in the accepted range of industry practice.

RESPONSE:

None required.

**8. Transmission Poles and Fixtures, Account 355**

This is an extremely stable account, with small increments of investment having an age in the range of 70 years. With the activity reported since the last study, the average age of the account is increasing quite slowly. That SI-37 curve is typical of the industry and in line with Company's experience. The proposal to go from a net salvage of negative 35% to negative 45% is derived from Gulf's experience, but there has been a wide variance in annual retirement levels and cost of removal. In the year experiencing the largest retirements, amounting to a retirement rate of 5%, the cost of removal was less than 5%. There is a question whether or not the entire account is subject to the high cost of removal, or whether it happens under difficult but limited circumstances. The proposed increase is beyond the expectation of others in the industry, and staff is inclined to retain the 35% negative net salvage.

**RESPONSE:**

Gulf's net salvage proposal is based on a historical analysis of the removal and salvage activity for Account 355.



9. Transmission Overhead Conductors and Devices, Account 356

This equipment, which is supported by the equipment in Account 355, also shows stability, but with a slight growth trend represented by about 1% increase in investment since the last study. In addition, a small percentage of equipment, such as insulators, may be subject to reuse following retirement. While the investment shows a very low average annual percentage retiring currently, staff cannot justify going beyond the 37-year life for the poles upon which this equipment rests. The Company's proposal to maintain the current negative 20% net salvage is reasonable.

**RESPONSE:**

The life of Account 356, Conductor, is not only related to the life of Account 355, Poles, as Staff states, but should also be related to the life of Account 354, Towers. The life for Poles is 37 years and the life of Towers is 45 years. Therefore, it is reasonable that the life of conductor is within the range of 37-45 years. Additionally transmission conductor, poles, and towers are replaced and retired independently of each other which can result in different average service lives for the different equipment accounts related to transmission lines. Gulf has proposed a 40-year life for its investment in Conductor. This increase in life reflects that the transmission line accounts are experiencing a longer service life than previously estimated in 1993.

10. Underground Conductors, Transmission, Account 358

No additions or retirements for this type of equipment are shown in the activity for the years 1993-1996. The Company notes that "the majority of the investment was added in 1993 and 1989."

- a. Perhaps there is a typographical error in the statement? If so, please advise staff of any correction which is required.

We acknowledge that continuation of the 40 year service life and square curve form appear reasonable under the circumstances, as far as can be ascertained. A negative 5% net salvage is also reasonable, with the same caveat.

RESPONSE:

Staff is correct in assuming that there is a typographical error in the statement. The statement should read "the majority of the investment was added in 1988 and 1989".



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11. Roads and Trails, Account 359

The proposal is to retain the square curve and reduce the service life to 40 years in conformance with APB #17, Accounting for Intangible Assets. Staff accepts the proposal. The appropriate net salvage is 0%.

RESPONSE:

None required.

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**12. Underground Conduit, Account 366**

**What is the age of the oldest surviving investment in this account? Please provide a generation arrangement for all of the surviving investment.**

**RESPONSE:**

**Account 366, Underground Conduit is a Mass Property account. Gulf simulates the surviving investment using a selected Iowa Curve and Average Service Life for this account. Attachments A through C present the estimating surviving investments that resulted from the application of the L4-50 curve and life. Any change to curve or life will result in changing the estimated vintage survivors.**



**DEPRECIATION RESERVE**  
**BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 366  
 Date of Study: 1997  
 Curve: L4 - 50.0  
 Salvage 0.0  
 Truncation? NO

**Account**

366 UNDERGROUND CONDUIT

**Subaccount**

<b><u>INST YEAR</u></b>	<b><u>ORIG COST SURVIVING (\$)</u></b>	<b><u>ASL</u></b>	<b><u>NET SALVAGE (%)</u></b>	<b><u>ANNUAL ACCRUAL (NET \$)</u></b>	<b><u>EXPEC- TANCY</u></b>	<b><u>RESERVE RATIO (NET)</u></b>	<b><u>CALC RESERVE (NET \$)</u></b>
1930	16	50.0	0.0	0	6.6	0.8680	14
1940	19	50.0	0.0	0	8.7	0.8260	16
1941	5,258	50.0	0.0	105	8.9	0.8220	4,320
1942	17	50.0	0.0	0	9.1	0.8180	14
1945	15	50.0	0.0	0	9.5	0.8100	12
1948	542	50.0	0.0	11	9.9	0.8020	435
1949	2,845	50.0	0.0	53	10.1	0.7980	2,111
1950	40,808	50.0	0.0	816	10.3	0.7940	32,402
1951	171,510	50.0	0.0	3,430	10.6	0.7880	135,150
1952	1,268	50.0	0.0	25	10.9	0.7820	992
1953	3,467	50.0	0.0	69	11.2	0.7760	2,690
1954	3,968	50.0	0.0	79	11.6	0.7680	3,047

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1955	18,050	50.0	0.0	381	12.1	0.7580	13,682
1956	14,530	50.0	0.0	291	12.6	0.7480	10,868
1957	9,100	50.0	0.0	182	13.2	0.7360	6,898
1958	18,050	50.0	0.0	361	13.8	0.7240	13,068
1959	47,024	50.0	0.0	941	14.4	0.7120	33,481
1960	19,968	50.0	0.0	399	15.1	0.6980	13,938
1961	4,760	50.0	0.0	95	15.8	0.6840	3,256
1962	10,340	50.0	0.0	207	16.5	0.670	6,928
1963	10,350	50.0	0.0	207	17.3	0.6540	6,769
1964	212	50.0	0.0	4	18.1	0.6380	135
1965	5,518	50.0	0.0	110	18.9	0.6220	3,432
1966	21,762	50.0	0.0	435	19.7	0.6080	13,188
1967	15,254	50.0	0.0	305	20.5	0.5900	9,000
1968	12,251	50.0	0.0	245	21.3	0.5740	7,032
1969	33,749	50.0	0.0	775	22.2	0.5560	21,544
1970	16,726	50.0	0.0	335	23.1	0.5380	8,999
1971	29,042	50.0	0.0	581	24.0	0.5200	15,102
1972	50,812	50.0	0.0	1,016	24.9	0.5020	25,508
1973	1,722	50.0	0.0	34	25.8	0.4840	834
1974	35,487	50.0	0.0	710	26.7	0.4660	16,537
1975	13,976	50.0	0.0	280	27.7	0.4480	6,233
1976	12,831	50.0	0.0	253	28.6	0.4280	5,406
1977	31,720	50.0	0.0	634	29.6	0.4080	12,942
1978	5,891	50.0	0.0	114	30.6	0.3880	2,206
1979	280,278	50.0	0.0	5,606	31.5	0.3700	103,703
1980	763	50.0	0.0	15	32.5	0.3500	267
1981	44,299	50.0	0.0	886	33.5	0.3300	14,619
1982	3,402	50.0	0.0	68	34.5	0.3100	1,055
1985	309	50.0	0.0	6	37.5	0.2500	77
1986	1,822	50.0	0.0	38	38.5	0.2300	419
1988	310	50.0	0.0	6	40.5	0.1900	59
1990	28,065	50.0	0.0	561	42.5	0.1500	4,210
1991	55,293	50.0	0.0	1,106	43.5	0.1300	7,188
1994	71,581	50.0	0.0	1,432	46.5	0.0700	5,011



