

State of Florida



# Public Service Commission

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

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

---

**DATE:** June 28, 2023

**TO:** Office of Commission Clerk (Teitzman)

**FROM:** Division of Economics (Smith II) *JGH*  
Division of Accounting and Finance (D. Buys) *ALM*  
Office of the General Counsel (Watrous) *JSC*

**RE:** Docket No. 20230022-GU – Petition for approval of 2022 Depreciation Study by St. Joe Natural Gas Company, Inc.

**AGENDA:** 07/11/23 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Passidomo

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

---

## Case Background

Rule 25-7.045(4)(a), Florida Administrative Code (F.A.C.), requires natural gas public utilities to file a comprehensive depreciation study with the Florida Public Service Commission (Commission) for review at least once every five years from the submission date of the previous study. St. Joe Natural Gas Company (St. Joe or Company) filed its 2022 Depreciation Study (2022 Study) on January 30, 2023. St. Joe's last depreciation study was filed on December 21, 2017 (2017 Study). St. Joe serves approximately 2,878 customers, and reported 2022 operating revenues of approximately \$2,411,370.<sup>1</sup> Staff has completed its review of St. Joe's current 2022 Study and presents its recommendations to the Commission herein.

---

<sup>1</sup> St Joe's Annual Report of Natural Gas Utilities, Form PSC/ECR 020-G, at December 31, 2022, filed with the Florida Public Service Commission on May 30, 2023.

Docket No. 20230022-GU

Date: June 28, 2023

The Commission is vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

### Discussion of Issues

**Issue 1:** Should currently prescribed depreciation rates for St. Joe Natural Gas Company be revised?

**Recommendation:** Yes. The review of St. Joe's plant and depreciation-related information indicates a need to revise the Company's currently prescribed depreciation rates. (Smith)

**Staff Analysis:** St. Joe's last depreciation filing was made on December 21, 2017. By Order No. PSC-2018-0368-PAA-GU, the Commission approved revised depreciation rates that became effective January 1, 2018.<sup>2</sup>

Rule 25-7.045, F.A.C., requires natural gas companies to file a comprehensive depreciation study at least once every five years from the submission date of the previously filed study or pursuant to Commission order. A review of the Company's plant activity and data indicates the need for revising depreciation rates. Staff's recommended depreciation components and rates are discussed in Issue 3 and shown on Attachments A, B, and C.

---

<sup>2</sup> Order No. PSC-2018-0368-PAA-GU, issued July 25, 2018, in Docket No. 20170265-GU, *In re: Application for approval of new depreciation rates, effective January 1, 2018, by St. Joe Natural Gas Company, Inc.*

**Issue 2:** What should be the implementation date for newly proposed depreciation rates?

**Recommendation:** Staff recommends January 1, 2023, for implementing newly proposed depreciation rates as shown on Attachments A, B, and C to this recommendation. (Smith)

**Staff Analysis:** Rule 25-7.045, F.A.C., requires that the data submitted in a depreciation study, including plant and reserve balances or Company estimates, “shall be brought to the effective date of the proposed rates.” The supporting data and calculations provided by St. Joe match an implementation date of January 1, 2023.

**Issue 3:** What are the appropriate depreciation parameters and resulting rates?

**Recommendation:** Staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for St. Joe that are shown on Attachments A and C. Staff further recommends that St. Joe cease booking depreciation expense to Account 387 as of January 1, 2023, until the Company adds new investments to this account, at which time the Company should use staff's recommended whole life rate reflected on Attachment B. As shown on Attachment B, the corresponding depreciation expense effect of staff's rate recommendations is an increase of \$49,003 annually, or 16.6 percent, based on December 31, 2022 investments. (Smith)

**Staff Analysis:** Staff's recommendations are the result of a comprehensive review of St. Joe's plant depreciation data filed in this docket. The Company provided plant addition and retirement data spanning 2018-2022. St. Joe's natural gas distribution and general plant accounts grew by approximately 21 percent over the 2022 Study's timeframe.

St. Joe proposed retaining all of its currently-approved Average Service Lives (ASL) except for Account 380.2 – Services – Steel. St. Joe stated that regular inspections of these assets found them to be in acceptable condition with many years of service left. The inspection results, along with the average age of the assets in this account, indicate the need for an increase in this account's ASL.

