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STATE OF FLORIDA



DIVISION OF ECONOMICS
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Public Service Commission

October 9, 2023

Beth Keating, Esq.
Gunster, Yoakley & Stewart, P.A.
215 South Monroe Street
Tallahassee, FL 32301-1839

Re: Docket No. 20230079-EI, Petition for approval of 2023 Depreciation Study by Florida Public Utilities Company

Ms. Keating:

Staff has completed its report regarding Florida Public Utilities Company's (FPUC or Utility) current depreciation study for the Company's electric assets. This report documents staff's preliminary positions concerning FPUC's study. Please provide your response to the report by October 30, 2023. Specifically, please indicate whether FPUC is in agreement or disagreement with staff's preliminary positions and respond to our questions contained within the body of the report.

Should you have any questions, or need further information, please do not hesitate to contact me at (850) 413-7003.

Sincerely,

/s/ Lee Smith
Public Utilities Analyst

Attachment

cc: Michelle D. Napier
Office of Public Counsel
Commission Clerk

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Florida Public Utilities Company
2023 Depreciation Study – Electric Divisions
Docket No. 20230079-EI

Staff Report

General

Staff has reviewed FPUC’s 2023 Depreciation Study (Study). Staff has verified FPUC’s average age, reserve percentages, and average remaining life calculations. Further, staff has reviewed FPUC’s proposed depreciation parameters for each account and, in general, find them to be reasonable. Staff is in agreement with FPUC’s proposed extended amortization periods for Account 303.1 – Miscellaneous Intangible Plant – 15 Years and Account 391.4 – Software. Staff is also in agreement with FPUC’s newly-proposed Account 303.2 – Miscellaneous Intangible Plant – CIS and Account 370.1 – AMI Meters.

Complete tabulations of staff’s initial depreciation parameter positions, as well as depreciation rates and expense comparisons (to FPUC’s currently-approved depreciation parameters, rates, and expenses) are contained in Attachments A, B, and C of this report.

The Company proposed two reserve transfers within the General Plant Accounts which are presented in the table below. Account 392.1 – Transportation – Cars currently has no plant balance, yet there is a \$10,373 balance in the reserve. Also, Account 392.2 – Transportation – Light Trucks & Vans has a theoretical reserve deficit of \$135,660. As such, staff believes a reserve transfer from Account 392.1 to Account 392.2 is appropriate. Further, Account 392.3 – Transportation – Heavy Trucks also has a reserve surplus. Staff is in agreement with FPUC that this surplus should be used to eliminate the reserve deficit in Account 392.2 and help offset the reserve surplus in Account 392.3. These reserve transfers are illustrated in the following table.

Proposed Reserve Transfers (\$)		
Acct. No.	Account Title	Reserve Transfer Amount
392.1	Transportation – Cars	(10,373)
392.2	Transportation – Light Trucks & Vans	135,660
392.3	Transportation – Heavy Trucks	(125,287)

Staff’s Additional Questions

Although staff is generally in agreement with FPUC’s proposed depreciation parameters, staff would like FPUC’s response to the following questions:

1. For Account 352 – Structures & Improvements, the currently-approved ASL is 60 years. Please explain if FPUC considered the depreciation principle of gradualism when the Company proposed an ASL of 75 years (25 percent increase) for this account.

2. For Account 360.1 – Land Rights, the currently-approved ASL is 60 years. Given the proposed ASL of 75 years, which is also a 25 percent increase for this account, please explain if FPUC considered the depreciation principle of gradualism when it proposed this ASL.
3. For Account 373 – Street Lighting, the currently-approved ASL is 22 years. Similar to the above questions, please explain if FPUC considered the depreciation principle of gradualism when the Company proposed an ASL of 37 years (59 percent increase) for this account.
4. Please explain how the more than \$6M allocation for FPUC’s new Customer Information System was determined.

Staff’s Preliminary Positions

Staff is in agreement with FPUC’s proposed depreciation parameters for all but the following three accounts. Please provide a response to staff’s proposed parameters indicating the Company’s agreement with the changes, or justification for maintaining the Company’s proposed parameters for these three accounts.

1. Account 352 – Structures & Improvements

Referring to Exhibit A of the 2023 Study, this account has an average age of 6.2 years. In an effort to reflect the inclusion of a more gradual approach to increasing the account’s ASL, staff proposes to increase this account’s currently-approved ASL of 60 years to 70 years, rather than 75 years, while retaining the currently-approved 0 percent Net Salvage (NS). Using these parameters with the S5 curve, an Average Remaining Life (ARL) of 63.8 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 1.4 percent for this account.

2. Account 360.1 – Land Rights

This account has an average age of 37.5 years. Staff proposes increasing the currently-approved ASL of 60 years to 70 years, rather than 75 years, and retaining the currently-approved 0 percent NS. Using these parameters with the SQ curve, an ARL of 32.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.1 percent for this account.

3. Account 373 – Street Lighting & Signal Systems

The Street Lighting & Signals account has an average age of 13.5 years. Staff proposes increasing the currently-approved ASL of 22 years to 30 years, instead of 37 years, while retaining the currently-approved (10) percent NS. Applying these parameters with the R3 curve, an ARL of 17.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.9 percent for this account.

