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DIVISION OF ECONOMICS
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Public Service Commission

September 27, 2019

Mr. Mike Cassel
AVP, Regulatory and Governmental Affairs
Florida Public Utilities Company
1750 SW 14th Street, Suite 200
Fernandina Beach, FL. 32034

Re: Florida Public Utilities Company's (Electric Division) 2019 Depreciation Study

Dear Mr. Cassel,

Staff has completed its initial review of Florida Public Utilities Company's (Electric Divisions) 2019 Depreciation Study, and we have some questions. Please provide responses to the following data requests by October 25, 2019.

Should you have any questions, or need further information, please do not hesitate to contact Jenny Wu at (850) 413-7005.

Sincerely,

A handwritten signature in black ink, appearing to read "JW".

Jenny Wu
Economic Analyst

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2019 SEP 27 PM 12:13
COMMISSION CLERK

Attachment
cc: Beth Keating/Gunster Law Firm
Office of Public Counsel

Please refer to Florida Public Utilities Company's (Electric Divisions) (FPUC-Electric) 2019 Depreciation Study (Study) for the data requests below.

1. Referring to the Narrative's "Background" section, page 1, of the Study states "[t]he associated net unrecovered costs [of Hurricane Michael] comprised of removal costs and the negative component in the reserve from hurricane retirements amounts to \$7,888,580. In Docket No. 20190155-EI and 20190156-EI, FPUC is requesting to establish a regulatory asset for the recovery of these costs [...] these costs have not been included in the determination of future lives and removal costs as they do not reflect future expectations," please provide responses to the following questions.
 - a. Is \$7,885,580 the total amount of Hurricane Michael-related net unrecovered depreciation costs incurred by FPUC-Electric?
 - b. Please provide a breakdown of the component items (e.g., Removal Cost (COR), unrecovered plant-in-service, etc.) that comprise the amount of \$7,888,580 with a denotation of the year when each of the item costs was incurred. Please support your response with workpapers in MS Excel format.
 - c. Please refer to Sch. F 2018 Notes and Sch. F 2019 Notes of the Study. Please explain how the Hurricane Michael Activity-associated costs presented in the Notes are related to the amounts of \$7,885,580. Please support your response with workpapers in MS Excel format.
 - d. In Docket No. 20190155-EI, FPUC is requesting to establish three regulatory assets: 1) O&M Expense Asset of \$984,283, 2) Lost Customer Account Asset of \$619,186, and 3) Accumulated Depreciation Asset of \$7,870,626. In Docket 20190156-EI, FPUC is requesting a fourth regulatory asset of \$47,702,199. Is it correct that the net unrecovered hurricane costs amount of \$7,888,580 discussed on page 1 of the Study's Narrative relates only to the 3rd regulatory asset petitioned in Docket No. 20190155-EI?
 - e. If your response to question (d) is affirmative, please explain the difference between the two unrecovered hurricane costs amounts: \$7,888,580 (instant Study) and \$7,870,626 (Docket No. 20190155-EI). Please support your response with workpapers in MS Excel format.
 - f. If your response to question (a) is negative:
 - i) Please identify the total dollar amount of FPUC-Electric's incurred net unrecovered hurricane costs.
 - ii) Please provide a breakdown of the component items that comprise the dollar amounts identified in your response to question (f)(i) with a denotation of the

year when each of the item costs was incurred. Please support your response with workpapers in MS Excel format.