Staff recalculated the average age for each of St. Joe's Distribution and General plant accounts using the data provided in the 2022 Study. Staff's calculations resulted in different average ages for two accounts, as detailed in the "Account-Specific Analysis" section below. St. Joe did not propose any Iowa-type survivor curves (Iowa curves) in their filing.<sup>3</sup> Staff would also note that St. Joe did not use any Iowa curves when calculating the average remaining lives (ARL) for each of its accounts.<sup>4</sup> Therefore, staff applied St. Joe's currently-approved Iowa curves to staff's recommended ASLs and average ages on an account-by-account basis in order to calculate each account's ARL.

St. Joe did not propose any changes to its currently-approved Net Salvage (NS) values. Staff reviewed St. Joe's extensive gross salvage and cost of removal (COR) data, and found the need for a decrease (more negative) in the NS values for four accounts, also detailed in the "Account-Specific Analysis" section below. This is mainly due to an increase in the COR over the years. Incidentally, staff would note that, all things being equal, a more negative NS value results in a higher depreciation rate.

Attachments A and C to this recommendation show a comparison of the currently-approved depreciation parameters and rates to those that staff is recommending become effective January 1, 2023 (Issue 2). Displayed on Attachment B is a comparison of depreciation expenses between

---

<sup>3</sup> "Iowa-type Curves" are a widely-used group of generalized survivor curves that contain the range of survivor characteristics usually experienced by public utilities, as well as companies in other industries.

<sup>4</sup> DN 02166-2023.

currently-approved and staff's proposed rates based on December 31, 2022 investments. Staff and the Company are in agreement on all proposed depreciation parameters and resulting rates.<sup>5</sup>

### **Reserve Transfer**

As part of reviewing St. Joe's 2022 Study, staff calculated the book reserve balance of each plant account. Staff also calculated the associated theoretical reserve balance of each plant account using the current recommended life and net salvage inputs. The difference between an account's book and theoretical reserve amounts may be described as an imbalance, either positive or negative, or as a surplus or deficiency. When imbalances are present, corrective transfers among accounts should be considered, and if warranted, should be performed.

**Table 3-1  
Accumulated Depreciation Transfers**

| Acct. No. | Account Title      | Staff Recommended Transfer Amount |
|-----------|--------------------|-----------------------------------|
| 376.2     | Mains - Steel      | (91,320)                          |
| 380.1     | Services - Plastic | 96,138                            |
| 387       | Other Equipment    | (4,818)                           |

Source: Staff's Calculations

As shown in Table 3-1, staff is recommending a reserve transfer for Account 387 – Other Equipment due to this account being fully recovered. Staff recommends transferring \$4,818 to Account 380.1 – Services – Plastic in order to bring Account 387 to the theoretically correct reserve position. Staff is further recommending a reserve transfer between Account 376.2 – Mains – Steel and Account 380.1 – Services – Plastic, the two accounts with the largest surplus and deficit, respectively. These recommended transfers are discussed in more detail below.

### **Account-Specific Analysis**

#### ***Account 375 – Buildings & Structures***

As reflected in Exhibit A of the 2022 Study, this account has an average age of 7.3 years. The Company proposes retaining the currently-approved ASL of 40 years and (5) percent NS. Using these parameters with the S3 curve, an ARL of 32.7 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 2.7 percent for this account.

#### ***Account 376.1 – Mains – Plastic***

This account has an average age of 19.8 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (30) percent. Using these parameters with the S3 curve, an ARL of 20.6 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.2 percent for this account.

---

<sup>5</sup> DN 03473-2023; Staff notes that an incorrect calculation was used in preparing the Staff Report in this case. Staff corrected this calculation, and through a telephone conversation on 6/9/2023, St. Joe confirmed its agreement with staff's changes.

***Account 376.2 – Mains – Steel***

This account has an average age of 31.0 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (30) percent. Using these parameters with the S3 curve, an ARL of 12.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.0 percent for this account. Due to the reserve surplus associated with this account, staff proposes a reserve transfer of (\$91,320).

***Account 378 – M&R Equipment – Distribution***

This account has an average age of 25.4 years for this account. The Company proposes retaining the currently-approved 35-year ASL and NS of (5) percent. Using these parameters with the R3 curve, an ARL of 12.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.7 percent for this account.