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1995	30,657	50.0	0.0	613	47.5	0.0500	1,533
SUM	<u>1,190,035</u>			<u>23,798</u>			<u>576,132</u>
	=====			=====			=====

ACCRUAL RATE: 2.0  
 RESERVE RATIO: 48.4  
 CALCULATED REMAINING LIFE: 25.8

54

13. Line Transformers, Account 368

Please explain Gulf's reasoning for selecting the S0-29 life pattern, which was number 2 in the curve fit ranking for this account. Also, please provide a generation arrangement for survivors. Staff will recognize a net salvage of 5%, reflecting gross salvage realized consistently. In accord with instructions for this account in the Code of Federal Regulations, removal costs for transformers are not to be reflected in the account reserve.

RESPONSE:

Gulf Power selected the S0-29 life pattern for this account because the best -statistical fit- using the Simulated Plant Records method produced an L0-36 curve and life. This particular curve and life is an inordinately long survivor curve which assumes that the last retirement of investment surviving today will occur 147 years from its in service date. In Gulf's opinion this life is not reasonable. Therefore, the company has recommended the second best fit, which was the S0-29 curve and life. This analysis continues to support an increase in the average service life for this account.

Vintage survivors based on the S0-29 curve and life are attached in attachments A through C. Since this account is also Mass Property, any change to the curve or life will result in changing the estimated vintage survivors.

Gulf Power does not agree with Staff that a net salvage of 5% is accurate for this account. Gulf's proposed increase to 25% net salvage is based on Gulf's actual historical removal and salvage activity for the account. Gulf is also concerned that Staff's statement "removal costs for transformers are not to be reflected in the account reserve." is implying that final removal cost associated with a retired transformer should not be charged to the reserve and that this may have a bearing on Staff's net salvage proposal for this account. Transformer removal accounts for less than a third of the total cost of removal for this account. Other pieces of equipment such as cutouts and arresters are included in account 368 and make up a large percentage of the total removal costs in this account. For example the standard man-hour to remove a cutout is 1.18 hours. The man-hour to remove an arrester is .4 hours. The average man-hour to remove a single phased transformer 25 KVA or smaller is 1.26 hours. Quantities of cutouts and arresters retired in a given year are also usually higher than the number of transformers retired.



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Gulf Power accounts for transformer removal costs in accordance with the Code of Federal Regulations (CFR). In accordance with the CFR instructions for Operation Expense Accounts 581.1 through 584 all costs incurred by field personnel in the removing and resetting of Account 368 transformers, with or without replacements, are charged to operation expense accounts and not the account reserve.

Gulf Power's accounting for Account 368 transformers is consistent with that of other companies in the electric utility industry. The total installed cost of a transformer remains in the account from the time the transformer is purchased until permanently retired. When the transformer is first purchased an estimated first cost of installation is added to the capitalized purchase cost of each transformer and the appropriate operation account is credited with a first cost of installation estimate. Subsequently all costs incurred by field personnel for installing or removing the transformer are charged to the appropriate operation expense account, whether first installation or reinstallation.

Recorded in accordance with CFR Definition Number 10, Cost of Removal, the CFR instructions for Account 108 Accumulated Provision for Depreciation, and CFR Electric Plant Instruction 10 B (2), Gulf charges final removal costs to the reserve for Account 368 upon final retirement of a transformer in this account. This final retirement process is initiated when accounting is notified by the Company's transformer repair shop of the number of transformers retired and scrapped. Accounting will debit plant removal cost and credit the appropriate operation expense account with the estimated final removal cost incurred by the line crew to remove the transformer being retired. Any proceeds received for the retired transformers are credited to the salvage account for transformers in accordance with the CFR. A copy of a FERC audit issue found in the 1992 Biennial Report of Major Utilities Compliance Audit Issues that specifically calls for final cost of removal on transformers to be charged against the reserve follows in attachment D and E.

**DEPRECIATION RESERVE  
BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 368  
 Date of Study: 1997  
 Curve: S0 - 29.0  
 Salvage 0.0  
 Truncation? NO

Account  
 368 LINE TRANSFORMERS

Subaccount

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1940	32	29.0	0.0	1	0.5	0.9828	32
1941	263	29.0	0.0	9	0.6	0.9793	258
1942	134	29.0	0.0	5	0.9	0.9690	130
1943	408	29.0	0.0	14	1.3	0.9552	390
1944	1,280	29.0	0.0	44	1.8	0.9379	1,201
1945	4,076	29.0	0.0	141	2.0	0.9310	3,795
1946	5,059	29.0	0.0	175	2.5	0.9138	4,623
1947	16,285	29.0	0.0	562	2.8	0.9035	14,714
1948	12,177	29.0	0.0	420	3.2	0.8897	10,834
1949	12,432	29.0	0.0	429	3.5	0.8793	10,932
1950	27,601	29.0	0.0	952	4.0	0.8621	23,795
1951	44,628	29.0	0.0	1,539	4.2	0.8552	38,166



