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: April 21, 2022

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Kunkler, Smith II) JGH
Office of the General Counsel (Stiller) JSC

RE: Docket No. 20220029-EI – Petition for approval of a plant account and depreciation rate for electric vehicle DC fast charge stations, by Duke Energy Florida, LLC.

AGENDA: 05/03/22 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Passidomo

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On February 4, 2022, Duke Energy Florida, LLC (DEF or Company) filed a request for approval of a plant account and depreciation rate for electric vehicle direct current fast charge (DCFC) stations (Petition). The Company's request is in accordance with Rule 25-6.0436(3)(b), Florida Administrative Code (F.A.C.), which requires that: "[u]pon establishing a new account or subaccount classification, each utility shall request Commission approval of a depreciation rate for the new plant category."

Pursuant to Rule 25-6.0436(3)(a), F.A.C., electric utilities are required to maintain depreciation rates and accumulated depreciation reserves in accounts or subaccounts in accordance with the

Uniform System of Accounts (USOA) for Public Utilities and Licensees, as found in the Code of Federal Regulations, [1] which is incorporated by reference in Rule 25-6.014(1), F.A.C.

In June 2021, pursuant to the terms of the Company's 2021 Settlement Agreement (2021 Settlement), DEF received Commission authorization to implement three new Electric Vehicle Programs (EV Programs),[2] which effectively discontinued DEF's existing 2017 EV Charging Station Pilot Program (2017 EV Pilot).

The 2017 EV Pilot was established and approved as a five-year program and recorded on DEF's books as a regulatory asset.[3] While the 2017 EV Pilot has been discontinued, in accordance with the 2021 Settlement, DEF is allowed to continue operation of the DCFC stations that were installed during the 2017 EV Pilot period and to continue to recover associated costs.[4]

As part of the three new EV Programs, DEF will install Company-owned DCFC stations similar to those that were first introduced to DEF's system under the 2017 EV Pilot. However, in order to properly account for the depreciation that is related to the new DCFC stations, DEF is requesting approval to record the costs of these charging stations and all related equipment in a subaccount of Federal Energy Regulatory Commission (FERC) Account 370 – Meters. DEF is also requesting approval of a depreciation rate of 10 percent for equipment so recorded.[5]

Currently, the Company reports that no depreciation expense related to the new EV programs has been recorded,[6] as no associated DCFC stations have been placed into service.[7] Therefore, DEF is not requesting any accounting adjustments, such as transfers of plant investments and associated book reserves, be performed as part of this docket.[8]

Staff is not aware of any public comments or concerns regarding this matter.

The Commission has jurisdiction over this matter pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

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[1]Code of Federal Regulations, Title 18, Subchapter C, Part 101, for Major Utilities, as revised April 1, 2013.
[2]Order No. PSC-2021-0202-AS-EI, issued June 4, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*
[3]Order No. PSC-2017-0451-AS-EU, issued November 20, 2017, in Docket No. 20170183-EI*, In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.*
[4]Order No. PSC-2021-0202-AS-EI, issued June 4, 2021, in Docket No. 20210016-EI, *In re: Petition for limited proceeding to approve 2021 settlement agreement, including general base rate increases, by Duke Energy Florida, LLC.*
[5]Document No. 01048-2022, Duke Energy Florida, LLC's Petition for Approval of a Plant Account and Depreciation Rate for Electric Vehicle DC Fast Charge Stations.
[6]DCFC stations placed into service as part of the Company's 2017 EV Pilot were recorded on DEF's books as a regulatory asset, and therefore, do not have any associated depreciation expense.
[7]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 3(a).
[8]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 3(b).

Discussion of Issues

Issue 1: Should DEF's request to establish a new sub-account and annual depreciation rate applicable to its Company-owned DCFC stations and related equipment be approved, and, if so, what is the appropriate sub-account and depreciation rate?

Recommendation: Yes. Staff recommends that the appropriate sub-account for Company-owned DCFC stations and related equipment is Account 370.7 – EV Charging Stations. Staff also recommends an annual depreciation rate of 10 percent applicable to DEF's DCFC stations and related equipment be approved. (Kunkler, Smith)

Staff Analysis: As outlined in the case background, the Company reports that no DCFC stations or related depreciation expense associated with the new EV Programs approved under the 2021 Settlement have been recorded. The Company is requesting authorization to record and depreciate DCFC stations and related equipment in proposed Account 370.7 – EV Charging Stations which, if approved, would be a newly created sub-account of FERC Account 370 – Meters.[9]

Account Classification

Regulatory guidance regarding account classification of electric vehicle charging stations and related equipment is not clearly defined, as there is currently no listing of electric vehicle charging stations under any plant account within the USOA. However, DEF references two utilities that currently record depreciation of DCFC stations. These two referenced utilities are San Diego Gas and Electric (SDG&E) and Florida Power and Light Company (FPL).[10]