***Account 379 – M&R Equipment – City Gate***

This account has an average age of 30.2 years. The Company proposes retaining the currently-approved 35-year ASL and NS of (5) percent. Using these parameters with the S3 curve, an ARL of 9.0 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.9 percent for this account.

***Account 380.1 – Services – Plastic***

This account has an average age of 12.0 years. The Company proposes retaining the currently-approved 42-year ASL and NS of (22) percent. Based on St. Joe's property records, this account has experienced an average NS of (31) percent. Also, the NS average for all Florida-based gas utilities for this account is (39) percent. Based on these facts, staff believes a NS adjustment is necessary and is proposing a (30) NS for this account.<sup>6</sup> Using these parameters with the S3 curve, an ARL of 30.0 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.1 percent for this account. Due to the reserve deficit associated with this account, staff proposes a reserve transfer of \$96,138.

***Account 380.2 – Services – Steel***

This account has an average age of 51.6 years. The currently-approved ASL is 53 years with a (40) percent NS. In the 2022 Study, St. Joe stated that inspections of the steel services show all lines to be in acceptable condition "with every indication of many years of service remaining." In response to staff's data request, the Company stated that an increase in the ASL was needed for this account due to the average age and condition of the assets.<sup>7</sup> Staff agrees with the Company and proposes extending the ASL for this account to 55 years. Based on St. Joe's property records, this account has experienced an average NS of (42) percent. In recent years, the Company has realized NS values for this account in the range of approximately (70) to (135) percent. The average NS for all Florida-based gas utilities for this account is (85) percent. Given this, staff proposes a more negative net salvage percentage of (50). Staff notes that this reduction in NS does not fully reflect the NS experienced for this account. However, whenever possible, staff believes gradual adjustments to the depreciation parameters is preferable over large, abrupt

---

<sup>6</sup> Decreasing an account's NS value (less positive or more negative) increases the amount of money that will be collected to fully retire an asset.

<sup>7</sup> DN 02489-2023.

Date: June 28, 2023

changes. Based on these parameters, with a SQ Iowa curve, the resulting ARL for this account is 3.4 years. This ARL is then used to produce a remaining life rate of 8.0 percent.

#### ***Account 381 – Meters***

This account has an average age of 14.8 years. The Company proposes retaining the currently-approved 25-year ASL and NS of 0 percent. Based on these parameters with the R4 curve, an ARL of 10.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

#### ***Account 382 – Meter Installations***

This account has an average age of 18.0 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (25) percent. Based on St. Joe's property records, this account has experienced an average NS of (39) percent. The average for all Florida based gas utilities is (19) percent. As a result, staff believes an adjustment to the NS is needed. Therefore, staff proposes reducing the NS, or making the NS more negative, from (25) percent to (35) percent, which is more in line with the Company's average. This adjusted NS also falls between the Florida-based gas utility average and the St. Joe-specific average. Using these parameters with the S2 curve, an ARL of 22.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

#### ***Account 383 – Regulators***

This account has an average age of 16.7 years. The Company proposes retaining the currently-approved 30-year ASL and NS of 0 percent. Using these parameters with the R4 curve, an ARL of 13.8 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.3 percent for this account.

#### ***Account 384 – Regulator Installations***

This account has an average age of 11.6 years. The Company proposes retaining the currently-approved 40-year ASL and NS of (40) percent. Based on St. Joe's property records, this account has experienced an average NS of (92) percent. The average NS for all Florida-based gas utilities for this account is (18) percent. Given these amounts, staff believes a NS adjustment is needed, and proposes reducing the NS for this account to (45) percent. Staff notes that this reduction in NS does not fully reflect the NS experienced for this account. However, as stated earlier, whenever possible, staff believes gradual adjustments to the depreciation parameters is preferable over large, abrupt changes. Using these adjusted parameters with the S3 curve, an ARL of 28.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.9 percent for this account.

#### ***Account 385 – Industrial M&R Equipment***

This account has an average age of 11.5 years. The Company proposes retaining the currently-approved 30-year ASL and NS of (5) percent. Using these parameters with the S4 curve, an ARL of 18.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.7 percent for this account.