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1952	57,009	29.0	0.0	1,986	4.7	0.8379	47,768
1953	73,725	29.0	0.0	2,542	5.2	0.8207	60,506
1954	79,675	29.0	0.0	2,747	5.5	0.8104	64,589
1955	81,795	29.0	0.0	2,821	6.0	0.7931	64,872
1956	133,955	29.0	0.0	4,792	6.3	0.7828	108,774
1957	219,985	29.0	0.0	7,585	6.7	0.7890	169,153
1958	258,836	29.0	0.0	8,925	7.0	0.7586	196,353
1959	222,310	29.0	0.0	7,666	7.5	0.7414	164,821
1960	291,108	29.0	0.0	10,038	7.8	0.7310	212,799
1961	302,981	29.0	0.0	10,448	8.3	0.7138	216,268
1962	279,306	29.0	0.0	9,631	8.7	0.7000	195,514
1963	290,403	29.0	0.0	10,014	9.2	0.6828	198,287
1964	326,497	29.0	0.0	11,259	9.7	0.6655	217,284
1965	427,359	29.0	0.0	14,737	10.0	0.6552	280,006
1966	492,896	29.0	0.0	16,996	10.5	0.6379	314,418
1967	497,440	29.0	0.0	17,153	10.8	0.6276	312,193
1968	684,619	29.0	0.0	23,808	11.4	0.6069	415,495
1969	801,250	29.0	0.0	27,629	11.7	0.5966	478,026
1970	975,335	29.0	0.0	33,632	12.2	0.5793	565,012
1971	1,231,724	29.0	0.0	42,473	12.6	0.5655	696,540
1972	1,383,151	29.0	0.0	47,895	13.1	0.5483	758,382
1973	1,723,368	29.0	0.0	59,427	13.7	0.5276	909,249
1974	1,931,650	29.0	0.0	66,609	14.1	0.5138	992,482
1975	1,338,369	29.0	0.0	46,151	14.6	0.4966	664,634
1976	1,250,686	29.0	0.0	43,127	15.0	0.4828	603,831
1977	1,798,752	29.0	0.0	62,026	15.6	0.4621	831,203
1978	1,948,632	29.0	0.0	67,194	16.0	0.4483	873,572
1979	2,532,653	29.0	0.0	87,333	16.6	0.4276	1,082,962
1980	2,768,966	29.0	0.0	95,482	17.0	0.4138	1,145,798
1981	3,532,846	29.0	0.0	121,822	17.6	0.3931	1,388,762
1982	3,721,402	29.0	0.0	128,324	18.2	0.3724	1,385,850
1983	7,307,147	29.0	0.0	251,971	18.7	0.3552	2,595,499
1984	10,892,533	29.0	0.0	375,605	19.4	0.3310	3,605,429
1985	1,655,064	29.0	0.0	57,071	19.9	0.3138	519,359

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1986	5,661,351	29.0	0.0	195,219	20.5	0.2931	1,859,342
1987	6,495,986	29.0	0.0	224,000	21.1	0.2724	1,789,507
1988	2,348,069	29.0	0.0	80,968	21.7	0.2517	591,009
1989	4,889,337	29.0	0.0	168,598	22.3	0.2310	1,129,437
1990	5,931,796	29.0	0.0	204,545	23.0	0.2069	1,227,289
1991	4,818,885	29.0	0.0	166,168	23.7	0.1828	880,889
1992	7,925,346	29.0	0.0	273,288	24.4	0.1586	1,256,960
1993	6,393,018	29.0	0.0	220,449	25.2	0.1310	837,485
1994	7,638,289	29.0	0.0	271,320	25.9	0.1069	841,120
1995	7,337,075	29.0	0.0	254,037	26.8	0.0759	559,161
1996	5,853,043	29.0	0.0	201,829	27.6	0.0483	282,702
1997	8,427,000	29.0	0.0	290,586	28.5	0.0172	144,944
SUM	125,621,955			4,331,797			33,624,385
	=====			=====			=====

ACCRUAL RATE: 3.4  
 RESERVE RATIO: 26.8  
 CALCULATED REMAINING LIFE: 21.2





## **BIENNIAL REPORT OF MAJOR UTILITIES COMPLIANCE AUDIT ISSUES**

This report is not mandatory under the Federal Power Act, Section 3, 4(a), 304 and 309, and 19 CFR 141.1. Failure to report will not result in criminal fines, civil penalties and other sanctions as provided by law. This report, extracted from FERC Compliance Audits, represents the opinions of the authors in its format and content. It does not have the endorsement of the Edison Electric Institute.

**Penelec GPU  
Robert J. Vodzack**

**Coopers & Lybrand  
Michael E. Barrett**

### **Sponsoring Organization**

**EDISON ELECTRIC INSTITUTE  
AMERICAN GAS ASSOCIATION**

**Year of Report  
May 1992**

**FERC SURVEY (REVISED 5-92)**

DEPRECIATION ACCOUNTING

Depreciation Expense

Additional Depreciation

The Company retired a Station Steam Plant. The plant was inoperative and fully depreciated. The Company had ceased depreciation accruals when the net value of the plant reached zero. The recording of the costs of removal and salvage to Account 108, Accumulated provision for Depreciation of Utility Plant, resulted in a net debit balance related to the physical retirement. The Company decided to amortize this amount to Account 403, Depreciation Expense, over a five-year period.

The additional write-off was not consistent with theory supporting the use of a composite depreciation rate. The latest depreciation study supporting the composite rates currently in use included the effect of the debit balance for the Station. In addition, the text of Account 108 requires that at the time of retirement of depreciable electric utility plant, Account 108 shall be charged with the cost of removal and credited with the salvage value of the property retired. Further, the write-off of any portion of Account 108 requires Commission authorization as the utility is restricted in its use of the accumulated provision for depreciation. Authorization for the write-off was not requested or received from FERC or the state commission.

The Company was required to cease the accrual of the supplemental charge to depreciation expense and make a corrected depreciation study to determine the adequacy of the depreciation reserve.

Accounting for Plant Retirement Costs ✓

The Company replaced old PCB transformers. The original cost of the retired PCB transformers was recorded in Account 108, Accumulated Provision for Depreciation of Electric Utility Plant. However, cost of removing the contaminated transformers was not maintained by work orders and recorded in Account 108 as a normal cost of removal but was recorded to various distribution and transmission expense accounts. The Company did not retrofill any of the transformers in use.

The instructions to Account 108 state in part:

B. At the time of retirement of depreciable electric utility plant, this account shall be charged with the book cost of the property retired and the cost of removal...

The Company's procedure of recording the cost of removal for the retired transformers to expense was incorrect. When electric plant is retired, the cost of removing the property should be recorded to Account 108.

The Company was required to revise procedures to ensure that removal costs are charged to Account 108 in accordance with the Uniform System of Accounts.



**14. Overhead Services, Account 369.1**

Please provide generation arrangements for the surviving investment in this account, based on both the S1-27 and L2-29 life patterns. The gross salvage recorded has been sporadic-zero at times, a few percent at other times. Does this reflect difference in timing and the salvage market, or is the difference due to changes in technology? For this account, Staff's recommendation will depend on the response to this inquiry.

**RESPONSE:**

See attachments for the requested SPR Reserve runs simulating vintage survivors. Attachments A through C are for the S1-27 pattern and attachments D through F are for the L2-29 pattern. Since this account is a mass property account any change to the curve will result in a change to the estimated vintage survivors.

Clearly, the historical evidence included in Gulf's Depreciation Rate Study supports the net removal cost estimate of 5% or less for this account. This is consistent with the estimate previously proposed by Gulf in its 1993 Depreciation Rate Study. Between 1993 and 1997 there has not been additional amount of net removal costs which supports the 30% currently in effect. As presented in Tab 8, Net Removal Cost Study, over time there has not been any change in these costs relative to the retirements indicating a change in technology.

