

State of Florida



Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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

DATE: February 8, 2022

TO: Adam J. Teitzman, Commission Clerk, Office of Commission Clerk

FROM: Lee Smith, Public Utility Analyst III, Division of Economics

RE: Docket No. 20210183-EI, Petition for approval of 2021 depreciation study by Sebring Gas Systems, Inc.

Please add the attached documents, titled "Staff Report" and "Sebring's Responses to Staff Report," to the above referenced docket file. Thank you.

COMMISSIONERS:
ANDREW GILES FAY, CHAIRMAN
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STATE OF FLORIDA



DIVISION OF ECONOMICS
JUDY HARLOW
DIRECTOR
(850) 413-6410

Public Service Commission

February 4, 2022

Mr. Jerry Melendy, Jr.
Vice President
Sebring Gas Systems
3515 Highway 27 South
Sebring, FL 33870-5452

Re: Docket No. 20210183-EI, Petition for approval of 2021 depreciation study by Sebring Gas Systems, Inc.

Mr. Melendy:

Staff has completed its report regarding Sebring Gas System's revised 2021 depreciation study. This report documents staff's preliminary positions concerning Sebring's study. Please provide your response to the report by March 4, 2022. Specifically, please indicate whether Sebring is in agreement or disagreement with staff's preliminary positions.

Should you have any questions, or need further information, please do not hesitate to contact me at (850) 413-7003.

Sincerely,

/s/ Lee Smith
Public Utilities Analyst

Attachment

cc: Cong Nguyen, of Brimmer, Burek & Keelan LLP
Office of Public Counsel

Depreciation Study Report

1. As a result of its review of Sebring's 2021 Depreciation Study filing, staff recommends some reserve transfers in order to bring certain accounts' book reserve more in line with the calculated theoretical reserve for those accounts. Please state whether Sebring is in agreement and/or disagreement with staff's preliminary positions on these transfers.

Acct. No.	Account Title	Transfer Amount
380.1	Service - Steel	(100,184)
380.2	Service - Plastic	108,283
386	Property on Customers' Premises	(8,099)

2. Based on Sebring's Responses to Staff's First Data Request, attached are copies of staff's understanding of, and preliminary positions on, Sebring's 2021 Depreciation Study as it relates to depreciation components and rates (Attachment A) and a comparison of the current and preliminary annual depreciation expenses (Attachment B).¹ Further, Attachment C details the current and preliminary curve type, average service life, and age of each account. Please comment as to whether Sebring is in agreement and/or disagreement with each of staff's preliminary positions.

¹ Order No. PSC-16-0574-PAA-GU, issued December 19, 2016, in Docket No. 160174-EI, *In re: Request for approval of 2016 depreciation study by Sebring Gas System, Inc.*

		Comparison of Rates and Components						
Acct. No.	Account Title	Current ¹			Staff Preliminary			
		Average Remaining Life (yrs)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (yrs)	Theoretical Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
Distribution Plant								
376.1	Main - Steel	14.6	(30)	2.9	11.8	95.73	(30)	2.4
376.2	Main - Plastic	33.8	(30)	2.9	31.1	39.81	(30)	3.0
378	Measuring & Regulating Equip. Gen - Embedded	16	(2)	3.1	16.7	50.28	(2)	3.0
379	Measuring & Regulating Ept. - City Gate	27.6	(2)	3.2	22.9	28.58	(2)	3.2
380.1	Service - Steel	11.8	(30)	1.0	13.1	94.63	* (30)	2.7
380.2	Service - Plastic	30.7	(30)	3.2	26.2	43.62	* (30)	3.3
381	Meters	9.4	0	3.8	9.1	63.71	0	4.0
382	Meter Installations	19.5	(5)	3.1	22.6	34.94	(5)	3.1
383	House Regulations	7	0	3.1	12.0	60.47	0	3.3
384	House Regulator Installations	14.7	(3)	3.0	15.3	57.25	(3)	2.9
386	Property on Customers' Premises	6.9	0	2.3	6.6	73.60	* 0	4.0
387	Other Equipment	16.8	0	4.0	11.8	52.69	0	4.1
General Plant								
390	Leasehold Improvements	40	0	2.5	27.6	30.98	0	2.5
391.1	Office Furniture	25	0	4.0	16.3	34.74	0	4.1
391.2	Office Equipment	15	0	4.4	2.2	85.26	0	0.3
392.1	Transportation - Trucks	8	15	9.0	4.8	50.92	15	2.1
394	Tools, Shop & Garage Equipment	15	0	6.7	7.2	51.51	0	6.5
396	Power Operated Equipment - New	15	0	6.7	4.1	72.43	0	2.0
397	Communication Equipment	18	0	5.6	12.7	28.94	0	5.4

