

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Depreciation study as of) DOCKET NO. 930453-EI
December 31, 1992 for Marianna) ORDER NO. PSC-93-1839-FOF-EI
Electric Division of Florida) ISSUED: December 27, 1993
Public Utilities Company.)
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER PRESCRIBING NEW DEPRECIATION RATE SCHEDULES,
AND RESERVES FOR FLORIDA PUBLIC UTILITIES COMPANY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On May 12, 1993, Florida Public Utilities Company (FPUC or the Company) filed its quadrennial depreciation study in accordance with Rule 25-6.0436, Florida Administrative Code. Since the last represcription, changes brought about by Company activity and planning indicates the need to review and possibly revise current prescribed depreciation rates. Data submitted by FPUC and related calculations suggest a January 1, 1994 implementation date for revised rates and schedules.

Corrective Reserves
Attachment A

Our Staff's review indicates that there a number of reserve imbalances existing which result primarily from differences in current and past projections. According to our Staff such deficiencies should be recovered as fast as possible, unless such recovery prevents the Company from earning a fair and reasonable return on its investments. In this case, negative reserve balances exist for the Power Operated account and the Tools, Shop & Garage account, Accounts 396 and 394.1 respectively. The cause for these deficiencies is that more retirements have occurred than are

DOCUMENT NUMBER-DATE

13734 DEC 27 83

FPSC-RECORDS/REPORTING

currently provided for in the design of the previously prescribed depreciation rates. An apparent reserve surplus exists in the Poles, Towers, and Fixtures account, Account 364, that can be used to correct the deficiencies in the accounts described above. This action will bring each affected account's reserve more in line with its calculated theoretical level.

Also, in light of the possible impact on cost allocations, the Company should make corresponding entries to the related depreciation expense accounts. (Attachment C)

Depreciation Rates and Amortization Schedules
(Attachment B)

Our staff and FPUC agree on lives, net salvages, and resulting depreciation rates, on all but 5 accounts. Those accounts are Poles, Towers, and Fixtures; Overhead Conductors and Devices; Line Transformers; Meters; Tools, Shop & Garage Equipment; and Power Operated Equipment. These accounts are discussed below.

Poles, Towers, and Fixtures (Account 364)

The difference between the remaining life positions of the Company and staff is due only to rounding. When the remaining life is twenty years or more, our staff's position is to round to the nearest year. We can find no persuasive argument that would require us to be so precise in an estimate some 20 years in the future.

FPUC has indicated that its salvage experience indicates a return to the negative pattern of the 1970s and early 1980s. A factor of negative 25% was therefore proposed for this account. Net salvage for the 1988-1992 period has ranged from 29% to negative a 40%, with a 5-year average of approximately 1%. Our staff agrees with the Company that the positive salvage should be considered abnormal and not indicative of future expectations, but can not agree with reliance on one year's experience as a reason to change current prescribed negative 20% net salvage especially when retirement activity has consistently been minimal.

There is also a difference in the reserve positions of the Company and staff which were previously discussed in our treatment of corrective reserve measures.

Overhead Conductors and Devices (Account 365)

As stated earlier, when the remaining life is twenty years or more, our staff's position is to round to the nearest year. The difference between the remaining life positions of the Company and staff are due only to rounding.

Line Transformers & Meters (Account 368, 370)

FPUC has proposed service lives of 34 and 38 years, remaining lives of 22.8 and 23.9 years and net salvage factors of negative 20% and negative 25% for transformers and meters respectively. The Company indicated that the proposed service lives resulted from simulation studies. However, rather than rely solely on statistics, our staff prefers to know why a change is necessary. Primarily, our staff prefers data based upon Company operations expected to impact the future life and salvage parameters. Without such information, our staff's position is to retain current prescribed factors. In this case, service lives underlying currently prescribed remaining lives for each of these accounts are 20 years and 30 years, respectively. Current service life projections seen from other companies in the State of Florida range from 16 years to 29 years for transformers and 25 years to 30 years for meters. FPUC's proposal exceeds these ranges and lack any support other than their reliance upon statistics. We agree with our staff that there is no reason to change existing service life parameters from the data submitted by FPUC. Our staff's remaining life reflects an update of currently prescribed factors with activity since the last depreciation study.