The Company has always accounted for all gross salvage proceeds for distribution scrap wire in Account 365. This is due to the fact that the majority of scrap wire sold by Gulf was overhead conductor as opposed to services. Gulf maintains several central locations for the purposes of collecting all metal and wire scrap materials. When sufficient quantities of scrap are accumulated a sale is made. Booking overhead service wire salvage to Account 365 is the most cost effective and expedient method to record any proceeds that may relate to the service wire. To try to keep scrap wire that was used for overhead services separate from regular overhead line scrap wire would be a costly and inefficient process.

Regardless of the Company's accounting for scrap sales, if gross salvage were included in Account 369.1 the net removal cost estimate would be less - not more.

**DEPRECIATION RESERVE  
BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 369.1 OH  
 Date of Study: 1997  
 Curve: S1 - 27.0  
 Salvage 0.0  
 Truncation? NO

Account  
 369 SERVICES

Subaccount  
 0001 OVERHEAD SERVICES

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1945	13	27.0	0.0	1	0.5	0.9615	13
1946	74	27.0	0.0	3	0.7	0.9741	72
1947	273	27.0	0.0	10	0.5	0.9615	268
1948	580	27.0	0.0	22	1.1	0.9593	556
1949	1,086	27.0	0.0	40	1.6	0.9407	1,022
1950	1,588	27.0	0.0	59	1.8	0.9333	1,482
1951	2,480	27.0	0.0	92	2.0	0.9259	2,296
1952	3,378	27.0	0.0	125	2.4	0.9111	3,078
1953	6,033	27.0	0.0	223	2.7	0.9000	5,430
1954	8,439	27.0	0.0	313	2.9	0.8926	7,533
1955	13,078	27.0	0.0	484	3.1	0.8852	11,577
1956	19,018	27.0	0.0	704	3.6	0.8667	16,483



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRAUL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1957	24,589	27.0	0.0	911	3.8	0.8593	21,129
1958	29,342	27.0	0.0	1,087	4.1	0.8482	24,888
1959	41,887	27.0	0.0	1,551	4.6	0.8296	34,750
1960	43,823	27.0	0.0	1,623	4.8	0.8222	36,031
1961	50,002	27.0	0.0	1,852	5.1	0.8111	40,557
1962	48,183	27.0	0.0	1,785	5.6	0.7926	38,190
1963	49,707	27.0	0.0	1,841	5.9	0.7815	38,846
1964	57,402	27.0	0.0	2,126	6.2	0.7704	44,223
1965	82,274	27.0	0.0	3,047	6.5	0.7593	62,471
1966	94,389	27.0	0.0	3,496	7.0	0.7407	69,914
1967	116,410	27.0	0.0	4,312	7.3	0.7296	84,933
1968	140,970	27.0	0.0	5,221	7.6	0.7185	101,287
1969	184,951	27.0	0.0	6,850	8.1	0.7000	129,466
1970	218,629	27.0	0.0	8,097	8.5	0.6852	149,805
1971	295,609	27.0	0.0	10,949	8.9	0.6704	198,176
1972	462,412	27.0	0.0	17,126	9.2	0.6593	304,868
1973	409,491	27.0	0.0	15,166	9.8	0.6370	280,846
1974	463,808	27.0	0.0	17,171	10.2	0.6222	288,457
1975	378,396	27.0	0.0	14,015	10.6	0.6074	229,838
1976	14,212	27.0	0.0	526	8.8	0.6741	9,580
1977	534,573	27.0	0.0	19,799	11.7	0.5667	302,943
1978	928,880	27.0	0.0	34,395	12.1	0.5519	512,528
1979	743,793	27.0	0.0	27,548	12.8	0.5259	391,161
1980	954,647	27.0	0.0	35,357	13.3	0.5074	484,388
1981	1,394,870	27.0	0.0	51,862	13.8	0.4889	681,952
1982	1,287,114	27.0	0.0	47,671	14.4	0.4667	600,896
1983	323,313	27.0	0.0	11,975	15.1	0.4407	142,484
1984	1,815,502	27.0	0.0	67,241	15.7	0.4185	759,788
1985	2,008,447	27.0	0.0	74,387	16.3	0.3983	795,948
1986	3,001,750	27.0	0.0	111,176	17.0	0.3704	1,111,848
1987	2,080,771	27.0	0.0	77,086	17.7	0.3444	716,618
1988	1,372,252	27.0	0.0	50,824	18.5	0.3148	431,985
1989	2,298,502	27.0	0.0	85,130	19.3	0.2852	655,533
1990	1,985,340	27.0	0.0	73,531	20.1	0.2556	507,453

<u>INST</u> <u>YEAR</u>	<u>ORIG COST</u> <u>SURVIVING (\$)</u>	<u>ASL</u>	<u>NET</u> <u>SALVAGE (%)</u>	<u>ANNUAL</u> <u>ACCRUAL</u> <u>(NET \$)</u>	<u>EXPEC-</u> <u>TANCY</u>	<u>RESERVE</u> <u>RATIO</u> <u>(NET)</u>	<u>CALC</u> <u>RESERVE</u> <u>(NET \$)</u>
1991	2,257,083	27.0	0.0	83,598	20.9	0.2259	509,875
1992	1,050,169	27.0	0.0	38,895	21.7	0.1983	208,148
1993	1,381,086	27.0	0.0	50,411	22.7	0.1593	216,821
1994	1,331,970	27.0	0.0	51,184	23.6	0.1259	173,990
1995	1,036,670	27.0	0.0	39,506	24.5	0.0926	98,774
1996	898,234	27.0	0.0	33,288	25.5	0.0556	49,942
1997	1,958,000	27.0	0.0	72,519	26.5	0.0185	36,223
<b>SUM</b>	<b>33,965,072</b>			<b>1,257,969</b>			<b>11,605,163</b>

ACCRUAL RATE: 3.7  
 RESERVE RATIO: 34.2  
 CALCULATED REMAINING LIFE: 17.8



Rpt Id: D220R007

Depreciation Analysis System  
Arthur Andersen & Co.