¹ Order No. PSC-16-0574-PAA-GU

*Denotes a Reserve Transfer

Attachment B

Comparison of Expenses						
Account No.	Account Title	Current		Staff Preliminary		Change In Expense
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	
Distribution Plant						
376.1	Main - Steel	2.9	5,435	2.4	4,498	(937)
376.2	Main - Plastic	2.9	85,484	3.0	88,431	2,947
378	Measuring & Regulating Equip. Gen - Embedded	3.1	705	3.0	682	(23)
379	Measuring & Regulating Ept. - City Gate	3.2	39,732	3.2	39,732	(0)
380.1	Service - Steel	1.0	3,498	2.7	9,446	5,948
380.2	Service - Plastic	3.2	34,400	3.3	35,475	1,075
381	Meters	3.8	14,179	4.0	14,925	746
382	Meter Installations	3.1	6,934	3.1	6,934	(0)
383	House Regulations	3.1	1,618	3.3	1,723	105
384	House Regulator Installations	3.0	2,505	2.9	2,421	(84)
386	Property on Customers' Premises	2.3	812	4.0	1,412	600
387	Other Equipment	4.0	928	4.1	952	24
	TOTAL DISTRIBUTION PLANT		196,230		206,631	10,401
General Plant						
390	Leasehold Improvements	2.5	332	2.5	332	0
391.1	Office Furniture	4.0	121	4.1	124	3
391.2	Office Equipment	4.4	1,471	0.3	100	(1,371)
392.1	Transportation - Trucks	9.0	27,693	2.1	6,462	(21,231)
394	Tools, Shop & Garage Equipment	6.7	2,262	6.5	2,194	(68)
396	Power Operated Equipment - New	6.7	2,070	2.0	618	(1,452)
397	Communication Equipment	5.6	2,624	5.4	2,530	(94)
	TOTAL GENERAL PLANT		36,573		12,360	(24,213)
	TOTAL		232,803		218,991	(13,812)

Current and Proposed Depreciation Components							
Account No.	Account Title	Curve Type	Current		Staff Preliminary		
			Service Life	Age	Curve Type	Average Service Life	Age
Distribution Plant							
376.1	Main - Steel	S3	45	33.4	S3	45	38.4
376.2	Main - Plastic	S3	45	11.2	S3	45	13.9
378	Measuring & Regulating Equip. Gen - Embedded	R3	33	18.7	R3	33	17.8
379	Measuring & Regulating Ept. - City Gate	R3	32	4.5	R3	32	9.5
380.1	Service - Steel	S2	48	49.0	S1	48	53.7
380.2	Service - Plastic	S2	40	9.4	S2	40	14.2
381	Meters	R4	25	16.5	R4	25	16.8
382	Meter Installations	S2	34	15.3	S2	34	11.7
383	House Regulations	R4	30	24.5	R4	30	18.9
384	House Regulator Installations	S2	34	21.9	S2	34	21.1
386	Property on Customers' Premises	S2	25	23.6	S1	25	28.6
387	Other Equipment	S4	25	8.2	S4	25	13.2
General Plant							
390	Leasehold Improvements	R3	40	8.0	R3	40	13.0
391.1	Office Furniture	S2	25	16.6	S2	25	9.0
391.2	Office Equipment	S3	15	13.1	S3	15	17.2
392.1	Transportation - Trucks	S2	8	7.4	S2	12	8.4
394	Tools, Shop & Garage Equipment	S3	15	10.2	S3	15	8.0
396	Power Operated Equipment - New	S4	15	6.3	S4	15	11.3
397	Communication Equipment	S4	18	2.5	S4	18	5.3



Brimmer, Burek & Keelan, LLP

Certified Public Accountants

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Members of:
Center for Audit Quality

American Institute of
Certified Public Accountants

Florida Institute of Certified
Public Accountants

February 28, 2022

To: Lee Smith
Public Utilities Analyst
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Response to 2016 Depreciation Study Staff Report, Docket no. 202101383-EI

Dear Mr. Smith:

Please see the responses to the staff's inquiries on Docket no. 202101383-EI below. We are emailing the responses electronically.

Should you have any questions, or need further information, please do not hesitate to contact Cong Nguyen at 813-282-3400.

Sincerely,

Cong Nguyen, CPA
Brimmer, Burek and Keelan LLP

cc: Jerry Melendy, Sebring Gas Systems, Inc.

Sebring Gas Systems 2021 Depreciation Study Response, Docket no. 20210183-EI

1. As a result of its review of Sebring's 2021 Depreciation Study filing, staff recommends some reserve transfers in order to bring certain accounts' book reserve more in line with the calculated theoretical reserve for those accounts. Please state whether Sebring is in agreement and/or disagreement with staff's preliminary positions on these transfers.

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We are in agreement with the staff's position.