#### ***Account 387 – Other Equipment***

In St. Joe's 2017 Depreciation Study (2017 Study), the Commission approved a 7.1 percent whole-life rate to any new assets booked to this account. Staff notes that no new investments



have been booked to this account since the 2017 Study. However, St. Joe continued booking depreciation expense to this account which has resulted in a \$4,818 reserve surplus. As a result, staff proposes a reserve transfer of (\$4,818) to eliminate the reserve surplus. Staff believes that the Company should be instructed to cease booking depreciation expense to this account as of January 1, 2023, and until such time as new investments are booked to this account. Staff proposes retaining the 7.1 percent whole-life rate for any new investments booked to this account. This rate is based on a 14-year ASL with a 0 percent NS.

***Account 390 – Structures & Improvements***

Exhibit A of the 2022 Study reflects an average age of 25.8 years for this account. However, staff's calculation resulted in an average age of 29.75 years. The Company proposes retaining the currently-approved 40-year ASL and NS of 0 percent. Using these adjusted parameters with the R3 curve, an ARL of 16.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.8 percent for this account.

***Account 391.1 – Office Furniture***

This account has an average age of 13.7 years. The Company proposes retaining the currently-approved 15-year ASL and NS of 0 percent. Using these parameters with the S2 curve, an ARL of 4.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 6.6 percent for this account.

***Account 391.2 – Office Devices***

This account has an average age of 4.7 years. The Company proposes retaining the currently-approved 8-year ASL and NS of 5 percent. Using these parameters with the S1 curve, an ARL of 4.2 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 12.0 percent for this account.

***Account 391.3 – Office Computers***

This account has an average age of 10.3 years. The Company proposes retaining the currently-approved 16-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 6.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 7.6 percent for this account.

***Account 392 – Transportation Equipment***

This account has an average age of 5.9 years. The Company proposes retaining the currently-approved 7-year ASL and NS of 10 percent. Using these parameters with the S2 curve, an ARL of 2.3 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 16.9 percent for this account.

***Account 394 – Tools, Shop, & Garage***

This account has an average age of 7.2 years. The Company proposes retaining the currently-approved 20-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 12.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 4.9 percent for this account.

Date: June 28, 2023

### ***Account 396 – Power Operated Equipment***

In the current Depreciation Study, Exhibit A reflects an average age of 4.5 years for this account. In response to staff's data request, the Company stated that this number is a typographical error.<sup>8</sup> St. Joe confirmed the correct average age for this account is 10.7 years. The Company proposes retaining the currently-approved 15-year ASL and NS of 5 percent. Using these parameters with the S4 curve, an ARL of 4.6 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 6.4 percent for this account.

### ***Account 397 – Communication Equipment***

This account has an average age of 4.5 years. The Company proposes retaining the currently-approved 12-year ASL and NS of 0 percent. Using these parameters with the S3 curve, an ARL of 7.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 20.3 percent for this account.

### ***Conclusion***

Based on staff's analysis and explanations, staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for St. Joe that are shown on Attachments A and C. Staff further recommends that St. Joe be directed to cease booking depreciation expense to Account 387 as of January 1, 2023, until the Company adds new investments to this account, at which time the Company should use staff's recommended whole life rate reflected on Attachment A. As shown on Attachment B, the corresponding depreciation expense effect of staff's rate recommendations is an increase of \$49,003 annually, or 16.6 percent,<sup>9</sup> based on December 31, 2022 investments. (Smith)

---

<sup>8</sup> DN 02489-2023.

<sup>9</sup> Percent change in depreciation expense = staff's recommended depreciation expense change ÷ depreciation expense based on Total System Investments as of 12/31/2022 at current depreciation rates (Shown on Attachment B).

**Issue 4:** Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortization schedules?

**Recommendation:** Yes. The current amortization of ITCs and any flow back of EDITs should be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization and flow back of EDITs at the same time it files its earnings surveillance report covering the period ended December 31, 2023, as specified in Rule 25-7.1352, F.A.C. (D. Buys)

**Staff Analysis:** In Issue 3, staff has recommended approval of revised depreciation rates for the Company, which reflect changes to most accounts' remaining lives to be effective January 1, 2023. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flow back of EDITs in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in Federal Tax Regulations under the Code sections,<sup>10</sup> Sections 168(f)(2) and (i)(9),<sup>11</sup> former IRC Sections 167(l), and 46(f),<sup>12</sup> and Section 203(e) of the Tax Reform Act of 1986 (the Act).<sup>13</sup>

Staff, the Internal Revenue Service (IRS), and independent outside auditors look at a company's books and records, and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in an appropriate manner. The books are also reviewed to determine if they are in compliance with the regulatory guidelines in regard to normalization.