Mar 25, 1998  
2:34:38 PM

**DEPRECIATION RESERVE**  
**BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
Project Name: 369.1 OH  
Date of Study: 1997  
Curve: L2 - 29.0  
Salvage 0.0  
Truncation? NO

Account  
369 SERVICES

Subaccount  
0001 OVERHEAD SERVICES

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1925	1	29.0	0.0	0	1.8	0.9379	1
1926	3	29.0	0.0	0	2.1	0.9276	3
1927	13	29.0	0.0	1	2.1	0.9276	12
1928	15	29.0	0.0	1	2.4	0.9172	14
1929	21	29.0	0.0	1	2.5	0.9138	19
1930	25	29.0	0.0	1	2.8	0.9035	23
1931	50	29.0	0.0	2	2.8	0.9035	45
1932	51	29.0	0.0	2	3.1	0.8931	46
1933	54	29.0	0.0	2	3.1	0.8931	48
1934	80	29.0	0.0	3	3.4	0.8828	71
1935	119	29.0	0.0	4	3.7	0.8724	104
1936	285	29.0	0.0	10	3.8	0.8690	248

D220R007

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Mar 25, 1998

Docket No. 970643  
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Attachment D

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1937	361	29.0	0.0	13	4.1	0.8586	310
1938	379	29.0	0.0	13	4.2	0.8552	324
1939	369	29.0	0.0	13	4.5	0.8448	312
1940	423	29.0	0.0	15	4.5	0.8448	357
1941	507	29.0	0.0	18	4.8	0.8345	423
1942	430	29.0	0.0	15	4.9	0.8310	357
1943	256	29.0	0.0	9	5.2	0.8207	210
1944	839	29.0	0.0	29	5.5	0.8104	680
1945	1,777	29.0	0.0	61	5.8	0.8069	1,434
1946	3,384	29.0	0.0	117	6.0	0.7931	2,884
1947	5,234	29.0	0.0	181	6.0	0.7931	4,151
1948	5,972	29.0	0.0	206	6.4	0.7793	4,654
1949	8,206	29.0	0.0	286	6.5	0.7759	6,429
1950	8,243	29.0	0.0	284	6.8	0.7655	6,310
1951	9,753	29.0	0.0	336	6.9	0.7621	7,433
1952	11,186	29.0	0.0	386	7.3	0.7483	8,371
1953	15,994	29.0	0.0	552	7.6	0.7379	11,802
1954	19,080	29.0	0.0	658	7.7	0.7345	14,014
1955	25,179	29.0	0.0	868	8.1	0.7207	18,147
1956	34,531	29.0	0.0	1,191	8.2	0.7172	24,766
1957	39,397	29.0	0.0	1,359	8.5	0.7069	27,850
1958	43,245	29.0	0.0	1,491	8.7	0.7000	30,272
1959	58,476	29.0	0.0	2,017	9.0	0.6897	40,332
1960	57,474	29.0	0.0	1,982	9.1	0.6862	39,439
1961	60,807	29.0	0.0	2,097	9.5	0.6724	40,887
1962	57,969	29.0	0.0	1,999	9.6	0.6690	38,781
1963	56,330	29.0	0.0	1,942	10.0	0.6552	36,907
1964	61,773	29.0	0.0	2,130	10.3	0.6448	39,831
1965	66,496	29.0	0.0	2,983	10.4	0.6414	55,479
1966	97,882	29.0	0.0	3,375	10.8	0.6276	61,431
1967	119,079	29.0	0.0	4,106	10.9	0.6241	74,317
1968	140,122	29.0	0.0	4,832	11.2	0.6138	86,007
1969	186,751	29.0	0.0	6,440	11.4	0.6069	113,339
1970	216,180	29.0	0.0	7,455	11.7	0.5966	128,973



<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1971	292,734	29.0	0.0	10,094	11.8	0.5931	173,621
1972	451,710	29.0	0.0	15,576	12.2	0.5793	261,676
1973	401,932	29.0	0.0	13,860	12.5	0.5890	228,699
1974	458,516	29.0	0.0	15,811	12.7	0.5621	257,732
1975	371,593	29.0	0.0	12,814	13.1	0.5483	203,745
1976	14,285	29.0	0.0	492	13.3	0.5414	7,723
1977	533,682	29.0	0.0	18,403	13.7	0.5276	281,571
1978	934,997	29.0	0.0	32,241	14.0	0.5172	483,580
1979	752,979	29.0	0.0	25,965	14.5	0.5000	376,490
1980	952,596	29.0	0.0	32,848	14.8	0.4897	466,486
1981	1,229,040	29.0	0.0	42,381	15.4	0.4690	576,420
1982	1,277,056	29.0	0.0	44,036	16.0	0.4483	572,504
1983	323,313	29.0	0.0	11,149	16.5	0.4310	139,348
1984	1,815,502	29.0	0.0	62,604	17.2	0.4099	738,726
1985	2,008,447	29.0	0.0	69,257	17.8	0.3882	775,662
1986	3,001,750	29.0	0.0	103,509	18.6	0.3586	1,076,428
1987	2,080,771	29.0	0.0	71,751	19.4	0.3310	688,735
1988	1,372,252	29.0	0.0	47,319	20.2	0.3035	416,479
1989	2,296,502	29.0	0.0	79,259	21.0	0.2759	634,157
1990	1,985,340	29.0	0.0	68,460	21.9	0.2448	486,011
1991	2,257,083	29.0	0.0	77,631	22.6	0.2138	482,564
1992	1,050,169	29.0	0.0	36,213	23.7	0.1826	191,971
1993	1,361,086	29.0	0.0	46,934	24.6	0.1517	206,477
1994	1,361,970	29.0	0.0	47,654	25.6	0.1172	161,967
1995	1,086,670	29.0	0.0	36,762	26.5	0.0862	91,947
1996	898,234	29.0	0.0	30,974	27.5	0.0517	46,439
1997	1,958,000	29.0	0.0	67,517	28.5	0.0172	33,678
<b>SUM</b>	<b>33,985,072</b>			<b>1,171,220</b>			<b>10,968,485</b>

ACCRUAL RATE: 3.4  
 RESERVE RATIO: 32.4  
 CALCULATED REMAINING LIFE: 19.6

15. Structures and Improvements, Account 390

The Company has proposed an R4 curve and continuation of the 43-year service life. The proposed remaining life is a decrease of 4 years from the current approved remaining life of 34 years. The reasoning given is that, absent other changes, "an adjustment of 4 years in the remaining life is appropriate." Staff is concerned with this reasoning, whether or not there is a great impact on this account at this time. Specifically, there have been consistent annual additions and retirements in this account over the four years past. At January 1, 1998, the average age of the "new" investment (added since the last represcription) is almost exactly two years, and this amounts to a little under 5% of the account. As a result of this activity, average age increases by about 3 years, rather than 4, which would bring the remaining life into the range of 31 to 32 years - in contrast to the Company's proposed 30 years. While this difference is within reason for our estimating procedures, we take this opportunity to review the importance of including activity in the estimating procedure. The effect of activity must be factored into the determination of remaining life, or there cannot be confidence in the result.