2. Based on Sebring's Responses to Staffs First Data Request, attached are copies of staff's understanding of, and preliminary positions on, Sebring's 2021 Depreciation Study as it relates to depreciation components and rates (Attachment A) and a comparison of the current and preliminary annual depreciation expenses (Attachment B).¹ Further, Attachment C details the current and preliminary curve type, average service life, and age of each account. Please comment as to whether Sebring is in agreement and/or disagreement with each of staff's preliminary positions.

We are in agreement with the staff's position with the exception of the proposed depreciation rate for account 392.1- Transportation- Trucks on schedule B for which we are requesting higher depreciation rate of 7% to 10% compared to the propose rate of 2.1%. Note the activities for account 392.1 in the next 5 years is expected to be comparable to the past 5 years. See attached memo for details of the account in the past 10 years.



SEBRING GAS SYSTEM, INC.

3515 U.S. Highway 27 South Sebring, Florida 33870-5452 863.385.0194 Fax 863.385.3423
Transportation-Trucks account (Account 392.00 – Light Trucks).

In an attempt to update the transportation depreciation rate, the following information is provided:

1. Activities of the Transportation-Truck accounts.

A. The following Light Trucks were purchased in the ten-year period January 1, 2011 – December 31, 2021, along with the date of purchase, purchase price:

1. 2012 Ford F-150, #969, 10/2012, \$41,713.80.	9 years
2. 2014 GMC Sierra, #8626, 12/2014, \$26,186.64.	7 years
3. 2015 Ford F-250, #289, 12/2014, \$25,967.94.	6 years
4. 2017 Ford F-250, #5377, 3/2017, \$54,797.57.	4 years
5. 2018 Ford F-150, #1121, 11/2018, \$42,958.12.	3 years
6. 2019 Ford Transit van, #145, 5/2020, \$47,079.04.	2 years
7. 2004 Chevy pickup, #5489, 8/2021, \$16,000.	1 year

B. The average service life for the vehicle purchase.

Vehicle No, 1, #969. 9 years. Still in service. To be disposed of in the year 2022.

Vehicle No. 2, #626. 7 years. Still in service. To be disposed of in the year 2022.

Vehicle No. 3, #289. 6 years. Still in service.

Vehicle No. 4, #5377. 4 years. Still in service.

Vehicle No. 5, #121. 3 years. Still in service.

Vehicle No. 6, #145. 2 years. Still in service.

Vehicle No. 7, #489. 1 year. Still in service.

C. The company sold disposed of two vehicles in the past 10 years with average proceeds range between 5% to 10% of the asset.

D. Number of vehicles purchased:

- 1-5 years (2017-2021) 4
- 6 – 10 years (2012-2016) 4
- 11 – 15 years (2007-2011) 1

The increase in vehicles for the past five years, as compared to 11-15 years ago is due the natural growth of the utility and the increase in our effort to remain in compliance with the requirements of the Florida Public Service Commission. Our service area has increased, requiring additional employees to service theses areas.

2. Purchase and disposal data follows this page in the form or a copy of our accounting report program for the past 10 years.

Information was provided by Jerry H. Melendy, Jr.
Sebring Gas System, Inc.

Jerry H. Melendy, Jr. 2/25/2022

SEBRING GAS SYSTEM, INC.
Transactions by Account
As of December 31, 2021

Date	Memo	Amount
GAS PLANT IN SERVICE		
392.00 · LIGHT TRUCKS		
10/22/2012	2012 Ford F-150 #3969	41,713.80
12/10/2014	2014 GMC SIERRA 1GTN1TEH5EZ308626	26,186.64
12/22/2014	DISPOSAL OF 2008 F250 1FDNF20588EB86876	-20,646.60
12/22/2014	Trade in of F-250 #6876	7,500.00
12/22/2014	2015 F-250 #289	25,867.94
12/24/2014	DECALS FOR Ford F-250 #0289	600.27
01/15/2015	LETTERING FOR 2015 F-250 TRUCK	600.27
12/29/2016	CONVERSION TO PROPANE FOR TK #969	7,295.00
12/30/2016	ORIGINAL ENTRY WAS SHORT Ford F-250 # 289	100.00
03/11/2017	2017 Ford F-250 #5377	49,797.57
03/13/2017	DOWN PAYMENT 2017 Ford F-250 # 1FTZW2B69HEC65377	5,000.00
03/21/2017	Disposal of 2006 Chevy #365293	-27,570.69
03/30/2017	CONVERSION TO PROPANE FOR TK #969	3,455.61
04/25/2017	credit for returned tanks	-3,144.75
05/10/2017	credit for returned calbrators/2315aa	-310.86
11/30/2018	2008 Ford F-150 # 01121	48,258.12
11/30/2018	Rebate on Ford F-150 #01121	-5,300.00
05/08/2020	2019 Ford Transit #145	47,079.04
08/03/2021	2004 CHEV TRUCK - 1GCHC24U14E125489	16,000.00
Total 392.00 · LIGHT TRUCKS		222,481.36
Total GAS PLANT IN SERVICE		222,481.36
TOTAL		222,481.36