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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 140016-GU

2014 DEPRECIATION STUDY BY
FLORIDA PUBLIC UTILITIES COMPANY.
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PROCEEDINGS: COMMISSION CONFERENCE AGENDA
ITEM NO. 9

COMMISSIONERS
PARTICIPATING: CHAIRMAN ART GRAHAM
COMMISSIONER LISA POLAK EDGAR
COMMISSIONER RONALD A. BRISÉ
COMMISSIONER EDUARDO E. BALBIS
COMMISSIONER JULIE I. BROWN

DATE: Tuesday, November 25, 2014

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: DEBRA R. KRICK
Court Reporter and
Notary Public in and for
State of Florida at Large

PREMIER REPORTING
114 W. 5TH AVENUE
TALLAHASSEE, FLORIDA
(850) 894-0828

1 P R O C E E D I N G S

2 CHAIRMAN GRAHAM: We are on to item Number 9.

3 MS. OLLILA: Commissioners, Sue Ollila again
4 for staff.

5 Item 9 is the depreciation study for FPUC,
6 Chesapeake and Indiantown. The company has
7 proposed consolidated depreciation rate. The
8 application of those rates to its recently acquired
9 Fort Meade division and the establishment of a
10 five-year regulatory asset for the cost of the
11 depreciation study.

12 Both Public Counsel and the company are
13 present. We can proceed at your pleasure.

14 CHAIRMAN GRAHAM: Thank you.

15 Mr. Rehwinkle.

16 MR. REHWINKEL: It's just my day today I
17 think. Taking nothing away from Commissioner
18 Edgar. By the way, congratulations.

19 Commissioners, we are here once again, not to
20 take issue with the result of the staff's
21 recommendation. We don't have concerns about the
22 expenses or the staff's recommendation with respect
23 to the end result. Our only concern is one of
24 precedent, and that would be Issue 3, which is the
25 proposal to defer consulting fees as a regulatory

1 asset.

2 We think this is a highly unusual accounting
3 and regulatory measure to take. We understand the
4 circumstances that FPUC has cited for making what
5 we believe is an exception. We think these
6 exceptions and these circumstances should be noted
7 in the order, and that the order should expressly
8 not -- it should contain language that expressly
9 does not create a precedent that could be used by
10 others.

11 FPUC cites a recent merger, Three System
12 Consolidation, the timing of the rate case where
13 they would have probably included these costs in
14 the cost of service had the timing been a little
15 differently as justification for including this,
16 and we would like those circumstances to be set out
17 expressly in the order. And we also think that the
18 Commission should put FPUC on notice that they
19 don't expect this circumstance to occur as a
20 regular and recurring basis.

21 Certainly, we understand that they would hire
22 consultants, but oftentimes, those costs are
23 coordinated with rate case and rate case recovery.
24 I know it can't always be done, but we think that
25 it would be appropriate for the Commission to

1 distinguish this case and that it not be the
2 beginning of a precedent that allows utilities to
3 start deferring these outside consultant costs in
4 conjunction with these types of studies.

5 Thank you.

6 CHAIRMAN GRAHAM: Thank you.

7 Ms. Keating.

8 MS. KEATING: Thank you, Mr. Chairman.

9 We don't necessarily object to some caveat
10 language being included in the order. We
11 understand where OPC is coming from on this issue.
12 But I do want to be clear that the expertise that's
13 required to conduct a depreciation study is not
14 expertise that is retained in-house by the company,
15 so the company would anticipate hiring outside
16 experts for future depreciation cases.

17 Certainly, the company would be fully prepared
18 to come before the Commission and make a case for
19 similar accounting treatment, depending upon the
20 timing of the case. And like Mr. Rehwinkle said,
21 you know, we will look to -- you know, if it's
22 timed correctly with the rate case, then that may
23 be the appropriate way to treat it, but I just want
24 to be clear that the company would expect that it
25 would -- it would be retaining outside experts in

1 the future.

2 CHAIRMAN GRAHAM: Thank you.

3 Commissioner Brown.

4 COMMISSIONER BROWN: Thank you.

5 And, Ms. Keating, the only issue that I had,
6 and I looked at the Office of Public Counsel's
7 objections in their filing, and the one thing that
8 I noticed was that the consultants didn't have
9 detailed invoices, and that troubles me, and they
10 were -- and the staff recommendation stated that
11 the temporary agency does not provide detailed
12 specifics to tasks. I was just bothered by the
13 fact that a consulting firm wouldn't actually
14 provide details. Could you elaborate and maybe
15 clarify the staff recommendation?

16 MS. MARTIN: Hi, my name is Cheryl Martin.

17 With respect to that, I think there might be a
18 little bit of confusion, but the consultants did
19 provide explanations as to what type of work they
20 were performing. What wasn't provided was we had
21 also retained the use of a temporary employee
22 through a accounting agency, and those invoices
23 simply had the employee's name and the amount of
24 hours they worked.

25 But we provided a detailed response in

1 conjunction with a data request explaining the
2 nature of the work that was performed by that
3 employee. It was a former employee of our company
4 that did have that knowledge for depreciation
5 studies, and it was clear that that was, you know,
6 through our response, that that was the only work
7 that employee had been retained to perform for our
8 company.

9 COMMISSIONER BROWN: Thank you, Ms. Martin.

10 And, staff, could you just verify that for us?

11 MR. TRUELOOD: Good morning, Frank Trueblood
12 with Commission staff.

13 Yes, we looked at the invoices, and there
14 were -- that particular invoice did not provide the
15 details but they did in other data request
16 responses provide the detail indicating that the
17 employee that they brought back was a former
18 employee that possessed the level of expertise they
19 needed to put in the depreciation study.

20 COMMISSIONER BROWN: Good enough. Thank you.

21 CHAIRMAN GRAHAM: Fellow Commissioners?

22 I think Mr. Rehwinkle's request was a
23 legitimate one. I don't know if we have to make an
24 amendment because I can't do it from this seat. I
25 don't know if everybody feels the same way, but I

1 am waiting for a motion.

2 Commission Balbis.

3 COMMISSIONER BALBIS: Thank you, Mr. Chairman.

4 I agree with you, that OPC's request seems
5 reasonable, and I believe the best way to handle
6 that would be to move staff's recommendation on all
7 issues with the addition of language on Issue 3 so
8 that there is more protection from a precedential
9 value.

10 CHAIRMAN GRAHAM: It's been moved and
11 seconded, we will call it the Balbis motion.

12 Any further discussion?

13 Seeing none. All in favor say aye.

14 (Chorus of ayes.)

15 CHAIRMAN GRAHAM: Any opposed?

16 (No response.)

17 CHAIRMAN GRAHAM: By your action, you have
18 approved the Balbis motion.

19 MR. REHWINKEL: Thank you.

20 (Agenda item concluded.)

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CERTIFICATE OF REPORTER

STATE OF FLORIDA)
COUNTY OF LEON)

I, DEBRA R. KRICK, Professional Court
Reporter, do hereby certify that the foregoing
proceeding was heard at the time and place herein
stated.

IT IS FURTHER CERTIFIED that I
stenographically reported the said proceedings; that the
same has been transcribed under my direct supervision;
and that this transcript constitutes a true
transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative,
employee, attorney or counsel of any of the parties, nor
am I a relative or employee of any of the parties'
attorney or counsel connected with the action, nor am I
financially interested in the action.

DATED THIS 5TH day of December, 2014.



DEBRA R. KRICK
NOTARY PUBLIC
COMMISSION #EE212307
EXPIRES JULY 13, 2016