In addition, there can be an impact due to the life pattern curve; some curves vary greatly from a straight line, in some ranges. Looking at the R4 curve for a 43-year service life, at the age of 30.5 years the remaining life is 14.4 years; at the age of 34.5 years the remaining life is 11.5 years (not 10.4 years). If four years have passed, but the age has increased by only one or two years as a result of activity, the remaining life can be in the 12 or 13-year range. Remaining life does not necessarily decrease directly, year-for-year, with the passing of time.

The above concerns notwithstanding, the Company's proposals are acceptable.

RESPONSE:

The company acknowledges staff's acceptance of the proposal. The calculation of the remaining life included the effect of the additions since the last rate represcription using the R4-43 curve and life. The additions from 1993-1996 represented only 2% of the total Account 390 investment and had negligible effect on the calculation of the remaining life.



16. Automobiles, Account 392.1

In accord with retirement of all investment in this account prior to January 1, 1998, no provision is needed for additional capital recovery. Staff will recommend transfer of the remaining reserve balance to another account.

**RESPONSE:**

Gulf Power suggests a transfer of the remaining reserve balance in Account 392.1, Automobiles to Account 392.4, Trailers. This is due to the fact that of the transportation equipment accounts with investment at December 31, 1997, this is the one that has the lowest reserve ratio percentage at year-end 1997.

Staff Information Request  
Docket No. 970643-EI  
GULF POWER COMPANY  
TRANSMISSION,  
DISTRIBUTION &  
GENERAL PLANT  
April 9, 1998  
Item No. 17  
Page 1 of 1

17. Heavy Trucks, Account 392.3

Additions have been greater than retirements in this account, so that the account balance has grown by more than 30% since the last represetion. Please compare the new equipment with the retiring equipment; are there any differences in the life pattern expected for the newer trucks? Please provide the generation arrangement for current survivors.

RESPONSE:

Between 1992 and the end of 1993, Gulf added 27 new trucks to accommodate the change in the company's work practices. The changes involved reducing existing three-man crews to two-man crews and existing two-man crews to one man crews to take advantage of gained efficiencies and increase productivity. In addition, Gulf has reduced the use of contractors for certain work functions. Although the number of trucks has increased, it can be expected that the historical life characteristics previously experienced by this account would apply to the new vehicles, as well. The analysis of this account was for investments through 12/31/97, which included 4.5 to 5.5 years experience for the trucks added in 1992 & 1993. The results still support the use of an L2-11 curve and life. At this time the company is not aware of any operational use for the newer trucks which would require a different assumption of life characteristics.

See attachment A and B for the requested surviving investment age distribution information.



**DEPRECIATION RESERVE  
BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 392.3  
 Date of Study: 1997  
 Curve: L2 - 11.0  
 Salvage 0.0  
 Truncation? NO

Account  
 392 TRANSPORTATION EQUIP

Subaccount  
 0030 TRANSPORT EQ - HVY TRUCKS

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1980	10,798	11.0	0.0	982	2.7	0.7546	8,148
1981	328,182	11.0	0.0	29,653	2.9	0.7364	240,200
1982	108,334	11.0	0.0	9,867	3.2	0.7091	75,401
1983	21,401	11.0	0.0	1,948	3.4	0.6909	14,786
1984	93,008	11.0	0.0	8,455	3.7	0.6636	61,720
1985	180,217	11.0	0.0	14,585	4.0	0.6364	101,962
1986	611,170	11.0	0.0	55,561	4.2	0.6182	377,825
1987	304,380	11.0	0.0	27,869	4.5	0.5909	179,846
1988	927,097	11.0	0.0	84,282	4.6	0.5818	539,385
1989	107,631	11.0	0.0	9,785	4.9	0.5546	59,692
1990	1,008,842	11.0	0.0	91,713	5.3	0.5182	522,782
1991	803,578	11.0	0.0	73,053	5.7	0.4818	387,164

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1992	1,995,816	11.0	0.0	181,438	6.3	0.4273	852,812
1993	3,337,115	11.0	0.0	303,374	7.0	0.3636	1,213,375
1994	958,297	11.0	0.0	87,118	7.8	0.2909	278,769
1995	2,581,468	11.0	0.0	232,861	8.6	0.2182	558,912
1996	930,296	11.0	0.0	84,572	9.5	0.1364	126,892
1997	2,214,000	11.0	0.0	201,273	10.5	0.0455	100,737
SUM	<u>16,477,610</u> =====			<u>1,497,967</u> =====			<u>5,700,408</u> =====

ACCRUAL RATE: 9.1  
 RESERVE RATIO: 34.6  
 CALCULATED REMAINING LIFE: 7.2

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18. Stores Equipment, Account 393; Tools, Shop & Garage Equipment, Account 394; and Laboratory Equipment, Account 395

Gulf is requesting that all investment in these accounts be amortized. Up to the present time, investment in each account has been divided into a depreciable portion and an amortizable portion. At this time, staff is not inclined to object to the idea of converting capital recovery for investment in each of these accounts to an amortization methodology.

- a. Please provide an example showing how the amortization expense amount would be determined for one of these accounts. Does your example show typical procedure or method used for all amortizations? If there are exceptions to the methodology illustrated, please identify and explain the exceptions.

**RESPONSE:**

See attachment A (Account 395 Laboratory Equipment) for an example which illustrates how the amortization is calculated when an account that contains depreciable and amortizable investment converts to 100 % amortizable property. This example is Gulf's typical procedure for conversion to amortization for the General Plant and Miscellaneous Power Plant accounts that are accounted for under a vintage year accounting method and amortized over the five and seven year recovery periods authorized by the Florida Public Service Commission.