Former IRC Section 46(f)(6) of the Code indicated that the amortization of ITCs should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility.<sup>14</sup> While Section 46(f)(6) was repealed, under IRC Section 50(d)(2), the terms of former IRC Section 46(f)(6) remain applicable to public utility property for which a regulated utility previously claimed ITCs. Because staff is recommending changes to the Company's remaining lives, it is also important to change the amortization of ITCs and EDITs to avoid violations of the provisions of IRC Section 50(d)(2) for ITCs, and IRC Section 168(i)(9), former section 167(l), and section 13001(d) of the Tax Change and Jobs Act for EDITs, and their underlying Treasury Regulations. The consequence of an ITC or EDIT normalization violation is the repayment of unamortized ITC balances to the IRS and inability to utilize accelerated depreciation. Therefore, staff recommends that the current amortization of ITCs and any flowback of EDITs be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization and flowback of EDITs at the same time it files its earnings

---

<sup>10</sup> Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.

<sup>11</sup> 26 US Code §§168(f)(2) and (i)(9).

<sup>12</sup> Under IRC Section 50(d)(2), the terms of former 26 US Codes §167(l) and §46(f), which were repealed by the Revenue Reconciliation Act of 1990 (Pub. L. No. 101-508, §11812(a)(1-2)(1990)), remain applicable to public utility property for which a regulated utility previously claimed ITCs, which is the case here. (I.R.S. Priv. Ltr. Rul. 200933023, In.1 (May 7, 2009)).

<sup>13</sup> Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).

<sup>14</sup> Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

surveillance report covering the period ended December 31, 2023, as specified in Rule 25-7.1352, F.A.C.

**Issue 5:** Should this docket be closed?

**Recommendation:** Yes. If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Watrous)

**Staff Analysis:** If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

| Comparison of Rates and Components |                                |                              |                        |                         |                              |                         |                        |                         |
|------------------------------------|--------------------------------|------------------------------|------------------------|-------------------------|------------------------------|-------------------------|------------------------|-------------------------|
| Acct. No.                          | Account Title                  | Current <sup>1</sup>         |                        |                         | Staff Recommended            |                         |                        |                         |
|                                    |                                | Average Remaining Life (yrs) | Future Net Salvage (%) | Remaining Life Rate (%) | Average Remaining Life (yrs) | Theoretical Reserve (%) | Future Net Salvage (%) | Remaining Life Rate (%) |
| <b>Distribution Plant</b>          |                                |                              |                        |                         |                              |                         |                        |                         |
| 375                                | Buildings & Improvements       | 10.8                         | (5)                    | 1.6                     | 32.7                         | 19.09                   | (5)                    | 2.7                     |
| 376.1                              | Mains - Plastic                | 19.4                         | (30)                   | 3.2                     | 20.6                         | 63.07                   | (30)                   | 3.2                     |
| 376.2                              | Mains - Steel                  | 15.4                         | (30)                   | 3.1                     | 12.3                         | 90.18                   | *                      | (30) 3.0                |
| 378                                | M&R Equip. - Distribution      | 15.6                         | (5)                    | 3.0                     | 12.7                         | 66.83                   | (5)                    | 2.7                     |
| 379                                | M&R Equip - City Gate          | 11.9                         | (5)                    | 2.5                     | 9.0                          | 77.99                   | (5)                    | 1.9                     |
| 380.1                              | Services - Plastic             | 25.0                         | (22)                   | 2.9                     | 30.0                         | 37.06                   | *                      | (30) 3.1                |
| 380.2                              | Services - Steel               | 6.1                          | (40)                   | 3.9                     | 3.4                          | 140.82                  | (50)                   | 8.0                     |
| 381                                | Meters                         | 11.5                         | 0                      | 3.8                     | 10.7                         | 57.01                   | 0                      | 3.9                     |
| 382                                | Meter Installations            | 15.3                         | (25)                   | 3.0                     | 22.9                         | 57.57                   | (35)                   | 3.9                     |
| 383                                | Regulators                     | 12.0                         | 0                      | 3.1                     | 13.8                         | 53.85                   | 0                      | 3.3                     |
| 384                                | Regulator Installations        | 18.4                         | (40)                   | 3.5                     | 28.4                         | 42.13                   | (45)                   | 3.9                     |
| 385                                | Industrial M&R Equipment       | 24.0                         | (5)                    | 3.4                     | 18.5                         | 40.19                   | (5)                    | 3.7                     |
| 387                                | Other Equipment                | 8.8                          | 0                      | 7.1**                   | 0.0                          | 100.00                  | *                      | 0 7.1**                 |
| <b>General Plant</b>               |                                |                              |                        |                         |                              |                         |                        |                         |
| 390                                | Structures & Improvements      | 16.8                         | 0                      | 1.9                     | 14.1                         | 64.75                   | 0                      | 2.2                     |
| 391.1                              | Office Furniture               | 4.4                          | 0                      | 1.7                     | 4.4                          | 70.67                   | 0                      | 6.6                     |
| 391.2                              | Office Devices                 | 4.1                          | 5                      | 8.4                     | 4.2                          | 45.19                   | 5                      | 12.0                    |
| 391.3                              | Office Computers               | 7.9                          | 0                      | 6.3                     | 6.3                          | 60.76                   | 0                      | 7.6                     |
| 392                                | Transportation Equipment       | 3.0                          | 10                     | 9.3                     | 2.3                          | 60.93                   | 10                     | 16.9                    |
| 394                                | Tools, Shop & Garage Equipment | 15.8                         | 0                      | 4.9                     | 12.9                         | 35.74                   | 0                      | 4.9                     |
| 396                                | Power Operated Equipment       | 5.9                          | 5                      | 0.6                     | 4.6                          | 65.82                   | 5                      | 6.4                     |
| 397                                | Communication Equipment        | 3.7                          | 0                      | 6.2                     | 7.5                          | 37.30                   | 0                      | 20.3                    |