Our Staff expressed a concern over the high costs of removal incurred by FPUC for these accounts. According to FPUC, the reason for the high removal cost has been a result of booking the removal of transformers and meters that were for refurbishment as costs of removal. With FPUC's expressed position, they will no longer use the procedure and we can expect not to see this type of activity in the future and will retain the current prescribed net salvage factor of negative 10%.

Tools, Shop & Garage Equipment (Account 394.1)

Our staff indicates that the difference between the positions of the Company and staff in this account is due to the reserve position. We agree with our staff's recommendation which is reflected in the corrective reserve measures discussed previously in this order.

Power Operated Equipment (Account 396)

While our staff and the Company agree on a 14-year service life, there is a difference in positions regarding remaining life. Our Staff's recommendation for recalculation of the account's average age recognizes 1993 activity.

According to our Staff although relatively little activity has been experienced in this account, the net salvage incurred appears to indicate a net salvage more in the range of 10% rather than the Company's proposed 5%. This reserve position is also reflective of the corrective reserve measures discussed previously.

Recovery Schedules
(Attachment C)

Our staff recommends recovery schedules designed to recover the net investments associated with the retiring hydraulic plant and PCB capacitors disposal. According to data submitted by the Company, the hydraulic plant has ceased operation and estimates for repairing the equipment show that refurbishment is not cost justified. In addition, there is a pending lawsuit with the State of Florida on who actually owns the property on which the plant is located. For these reasons, the plant is being retired by year-end 1993. FPUC has proposed a recovery schedule designed to recover the associated net investments over a 4-year period. There appears to be some question as to whether the plant will be fully dismantled, therefore, the Company is requesting the recovery of removal costs incurred only through year-end 1993 (\$36,704). If it is determined that the plant will indeed be dismantled, FPUC should accordingly petition the Commission for additional recovery.

Additional removal costs are being incurred to dispose of some PCB capacitors that were previously buried upon retirement. It is now necessary to dig those capacitors up and otherwise dispose of them to avoid future contamination of the soil and subsurface water. According to FPUC, these removal and disposal activities will be completed by year-end 1993. Current estimates for this removal are \$77,500 which FPUC has proposed to place in a 4-year recovery schedule.

Our staff supports the use of recovery schedules to address the recovery of the net investments discussed above. Although staff would ordinarily recommend a faster recovery period due to the plant no longer in service, our staff recommends that due to these costs not being life related and the fact that the Company is currently seeking revenue rate relief in another docket, the 4-year recovery periods should be approved.

ORDER NO. PSC-93-1839-FOF-EI
DOCKET NO. 930453-EI
PAGE 5

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company, Marianna Electric Division, shall record the corrective reserve transfers set forth in Attachment A. It is further


ORDERED that the depreciation rates and amortization schedules set forth in Attachment B to this order are hereby approved for Florida Public Utilities Company, Marianna Electric Division. It is further

ORDERED that Florida Public Utilities Company, Marianna Electric Division, shall implement the recoveries schedules that are set forth in Attachment C. It is further

ORDERED that the effective date of the new rates, schedules and reserves is January 1, 1994. It is further

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 27th day of December, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)
MRC:bmi

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative

hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 17, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

FLORIDA PUBLIC UTILITIES – MARIANNA DIVISION
1993 STUDY
RECOMMENDED CORRECTIVE RESERVE MEASURES

		1/1/94 ESTIMATED RESERVE	THEORETICAL RESERVE	RESERVE IMBALANCE	CORRECTIVE TRANSFER	RESTATED RESERVE
364	Poles, Towers, and Fixtures	1,387,742	1,285,155	102,587	(30,852)	1,356,890
394.1	Tools, Shop & Garage Equipment	(519)	3,968	(4,487)	4,487	3,968
396	Power Operated Equipment	(23,783)	2,582	(26,365)	26,365	2,582
					<u>0</u>	