Comparison of Rates and Components								
Acct. No.	Account Title	Current ¹			Staff Recommended			
		Average Remaining Life (yrs)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (yrs)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
Intangible Plant								
303.1	Miscellaneous Intangible Plant - 15 Yrs	5 Year Amortization			15 Year Amortization			
303.2	Miscellaneous Intangible Plant - CIS				20 Year Amortization			
Transmission Plant								
350.1	Land Rights	75	0	1.3	75	0.0	0	1.3
352	Structures and Improvements	57	0	1.7	63.8	9.5	0	1.4
353	Station Equipment	43	0	1.8	43	20.2	0	1.9
354	Towers and Fixtures	19.0	(15)	1.9	22	93.3	(15)	1.0
355	Poles and Fixtures	27	(50)	4.5	37	39.3	(50)	3.0
355.1	Poles and Fixtures - Concrete	50	(30)	2.3	56	20.6	(30)	2.0
356	Overhead Conductors and Devices	46	(20)	2.3	49	17.1	(20)	2.1
359	Roads and Trails	12.5	0	0.9	37	91.2	0	0.2
Distribution Plant								
360.1	Land Rights	26	0	1.5	32.5	64.3	0	1.1
361	Structures and Improvements	54	(5)	1.8	57	21.3	(5)	1.5
362	Station Equipment	43	(10)	1.9	45	34.6	(10)	1.7
364	Poles, Towers, and Fixtures	34	(50)	3.4	37	41.8	(50)	2.9
365	Overhead Conductors & Devices	30	(35)	2.8	38	54.6	(35)	2.1
366	Underground Conduit	51	(5)	1.7	54	22.7	(5)	1.5
367	Underground Conductors & Devices	33	(5)	2.0	30	45.0	(5)	2.0
368	Line Transformers	19.7	(20)	2.7	23	66.6	(20)	2.3
369	Services	32	(40)	2.6	39	59.5	(40)	2.1
370	Meters	13.0	(10)	3.8	12.7	61.5	(10)	3.8
370.1	AMI Meters				20	0.0	(10)	5.5
371	Installation on Customers' Premises	13.6	5	3.0	17.7	43.3	5	2.9
373	Street Lighting & Signal Systems	11.4	(10)	5.0	17.4	59.9	(10)	2.9
General Plant								
390	Structures & Improvements	38	0	2.0	44	31.0	0	1.6
391.0	Office Furniture & Equipment	7 Year Amortization			7 Year Amortization			
391.1	Computers & Peripherals	5 Year Amortization			5 Year Amortization			
391.2	Computer Equipment	5 Year Amortization			5 Year Amortization			
391.3	Furniture & Fixtures	7 Year Amortization			7 Year Amortization			
391.4	Software	5 Year Amortization			10 Year Amortization			
392.1	Transportation-Cars	5.2	15	7.7	11.0	0.0	15	7.7
392.2	Transportation-Light Trucks & Vans	4.1	12	8.0	2.9	64.8	12	8.0
392.3	Transportation - Heavy Trucks	6.1	10	6.0	12.2	49.3	10	3.3
392.4	Transportation - Trailers	9.4	5	3.2	6.8	74.5	5	3.0
393	Stores Equipment	7 Year Amortization			7 Year Amortization			
394	Tools/Shop Equipment	7 Year Amortization			7 Year Amortization			
395	Lab Equipment	7 Year Amortization			7 Year Amortization			
396	Power Operated Equipment	15.4	0	4.1	12.4	49.7	0	4.1
397	Communications Equipment	5 Year Amortization			5 Year Amortization			
398	Miscellaneous Equipment	7 Year Amortization			7 Year Amortization			
399	Misc. Tangible Assets	5 Year Amortization			5 Year Amortization			