**GULF POWER COMPANY**  
**AMORTIZATION SCHEDULE - FERC 395**  
**DECEMBER 31, 1997**

FERC	VINTAGE YEAR	REMAINING SURVIVORS	THEO RESERVE BALANCE	To recover 1998-2004									
					1997	1998	1999	2000	2001	2002	2003	2004	1998 thru 2004 Total
395	1997	482,000.00	0.00	402,000	proceed	57,428.57	57,428.57	57,428.57	57,428.57	57,428.57	57,428.57	57,428.57	402,000
395	1996	139,968.20	19,995.46	119,973	with curr	19,995.46	19,995.46	19,995.46	19,995.46	19,995.46	19,995.46		119,973
395	1995	340,450.82	68,700.23	171,751	Amort Sch &	34,350.12	34,350.12	34,350.12	34,350.12	34,350.12			171,751
395	1994	298,826.13	128,068.34	170,758	Depr	42,689.45	42,689.45	42,689.45	42,689.44				170,758
395	1993	180,183.28	102,961.87	77,221		25,740.47	25,740.47	25,740.46					77,221
395	1992	676,006.75	482,861.96	193,145		96,572.39	96,572.40						193,145
395	1991	136,411.68	116,924.30	19,487		19,487.39							19,487
395	1990	219,480.10	219,480.10		Amort-Rsv Deficit	28,368.06	28,368.05	28,368.05	28,368.05	28,368.05	28,368.05	28,368.05	198,576
395	1989	0.00	0.00										
395	1988	624.80	624.80		Annul. Expense	262,432.75	324,631.91	305,144.51	208,572.10	182,831.63	140,142.20	105,792.08	85,796.62
395	1987	518.70	518.70										1,352,911
TOTAL 12/31/97					Begin BAL	1,892,470.46	2,073,846.86	1,937,435.18	1,261,428.43	1,081,245.15	782,419.02	541,968.20	402,000.00
					Begin Rsv	679,126.66	720,935.81	909,156.04	538,293.80	566,682.62	450,688.13	350,379.50	316,203.38
					Year end Rsv	220,623.60	136,411.68	676,006.75	180,183.28	298,826.13	240,450.82	139,968.20	402,000.00
1997 RETIREMENTS					Ending BAL	2,073,846.86	1,937,435.18	1,261,428.43	1,081,245.15	782,419.02	541,968.20	402,000.00	0.00
					Ending Rsv	720,935.81	909,156.04	538,293.80	566,682.62	450,688.13	350,379.50	316,203.38	0.00
ADJUSTED BAL 12/31/97					Theo Ending Rsv	919,512.17							
					Reserve Deficit	198,576.36	170,208.30	141,840.25	113,472.20	85,104.15	56,736.10	28,368.05	(0.00)



19. Power Operated Equipment, Account 396 and Communication Equipment, Account 397

The Company has not provided sufficient information for staff to agree or disagree with the proposals. In Account 397, Gulf proposes a change of curve and a major decrease in service life, based on an increase in retirement activity and information from the engineers.

- a. Please share with staff some description of the expectations which are held by the engineering group.
- b. Does Gulf maintain actuarial records for the investment in these accounts?
- c. Please provide generation arrangements for the surviving investment in these accounts. If the actuarial data is not available, please provide the arrangements based on current and proposed life patterns.

RESPONSE:

a. ACCOUNT 396

Power Operated Equipment is a relatively small account with less than \$400,000 investment. Most of the investment (61%) is in a single vintage, 1983. The only change since the last study is the 1994 retirement of \$19,446 effecting the 1955 to 1968 vintages. Gulf is proposing to use the same curve and life as previously used and accepted by the staff. As noted in the prior study, this curve and life is based on judgment. Attached are the vintage survivors based on actuarial data for this account.

ACCOUNT 397

Gulf has been utilizing new technologies available in the industry to meet its telecommunication needs. Most new installations are for equipment that is designed to provide a fixed bandwidth of communications capacity (i.e., multiplex, fiber optic equipment, and digital microwave equipment). Gulf is subscribing to the use of other communication mediums such as wireless radios which allows the company to take advantage of equipment that belong to other communication service providers. This reduces the need for capital investment by

Gulf for long-lived assets such as towers and buildings. As past history has shown, the needs for greater bandwidths and the requirement for new types of service are driven by end-user systems and applications. This growth and change in requirements has resulted in retirement of existing equipment which used old technology. Based on experience and recent analysis, Gulf's telecommunication engineers recommend a 10-15 year composite useful life for telecommunications equipment. The results of Actuarial Analysis for this account produced shorter average service lives for recent investments than currently used by the company. Based on the changes in technology, engineers' input, and the results of actuarial analysis, Gulf's proposed S3-15 curve and life is reasonable and supported.

- b. See (a.)
- c. See attachments A and B for the requested data for Account 396. See attachments C through E for Account 397.



**DEPRECIATION RESERVE  
BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 396  
 Date of Study: 1997  
 Curve: SQ -20.0  
 Salvage 0.0  
 Truncation? NO

Account  
 396 POWER OPERATED EQUIPMENT

Subaccount

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1968	3,251	20.0	0.0	163	0.5	0.9750	3,170
1970	3,861	20.0	0.0	183	0.5	0.9750	3,570
1973	5,763	20.0	0.0	288	0.5	0.9750	5,619
1978	8,708	20.0	0.0	435	0.5	0.9750	8,490
1979	6,450	20.0	0.0	323	1.5	0.9250	5,986
1980	9,074	20.0	0.0	454	2.5	0.8750	7,940
1981	11,684	20.0	0.0	584	3.5	0.8250	9,639
1982	8,554	20.0	0.0	428	4.5	0.7750	6,629
1983	241,288	20.0	0.0	12,084	5.5	0.7250	174,934
1984	496	20.0	0.0	25	6.5	0.6750	335
1985	16,748	20.0	0.0	837	7.5	0.6250	10,468
1987	49,389	20.0	0.0	2,470	9.5	0.5250	25,929

<u>INST YEAR</u>	<u>ORIG CC/ST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1988	372	20.0	0.0	19	10.5	0.4750	177
1993	26,282	20.0	0.0	1,313	15.5	0.2250	5,909
SUM	<u>391,700</u>			<u>19,586</u>			<u>268,775</u>
	=====			=====			=====

ACCRUAL RATE: 5.0  
 RESERVE RATIO: 68.6  
 CALCULATED REMAINING LIFE: 6.3

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**DEPRECIATION RESERVE**  
**BROAD GROUP METHOD**

Company Name: GULF POWER COMPANY  
 Project Name: 397  
 Date of Study: 1997  
 Curve: S3 - 15.0  
 Salvage 0.0  
 Truncation? NO

Account  
 397 COMMUNICATION EQUIPMENT

Subaccount

INST YEAR	ORIG COST SURVIVING (\$)	ASL	NET SALVAGE (%)	ANNUAL ACCRUAL (NET \$)	EXPEC- TANCY	RESERVE RATIO (NET)	CALC RESERVE (NET \$)
1947	1,629	15.0	0.0	109	0.5	0.9667	1,575
1948	853	15.0	0.0	57	0.5	0.9667	825
1949	94	15.0	0.0	6	0.5	0.9667	91
1952	128	15.0	0.0	9	0.5	0.9667	124
1953	1,724	15.0	0.0	115	0.5	0.9667	1,667
1954	2,060	15.0	0.0	177	0.5	0.9667	2,571
1957	11,522	15.0	0.0	768	0.5	0.9667	11,138
1958	4,532	15.0	0.0	302	0.5	0.9667	4,381
1960	218	15.0	0.0	15	0.5	0.9667	211
1961	6,458	15.0	0.0	431	0.5	0.9667	6,243
1962	12,497	15.0	0.0	833	0.5	0.9667	12,081