ORDER NO. PSC-93-1839-FOF-EI
DOCKET NO. 930453-EI
PAGE 7

FLORIDA PUBLIC UTILITIES - MARIANNA DIVISION
 1993 STUDY
 COMPARISON OF EXPENSES

ACCOUNT	1/1/94 ESTIMATED INVESTMENT	1/1/94 ESTIMATED RESERVE	CURRENT		STAFF RECOMMENDATION		
			RATE	EXPENSES	RATE	ESTIMATED EXPENSES	CHANGE IN EXPENSES
DISTRIBUTION PLANT							
360.1 - Land Rights	25,829	948	4.3	1,111	2.3	594	(517)
361 - Structures and Improvements	8,814	2,257	2.3	198	2.2	190	(8)
362 - Station Equipment	756,344	281,291	3.0	22,690	2.9	21,934	(756)
364 - Poles, Towers, and Fixtures	3,454,718	1,356,890 **	3.8	131,279	3.5	120,915	(10,364)
365 - Overhead Conductors & Devices	4,002,291	1,465,068	3.8	152,087	3.3	132,076	(20,011)
366 - Underground Conduit	109,140	12,617	2.0	2,183	2.0	2,183	0
367 - Underground Conductors & Devices	317,633	51,942	3.0	9,529	2.8	8,894	(635)
368 - Line Transformers	3,830,003	1,464,083	4.4	168,520	4.0	153,200	(15,320)
369 - Services	1,571,589	473,066	5.0	78,579	4.6	72,293	(6,286)
370 - Meters	855,363	414,238	4.4	37,636	4.1	35,070	(2,566)
371 - Installation on Customers' Premises	356,855	78,328	3.4	12,133	5.7	20,341	8,208
373 - Street Lighting & Signal Systems	184,687	75,279	2.6	4,807	2.9	5,362	555
TOTAL DISTRIBUTION PLANT	15,473,296	5,676,005		620,752	2.9	573,052	(47,700)
GENERAL PLANT							
390 - Structures & Improvements	771,201	27,757	2.6	20,051	2.1	16,195	(3,856)
392.1 - Transportation - Cars	48,888	15,997	13.6	6,376	29.9	14,019	7,643
392.2 - Transportation - Light Trucks & Vans	132,737	55,384	9.6	12,743	13.0	17,256	4,513
392.3 - Transportation - Heavy Trucks	819,181	352,445	7.7	63,075	6.9	56,522	(6,553)
392.4 - Transportation - Vans	11,672	3,827	3.8	444	2.8	327	(117)
393.1 - Stores Equipment - Fixed	55,799	9,342	3.2	1,785	5.3	2,957	1,172
394.1 - Tools, Shop & Garage Equipment	15,319	3,968 **	4.3	659	3.8	582	(77)
395.1 - Laboratory Equipment	16,904	5,782	2.5	423	3.4	575	152
396 - Power Operated Equipment	25,819	2,582 **	5.2	1,343	6.4	1,652	309
397 - Communication Equipment	85,461	50,772	2.8	2,393	8.6	7,350	4,957
TOTAL GENERAL PROPERTY	1,980,956	527,858		109,292		117,435	8,143
TOTAL RATES	17,454,222	6,203,861		730,044		690,487	(39,557)
RECOVERY SCHEDULE							
HYDRAULIC PLANT	0	(69,916)	5.4 *	0	4 Yr. Amort.	17,479	17,479
PCB CAPACITORS	0	(77,500)	3.4	0	4 Yr. Amort.	19,375	19,375
	0	(147,416)		0		36,854	36,854
TOTAL PLANT	17,454,222	6,056,445		730,044		727,341	(2,703)