¹ Order No. PSC-2020-0347-AS-EI

*Denotes newly proposed account

**Denotes Proposed Reserve Transfer

Comparison of Expenses ¹						
Account No.	Account Title	Current		Staff Recommended		
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	Change In Expense (\$)
Intangible Plant						
303.1	Miscellaneous Intangible Plant - 15 Yrs	20.0	192,651	6.7	64,538	(128,113)
	TOTAL INTANGIBLE PLANT		192,651		64,538	(128,113)
Transmission Plant						
350.1	Land Rights	1.3	0	1.3	0	0
352	Structures and Improvements	1.7	33,034	1.4	27,204	(5,830)
353	Station Equipment	1.8	174,405	1.9	181,076	6,671
354	Towers and Fixtures	1.9	4,271	1.0	2,248	(2,023)
355	Poles and Fixtures	4.5	123,589	3.0	82,028	(41,561)
355.1	Poles and Fixtures - Concrete	2.3	90,331	2.0	80,295	(10,036)
356	Overhead Conductors and Devices	2.3	85,957	2.1	78,483	(7,474)
359	Roads and Trails	0.9	61	0.2	14	(47)
	TOTAL TRANSMISSION PLANT		511,648		451,348	(60,300)
Distribution Plant						
360.1	Land Rights	1.5	855	1.1	627	(228)
361	Structures and Improvements	1.8	8,025	1.5	6,687	(1,338)
362	Station Equipment	1.9	253,365	1.7	226,695	(26,670)
364	Poles, Towers, and Fixtures	3.4	933,631	2.9	796,332	(137,299)
365	Overhead Conductors & Devices	2.8	604,314	2.1	453,236	(151,078)
366	Underground Conduit	1.7	128,096	1.5	115,057	(13,039)
367	Underground Conductors & Devices	2.0	202,417	2.0	199,425	(2,992)
368	Line Transformers	2.7	674,323	2.3	578,710	(95,613)
369	Services	2.6	360,653	2.1	295,848	(64,805)
370	Meters	3.8	220,946	3.8	220,946	0
370.1	AMI Meters			* 5.5	0	0
371	Installation on Customers' Premises	3.0	112,439	2.9	108,691	(3,748)
373	Street Lighting & Signal Systems	5.0	144,339	2.9	83,717	(60,622)
	TOTAL DRISTRIBUTION PLANT		3,643,403		3,085,971	(557,432)
General Plant						
390	Structures & Improvements	38.0	80,667	1.6	64,533	(16,134)
391.4	Software	20.0	1,147	5.0	574	(573)
392.1	Transportation-Cars	7.7	0	7.7	0	0
392.2	Transportation-Light Trucks & Vans	8.0	79,153	8.0	79,153	0
392.3	Transportation - Heavy Trucks	6.0	233,975	3.3	128,686	(105,289)
392.4	Transportation - Trailers	3.2	4,919	3.0	4,612	(307)
393	Stores Equipment	14.3	0	0	0	0
394	Tools/Shop Equipment	14.3	0	0	0	0
395	Lab Equipment	14.3	0	0	0	0
396	Power Operated Equipment	4.1	36,839	4.1	36,839	0
	TOTAL GENERAL PLANT		436,700		314,397	(122,303)
	TOTAL		4,784,402		3,916,254	(868,148)

* Denotes newly proposed account

¹ All amortizable accounts were removed except for Account 303.1 and 391.4 since there are no expense changes in those accounts

Current and Proposed Depreciation Components							
Account No.	Account Title	Curve Type	Current		Staff Recommended		Age
			Average Service Life	Curve Type	Average Service Life		
Intangible Plant							
303.1	Miscellaneous Intangible Plant - 15 Yrs	SQ	5 Year Amortization		SQ	15 Year Amortization	
303.2	Miscellaneous Intangible Plant - CIS				SQ	20 Year Amortization	
Transmission Plant							
350.1	Land Rights	SQ	75		SQ	75	0
352	Structures and Improvements	S5	60		S5	60	6.2
353	Station Equipment	S3	53		S3	53	10.2
354	Towers and Fixtures	S6	60		S6	70	48.5
355	Poles and Fixtures	R4	50		R4	54	17.0
355.1	Poles and Fixtures - Concrete	R4	56		R4	65	8.8
356	Overhead Conductors and Devices	S2	55		R2	60	12.1
359	Roads and Trails	SQ	70		SQ	75	37.7
Distribution Plant							
360.1	Land Rights	SQ	60		SQ	70	37.5
361	Structures and Improvements	SQ	60		SQ	70	12.7
362	Station Equipment	S3	55		S3	60	14.8
364	Poles, Towers, and Fixtures	R4	44		R4	50	12.6
365	Overhead Conductors & Devices	R5	45		R5	55	17.3
366	Underground Conduit	R5	64		R5	69	14.6
367	Underground Conductors & Devices	R4	47		R4	47	16.8
368	Line Transformers	S4	36		S4	40	17.5
369	Services	R5	48		R3	55	17.0
370	Meters	R5	30		R5	30	17.3
370.1	AMI Meters				R5	20	0
371	Installation on Customers' Premises	S3	25		S3	30	12.4
373	Street Lighting & Signal Systems	R3	22		R3	30	13.5
General Plant							
390	Structures & Improvements	R4	50		R4	60	15.6
391.0	Office Furniture & Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
391.1	Computers & Peripherals	SQ	5 Year Amortization		SQ	5 Year Amortization	
391.2	Computer Equipment	SQ	5 Year Amortization		SQ	5 Year Amortization	
391.3	Furniture & Fixtures	SQ	7 Year Amortization		SQ	7 Year Amortization	
391.4	Software	SQ	5 Year Amortization		SQ	10 Year Amortization	
392.1	Transportation-Cars	S2	11		S2	11	0
392.2	Transportation-Light Trucks & Vans	S4	11		S4	11	8.4
392.3	Transportation - Heavy Trucks	S3	15		S3	20	7.9
392.4	Transportation - Trailers	R4	25		R4	25	19.9
393	Stores Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
394	Tools/Shop Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
395	Lab Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
396	Power Operated Equipment	S6	25		S6	25	12.6
397	Communications Equipment	SQ	5 Year Amortization		SQ	5 Year Amortization	
398	Miscellaneous Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
399	Misc. Tangible Assets	SQ	5 Year Amortization		SQ	5 Year Amortization	

*Denotes newly proposed account