<sup>1</sup> Order No. PSC-2018-0368-PAA-GU

\* Denotes a Reserve Transfer

\*\*Denotes Whole Life Rate

| Comparison of Expenses    |                                 |                       |                     |                       |                     |                        |
|---------------------------|---------------------------------|-----------------------|---------------------|-----------------------|---------------------|------------------------|
| Account No.               | Account Title                   | Current               |                     | Staff Recommended     |                     |                        |
|                           |                                 | Depreciation Rate (%) | Annual Expense (\$) | Depreciation Rate (%) | Annual Expense (\$) | Change In Expense (\$) |
| <b>Distribution Plant</b> |                                 |                       |                     |                       |                     |                        |
| 375                       | Buildings & Improvements        | 1.6                   | 2,628               | 2.7                   | 4,435               | 1,807                  |
| 376.1                     | Mains - Plastic                 | 3.2                   | 47,093              | 3.2                   | 47,093              | (0)                    |
| 376.2                     | Mains - Steel                   | 3.1                   | 95,243              | 3.0                   | 92,170              | (3,073)                |
| 378                       | M&R Equip. - Distribution       | 3.0                   | 3,103               | 2.7                   | 2,793               | (310)                  |
| 379                       | M&R Equip - City Gate           | 2.5                   | 11,477              | 1.9                   | 8,722               | (2,755)                |
| 380.1                     | Services - Plastic              | 2.9                   | 30,311              | 3.1                   | 32,402              | 2,091                  |
| 380.2                     | Services - Steel                | 3.9                   | 3,675               | 8.0                   | 7,538               | 3,863                  |
| 381                       | Meters                          | 3.8                   | 26,901              | 3.9                   | 27,609              | 708                    |
| 382                       | Meter Installations             | 3.0                   | 3,459               | 3.9                   | 4,497               | 1,038                  |
| 383                       | Regulators                      | 3.1                   | 7,738               | 3.3                   | 8,237               | 499                    |
| 384                       | Regulator Installations         | 3.5                   | 2,551               | 3.9                   | 2,842               | 291                    |
| 385                       | Industrial M&R Equipment        | 3.4                   | 1,759               | 3.7                   | 1,914               | 155                    |
| 387                       | Other Equipment                 | 7.1                   | 956                 | 7.1                   | 0                   | (956)                  |
|                           | <b>TOTAL DISTRIBUTION PLANT</b> |                       | <b>236,894</b>      |                       | <b>240,252</b>      | <b>3,358</b>           |
| <b>General Plant</b>      |                                 |                       |                     |                       |                     |                        |
| 390                       | Structures & Improvements       | 1.9                   | 3,385               | 2.2                   | 3,920               | 535                    |
| 391.1                     | Office Furniture                | 1.7                   | 185                 | 6.6                   | 720                 | 535                    |
| 391.2                     | Office Devices                  | 8.4                   | 1,904               | 12.0                  | 2,721               | 817                    |
| 391.3                     | Office Computers                | 6.3                   | 5,751               | 7.6                   | 6,937               | 1,186                  |
| 392                       | Transportation Equipment        | 9.3                   | 43,994              | 16.9                  | 79,946              | 35,952                 |
| 394                       | Tools, Shop & Garage Equipment  | 4.9                   | 2,837               | 4.9                   | 2,837               | (0)                    |
| 396                       | Power Operated Equipment        | 0.6                   | 664                 | 6.4                   | 7,086               | 6,422                  |
| 397                       | Communication Equipment         | 6.2                   | 87                  | 20.3                  | 286                 | 199                    |
|                           | <b>TOTAL GENERAL PLANT</b>      |                       | <b>58,808</b>       |                       | <b>104,453</b>      | <b>45,645</b>          |

