

State of Florida



# Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

12 MAY 10 AM 9:07

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COMMISSIONER  
CLERK

**DATE:** May 10, 2012

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

**FROM:** Division of Economic Regulation (Ollila) *S.O.*  
Office of the General Counsel (Klancke) *AK* *CBM*

**RE:** Docket No. 120059-EI – Petition for depreciation class and rate for automobiles, by Gulf Power Company.

**AGENDA:** 05/22/12 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Administrative

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\120059.RCM.DOC

## Case Background

Pursuant to Rule 25-6.0436(3)(a), Florida Administrative Code (F.A.C.), electric utilities are required to maintain depreciation rates and accumulated depreciation reserve in accounts or subaccounts as prescribed in Rule 25-6.014(1), F.A.C. Rule 25-6.0436(3)(b), F.A.C., provides that "Upon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category." On March 22, 2012, Gulf Power Company (Gulf or Company) filed its request, in accordance with this rule, for a new depreciation classification and rate for automobiles. The Commission has jurisdiction in this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

DOCUMENT NUMBER-DATE

02983 MAY 10 2012

FPSC-COMMISSION CLERK

**Discussion of Issues**

**Issue 1:** Should a new depreciation classification and rate for automobiles be approved for Gulf?

**Recommendation:** Yes. A new depreciation classification, Account 392-4110 - Automobiles, and a whole life depreciation rate of 12.1 percent should be approved for automobiles. (Ollila)

**Staff Analysis:** Gulf explains in its petition that it currently does not have a depreciation classification or rate for automobiles. Gulf purchased two Ford Fiesta vehicles at a cost of approximately \$15,000 per vehicle; it took delivery of the vehicles in April 2012.

Gulf proposes a depreciation classification of Account 392-4110 – Automobiles. The account number, 392-4110, is the account number Gulf used in the past for automobiles. Staff agrees with this classification.

Gulf proposes a seven-year average service life (ASL) and 15 percent net salvage (NS) for automobiles. These proposed parameters result in a 12.1 percent whole life depreciation rate. Gulf's proposed ASL and NS are, respectively, within the range of and identical to the parameters that underlie the automobile depreciation rates for this same account for Florida Power and Light (six-year ASL and 15 percent NS) and Florida Public Utility Company (seven-year ASL and 15 percent NS). Staff agrees with Gulf's proposed ASL and NS.

Staff notes that the new automobile classification will be included in Gulf's next depreciation study, scheduled to be filed in 2013.

Staff recommends that a new depreciation classification, Account 392-4110 – Automobiles, and a whole life depreciation rate of 12.1 percent be approved for automobiles.

**Issue 2:** What should be the implementation date for the depreciation classification and rate?

**Recommendation:** The depreciation classification and rate should be implemented effective with the in-service date of the vehicles. (Ollila)

**Staff Analysis:** Depreciation is the recovery of invested capital representing equipment that is providing service to the public. This recovery is designed to take place over the related period of service to the public, which begins with the equipment's in-service date. The new depreciation classification, Account 392-4110 - Automobiles, and the whole life depreciation rate of 12.1 percent should be implemented effective with the in-service date of the vehicles.

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**Issue 3:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Klancke)

**Staff Analysis:** At the conclusion of the protest period, if not protest is filed, this docket should be closed upon the issuance of a consummating order.