- iii) Please specify how much of the amount identified in your response to question (f)(i) has been included in the regulatory assets that are the subject of FPUC's petition in Docket Nos. 20190155-EI and 20190156-EI with specifications of the actual dollar amount included in each of the petitioned regulatory assets, respectively. Please support your response with workpapers in MS Excel format.
 - iv) Refer to Sch. F 2018 Notes and Sch. F 2019 Notes of the Study. Please explain how the Hurricane Michael Activity-associated costs presented in the Notes are related to the dollar amounts identified in your response to question (f)(i). Please support your response with workpapers in MS Excel format.
2. Please refer to Sch. 1 through Sch. 5 of the Study as well as each schedule's corresponding respective MS Excel worksheets contained in FPUC's CD "2019 Depreciation Electric Study 8-30-19," and confirm the following: (For the purpose of clarity, please provide a copy of updated Sch. 1 through Sch. 5.)
- a. For Sch.1, the amounts presented in column D "1/1/2020 RESERVE" are the amounts of "RESTATED RESERVE."
 - b. For Sch. 2, the amount presented in Excel cells I31 and K31 is 56.91 and 3.3, respectively.
 - c. For Sch. 3, the amounts presented in column D "1/1/2020 RESERVE" are the amounts of "RESTATED RESERVE;" the amount presented in cells H30, J30 and K30 is 3.3, \$473,264, and (\$43,024), respectively; the amount presented in cells J34 and K34 is \$4,181,702 and (\$197,509), respectively; the amount presented in cells J45 and K45 is \$5,133,218 and (\$241,271), respectively.
 - d. For Sch. 4, the amounts presented in column D "1/1/2020 RESERVE" are the amounts of "RESTATED RESERVE;" the amount presented in cells E12 and I12 is \$59,504 and \$0, respectively; the amount presented in cells E19 and I19 is \$3,615,614 and (\$1,126,713), respectively; and the amount presented in cells E46 and I46 is \$65,398,280 and (\$698,442), respectively.
 - e. For Sch. 5, the amounts presented in cell D13 and E13 is 2,302,103 and (879,736), respectively.
3. Please refer to Sch. F 2016 and Sch. F 2016 Notes of the Study and provide responses to the following questions.

- a. Sch. F 2016 shows the zero plant addition for Account 389, however, Sch. F 2016 Notes indicates that the plant addition in this account is \$711,383. Please explain the difference.
 - b. Please confirm that both Accounts 380 and 389 are not regulated by the Commission.
 - c. Please explain the nature and the cause of the \$25,020 plant transfer (or, reserve transfer of \$15,688) for Account 3922.
4. Refer to Sch. F 2017 and Sch. F 2017 Notes of the Study. Please explain the nature and the cause of Purch. & Adj. of negative \$500 on plant side.
5. Refer to Sch. F 2018 and Sch. F 18 Notes of the Study. Please provide responses to the following requests:
- a. Please explain the nature and the cause of plant transfer of \$27,055 (or, reserve transfer of \$25,995) for Account 3922.
 - b. Is it correct that the “Hurricane Michael Storm Retirements” reported in Sch. F 18 Notes represent the already recovered-portion of the plant investments associated with the Hurricane Michael-caused plant retirements? If not, please explain.
 - c. Is it correct that the unrecovered portion of the plant investments associated with the Hurricane Michael-caused plant retirements are not reported in Sch. F 18 but instead are included in the Accumulated Depreciation Asset which is part of the petition in Docket No. 20190155-EI? If not, please explain.
 - d. Using Account 364 as an example, please explain in detail how the unrecovered amounts of plant investments associated with the Hurricane Michael-caused distribution pole retirements are determine. Please support your response with workpapers in MS Excel format.
 - e. For Account 364, is it correct that through FPUC’s continuing property record system, the vintage of each Hurricane Michael-caused retired distribution pole could be identified so that the amount of unrecovered investment associated with that pole can be properly calculated? If not, please explain.
 - f. Apart from Accounts 364, 365, 368, and 370, are there any other accounts that incurred Hurricane Michael-caused retirements?
 - g. Please confirm that Sch. F 2018 does not include Hurricane Michael-caused COR and Salvage. If not, please confirm that amounts of Hurricane Michael-related COR and salvage contained in Sch. F 2018 are not included in the regulatory asset(s) which are part of the petition in Docket No. 20190155-EI.

6. Referring to Sch. F 2019 and Sch. F 2019 Notes of the Study, please provide responses to the following requests:
 - a. Please confirm that no Hurricane Michael-caused plant addition is included in any of the regulatory assets petitioned in Docket Nos. 20190155-EI and 20190156-EI.
 - b. Is it correct that the retirements reported under “Estimated Total Hurricane Michael Activity by Account for 2019” represent the already recovered-portion of the plant investments associated with the Hurricane Michael-caused plant retirements? If not, please explain.
 - c. Is it correct that the unrecovered portion of the plant investments associated with the Hurricane Michael-caused 2019 plant retirements are not reported in Sch. F 2019 but instead are included in the Accumulated Depreciation Asset petitioned in Docket No. 20190155-EI? If not, please explain.

7. Please refer to Narrative, page 15, of the Study for the following requests:
 - a. With respect to customer bill impacts, please expound on the merits and demerits of amortizing the reserve surpluses of Accounts 392.1, 392.2 and 393.3 versus addressing the surplus through depreciation rates.
 - b. Referring to Sch. 1 through Sch. 5 of the Study, please provide corresponding revisions assuming no reserve amortization.