<u>INST YEAR</u>	<u>ORIG COST SURVIVING (\$)</u>	<u>ASL</u>	<u>NET SALVAGE (%)</u>	<u>ANNUAL ACCRUAL (NET \$)</u>	<u>EXPEC- TANCY</u>	<u>RESERVE RATIO (NET)</u>	<u>CALC RESERVE (NET \$)</u>
1963	3,835	15.0	0.0	256	0.5	0.9667	3,707
1964	4,185	15.0	0.0	279	0.5	0.9667	4,046
1965	1,335	15.0	0.0	89	0.5	0.9667	1,291
1966	76,153	15.0	0.0	5,077	0.5	0.9667	73,617
1967	42	15.0	0.0	3	0.5	0.9667	41
1969	8,785	15.0	0.0	586	0.5	0.9667	8,493
1970	4,566	15.0	0.0	304	0.5	0.9667	4,414
1971	3,371	15.0	0.0	225	0.5	0.9667	3,259
1972	18,197	15.0	0.0	1,213	0.6	0.9600	17,469
1973	71,220	15.0	0.0	4,748	0.7	0.9533	67,894
1974	177,721	15.0	0.0	11,848	0.9	0.9400	167,058
1975	80,529	15.0	0.0	5,369	1.0	0.9333	75,158
1976	46,421	15.0	0.0	3,095	1.2	0.9200	42,707
1977	198,752	15.0	0.0	13,117	1.5	0.9000	177,077
1978	78,684	15.0	0.0	5,244	1.6	0.8933	70,271
1979	92,573	15.0	0.0	6,172	1.8	0.8800	81,464
1980	81,370	15.0	0.0	5,425	2.2	0.8533	69,433
1981	69,429	15.0	0.0	4,629	2.4	0.8400	58,320
1982	128,149	15.0	0.0	8,543	2.8	0.8133	104,224
1983	21,287	15.0	0.0	1,419	3.2	0.7867	16,747
1984	150,088	15.0	0.0	10,008	3.6	0.7600	114,067
1985	89,394	15.0	0.0	5,960	4.1	0.7267	64,963
1986	340,625	15.0	0.0	22,708	4.7	0.6867	233,907
1987	748,719	15.0	0.0	49,915	5.3	0.6467	484,197
1988	258,354	15.0	0.0	17,224	6.0	0.6000	155,012
1989	485,435	15.0	0.0	32,362	6.8	0.5467	265,387
1990	557,598	15.0	0.0	37,173	7.7	0.4867	271,383
1991	458,177	15.0	0.0	30,545	8.6	0.4267	195,504
1992	525,256	15.0	0.0	35,017	9.5	0.3667	192,611
1993	1,108,558	15.0	0.0	73,904	10.5	0.3000	332,567
1994	694,559	15.0	0.0	46,304	11.5	0.2333	162,041
1995	2,278,622	15.0	0.0	151,908	12.5	0.1667	379,846
1996	2,469,220	15.0	0.0	164,615	13.5	0.1000	246,922
1997	1,405,000	15.0	0.0	93,667	14.5	0.0333	46,787



<u>INST</u> <u>YEAR</u>	<u>ORIG COST</u> <u>SURVIVING (\$)</u>	<u>ASL</u>	<u>NET</u> <u>SALVAGE (%)</u>	<u>ANNUAL</u> <u>ACCRUAL</u> <u>(NET \$)</u>	<u>EXPEC-</u> <u>TANCY</u>	<u>RESERVE</u> <u>RATIO</u> <u>(NET)</u>	<u>CALC</u> <u>RESERVE</u> <u>(NET \$)</u>
SUM	<u>12,776,504</u>			<u>851,771</u>			<u>4,232,791</u>
	=====			=====			=====

ACCRUAL RATE: 6.7  
 RESERVE RATIO: 33.1  
 CALCULATED REMAINING LIFE: 10.0

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20. Net Salvage or Net Cost of Removal-Various Accounts

For several accounts, Gulf proposes a change in net salvage or cost of removal, based on its activity over the last five years or so. Staff is cautious about such increases at this stage, due primarily to the relative dollar amount of retirements on which the change is based. Typically, the activity reflects retirements of small dollar volume. The critical question in this dynamic is: "What pattern can be expected for the majority of investment and equipment in an account?" If annual retirements are small; the service life becomes excessively long, except for the event which would bring about a major retirement. It becomes evident that major retirements, not the retirement of small portions of equipment and investment, are the expected pattern for the majority of the investment. Frequently, higher rates showing up in a "typical year" reflect inflation of labor costs, the extra effort to remove a piece of equipment while leaving the surrounding equipment intact, etc. Staff would estimate that such an elevated factor of removal cost is appropriate for 20% to 35% of the investment. For the following accounts, we are inclined to recommend that the current net salvage be retained:

	<u>ACCOUNT</u>	<u>NET SALVAGE</u>
355	Transmission Poles and Fixtures	(35%)
361	Distribution Structures	(5%)
362	Distribution Station Equipment	(5%)
364	Poles, Tower and Fixtures	(50%)
369.2	Overhead Services	(10%)

**RESPONSE:**

Account 355 has already been addressed in response to item 8. Gulf believes the increase to 45 % net removal cost is appropriate.

Account 361 has already been addressed in response to item 6. Gulf believes the increase to 10 % is appropriate for this account and Account 362 based on the historical data analysis.

As noted in the Study, Tab 8. Page 8, for Account 364, Gulf agrees with Staff that not all retirements will be subject to such high retirement costs as the historical retirements indicate.



Staff Information Request  
Docket No. 970643-EI  
GULF POWER COMPANY  
TRANSMISSION,  
DISTRIBUTION &  
GENERAL PLANT  
April 9, 1998  
Item No. 20  
Page 2 of 2

However, Gulf's recent experience over the last 10 years for this account indicates on average 100% net removal costs. The retirements and related net removal cost occurring during this period are significant and show a trend of increasing net removal cost. Gulf has proposed an increase to 60%.

Account 369.2 Underground Services - The Staff Report shows the title of this account as Overhead Services but we have assumed that it should be Underground Services, based on the account number. The limited retirement experience for this account has little to no net removal cost. Most of underground service would be retired in-place. Very little removal costs or salvage would be expected for this account. Accordingly, the company has proposed lowering the Net Removal Cost estimate to 5%.

Gulf, in its analysis of net removal, did not base its conclusions on just the recent five-year experience as Staff suggests. Gulf analyzed the entire experience as presented in Tab 8 which includes a 10-year history of each account or group of accounts.