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FPUC’s response to staff’s fourth set of interrogatories Nos. 47-49

Interrogatory No. 47 (a-d)

INTERROGATORIES

47. Please refer to FPUC's response to Staff's Second Set of Interrogatories, No. 31, which states as follows: "The Company determined that if there were any depreciation savings, they would be offset by the change in asset life caused by the increased cost of removal."

   a. Please explain what is meant by "increased cost of removal" in the above statement.

   b. Please explain how an asset's life is affected by cost of removal.

   c. Is FPUC proposing that the Commission change the depreciation rates currently included in base rates, or used in the SPPCRC Cost Recovery Factors' calculation, in order to account for these retirements/depreciation savings?

   d. Please explain how a change in an asset's life will offset the referenced depreciation savings.

Company Response:

a. Increased cost of removal refers to the cost to remove plant, which is more today versus costs to remove last year or even five to ten years ago. The cost of everything continues to increase year over year.

b. The cost of removal is built into the depreciation rates at a certain %. If the cost of removal exceeds the percentage accounted for in rates, an under-recovery will exist in the reserve for the asset retired/removed. For example, an asset costing $100, with cost of removal rate of 50% or $50 is provided in the depreciation rates. At the time of retirement, the reserve for this asset is $150 ($100 original cost + cost of removal of 50% or $50). However, the actual cost of removal incurred is $250, thus resulting in an under-recovery of $100.

Interrogatory No. 47 (a-d), cont.

c. No, the Company is not proposing a change in depreciations rates included in base rates or used in the SPPCRC filing because the Company does not anticipate depreciation savings that would necessitate an adjustment.

d. Asset life refers to the new replacing asset. Cost of removal relates to the retiring asset. The life for the new asset being installed is longer than the life of the asset retired, which, along with an increase in asset cost, would increase depreciation expense. This increase in expense is expected to exceed the depreciation expense on the asset that was retired, which was probably installed at a cost much less than today. Savings would depend on how much it costs to remove the retiring asset.

Respondent: Michelle Napier

Interrogatory No. 48

48. Please refer to FPUC's response to Staff's Second Set of Interrogatories, No. 31, Order No. PSC-2020-0224-AS-EI, Attachment A, Page 21, Paragraph 12 (c) (ii), and Order No. PSC-2020-0410-AS-EI, Attachment A, Page 13, Paragraph 3 (f) (iii). Please explain why FPUC decided to utilize a different methodology to account for the depreciation expense savings related to base rate assets that were retired due to Storm Protection Plan projects, rather than utilize the methodology that was already approved by the Commission in the referenced Orders.

Company Response:

It is FPUC's understanding that both orders referenced were orders approving settlement agreements between the Office of Public Counsel ("OPC") and TECO, and between OPC and Duke, respectively. As such, those Orders reflect approval of agreements negotiated between specific parties, which involve "puts and takes" by each party in order to reach a mutually beneficial agreement. Consequently, Commission approval of said settlement agreements reflects approval of each of those agreements, as a whole, as being in the public interest, but does not necessarily reflect that any specific item in such settlement agreements, on a standalone basis, is the most, or only, appropriate approach to a particular issue or that it should be applied more broadly to other companies. FPUC did not review the settlements at that time, and only did so recently, so the Company was not aware of the approach these companies used until after the start of this case. Nonetheless, these decisions do not appear to be precedential in terms of how other or companies handle net cost of removal and depreciation expense, nor how the Commission may decide to rule on other approaches. I also reiterate that FPUC does not anticipate depreciation savings that could be used to offset depreciation expense.

Respondent: Michelle Napier

Interrogatory No. 49

49. Please refer to the May 4, 2022 testimony of Michelle Napier, Exhibit MDN-1, SPPCRC Form 3P, Pages 3-19 of 19, and Form 7E, Pages 3-19 of 19.

a. Do the costs reflected on Line 1. Expenditures/Additions, of each page, represent assets that are planned to be placed into service due to the retirement/replacement of base rate assets?

b. If the answer to Interrogatory No. 49(a) is yes, then please provide in Excel format with formulas intact the dollar amounts and corresponding account numbers and depreciation rates for all of the base rate assets that will be retired.

Company Response:

a. Yes, a portion of the assets being replaced related to the programs shown below are accounted for in base rates for 2022 and 2023 on Forms 7E and 3P, respectively.

   Programs:

   Overheard Feeder Hardening, Overheard Lateral Hardening, Overhead Lateral Undergrounding, Distribution Pole Inspection and Replacement and Transmission Inspection and Hardening.

b. At the time of this filing, the specific details, such as exact assets being retired, in-service date of those assets, were they included in the last rate case, etc., are not readily known. Therefore, a projected amount of all the base rate assets that will be retired cannot be determined. However, based on the programs, we have included the account numbers and depreciation rates below:

Account	Depreciation Rate
355	4.5%
364	3.4%
365	2.8%

Respondent: Michelle Napier

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Storm Protection Plan Cost Recovery Clause	DOCKET NO. 20220010-EI

DECLARATION

I hereby certify and affirm that I sponsored the Company's responses to the COMMISSION STAFF'S FOURTH SET OF INTERROGATORIES TO FLORIDA PUBLIC UTILITIES COMPANY, Nos. 47 - 49 in Docket No. 20220010-EI. The responses are true and correct to the best of my knowledge.

Under penalty of perjury, I declare that I have read the foregoing declaration and the interrogatory responses identified above, and that the facts stated therein are true.

*Michelle D Napier*____________

Michelle D Napier, Declarant

Dated: _9/19/2022_____