| <b>Current and Proposed Depreciation Components</b> |                                |                |                      |                       |                      |      |
|---|--------------------------------|----------------|----------------------|-----------------------|----------------------|------|
| Account No.   | Account Title                  | <b>Current</b> |                      | <b>Staff Proposed</b> |                      |      |
|   |                                | Curve Type     | Average Service Life | Curve Type            | Average Service Life | Age  |
| <b>Distribution Plant</b>                           |                                |                |                      |                       |                      |      |
| 375   | Buildings & Improvements       | S3             | 40                   | S3                    | 40                   | 7.3  |
| 376.1   | Mains - Plastic                | S3             | 40                   | S3                    | 40                   | 19.8 |
| 376.2   | Mains - Steel                  | S3             | 40                   | S3                    | 40                   | 31.0 |
| 378   | M&R Equip. - Distribution      | R3             | 35                   | R3                    | 35                   | 25.4 |
| 379   | M&R Equip - City Gate          | S3             | 35                   | S3                    | 35                   | 30.2 |
| 380.1   | Services - Plastic             | S3             | 42                   | S3                    | 42                   | 12.0 |
| 380.2   | Services - Steel               | SQ             | 53                   | SQ                    | 55                   | 51.6 |
| 381   | Meters                         | R4             | 25                   | R4                    | 25                   | 14.8 |
| 382   | Meter Installations            | S2             | 40                   | S2                    | 40                   | 18.0 |
| 383   | Regulators                     | R4             | 30                   | R4                    | 30                   | 16.7 |
| 384   | Regulator Installations        | S3             | 40                   | S3                    | 40                   | 11.6 |
| 385   | Industrial M&R Equipment       | S4             | 30                   | S4                    | 30                   | 11.5 |
| 387   | Other Equipment                |                | 14                   |                       | 14                   |      |
| <b>General Plant</b>                                |                                |                |                      |                       |                      |      |
| 390   | Structures & Improvements      | R3             | 40                   | R3                    | 40                   | 25.8 |
| 391.1   | Office Furniture               | S2             | 15                   | S2                    | 15                   | 13.7 |
| 391.2   | Office Devices                 | S1             | 8                    | S1                    | 8                    | 4.7  |
| 391.3   | Office Computers               | S3             | 16                   | S3                    | 16                   | 10.3 |
| 392   | Transportation Equipment       | S2             | 7                    | S2                    | 7                    | 5.9  |
| 394   | Tools, Shop & Garage Equipment | S3             | 20                   | S3                    | 20                   | 7.2  |
| 396   | Power Operated Equipment       | S4             | 15                   | S4                    | 15                   | 10.7 |
| 397   | Communication Equipment        | S3             | 12                   | S3                    | 12                   | 4.5  |