With regard to the appropriate FERC account or sub-account for recording DCFC stations, DEF references FERC's Audit Report of SDG&E (Attachment Staff 1-1(e)) which was included in FERC Docket No. FA19-3-000.[11] In that report, FERC audit staff concluded that EV charging stations are more appropriately recorded to either Account 370 – Meters, or Account 371 – Installations on Customer Premises, than any other FERC account, given the nature of the assets and their control and monitoring capabilities.[12]

In addition to FERC's Audit Report of SDG&E, DEF references FPL and its current utilization of FERC Account 371.40 with a depreciable life of 15 years for its EV charging stations and equipment. This account and depreciation rate are reflected in FPL's 2021 Depreciation Study, which was included as part of the 2021 Settlement to FPL's rate case.[13]

Staff asked DEF why it considered Account 370 – Meters as the better option over other accounts, including Account 371 – Installations on Customer Premises. The Company responded

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[9]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 1(a).
[10]Document No. 01048-2022, Duke Energy Florida, LLC's Petition for Approval of a Plant Account and Depreciation Rate for Electric Vehicle DC Fast Charge Stations.
[11]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 1(e).
[12]*Id*.
[13]Order No. PSC-2021-0446-S-EI, issued December 2, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increases, by Florida Power & Light Company.*

that recording depreciation of DCFC stations and related equipment in Account 370 – Meters or Account 371 – Installation on Customer Premises is consistent with guidance from the aforementioned FERC audit report of SDG&E. DEF further states, "although the DCFC stations are on the customers' premises, the Company will utilize the meter for its own use, versus utilization by the customer on whose premises the meter is installed."[14] Based on this information, the Company believes that Account 370 – Meters is the most appropriate account to record the DCFC stations and related equipment.[15] Staff agrees that Account 370 – Meters is the appropriate account for DEF's DCFC stations and related equipment.

DEF also states that, in the event the USOA is modified to designate a specific account or subaccount for electric vehicle chargers and related equipment, it would make any required adjustments necessary to align with USOA instructions.[16]

Requested Depreciation Parameters

The Company has requested Commission approval of a 10-year average service life (ASL) and a zero percent net salvage level (NS) for depreciating its DCFC stations and related equipment. An annual depreciation rate of 10 percent is computed by using these parameters.[17]

In support of the proposed ten-year ASL, DEF relied on guidance from the manufacturer of the DCFC stations, ABB, which indicated that the minimum design life is ten years.[18] DEF also received confirmation from the Company's third-party depreciation consultant that a 10-year ASL is typical for DCFC stations.[19]

Given that utility-scale energy storage equipment/technology is a relatively new technology, staff believes the Company's proposal of an ASL at the bottom-end of a 10- to 15-year ASL range represents a measured and reasonable approach in life estimation. Further, staff recognizes that the Commission will have future opportunities based on existing rules to evaluate DEF's depreciation data associated with useful lives and net salvage levels of this equipment and to order modifications as appropriate.[20]

For the reasons outlined in this analysis, staff recommends that the appropriate sub-account for Company-owned DCFC stations and related equipment is Account 370.7 – EV Charging Stations. Staff also recommends an annual depreciation rate of 10 percent, applicable to DEF's newly-established Account 370.7 – EV Charging Stations, be approved.

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[14]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 1(f).
[15]*Id*.
[16]Document No. 01664-2022, Duke Energy Florida, LLC's Response to the Office of Public Counsel's Informal Data Request. No. 1.
[17]Rules 25-6.0436(1)(e) and 25-6.0436(1)(m), F.A.C., specify the Commission's depreciation rate formulae and methodologies.
[18]Document No. 01660-2022, Duke Energy Florida, LLC's Response to Staff's First Data Request. No. 1(c).
[19]*Id*.
[20]*See* Rule 25-6.0436(4)(a), F.A.C. (investor-owned electric companies must file a depreciation study for Commission review at least once every four years from submission of the previous study and/or pursuant to Commission order) *and* Rule 25-6.0436(6), F.A.C. (investor-owned electric companies must file an annual depreciation status report as part of the filing of the annual report pursuant to Rule 25-6.135, F.A.C.).

Issue 2: If a new depreciation rate for Company-owned DCFC stations and related equipment is authorized in Issue 1, what should be the effective date?

Recommendation: If the Commission approves staff's recommendation in Issue 1, staff recommends that any newly-authorized depreciation rate for Company-owned DCFC stations and related equipment applicable to Account 370.7 – EV Charging Stations become effective January 1, 2022. (Smith)

Staff Analysis: In its Petition, DEF requested an implementation date of January 1, 2022 for the proposed Account 370.7 – EV Charging Stations and accompanying depreciation rate. As stated earlier, this new sub-account relates to DEF's DCFC station investments associated with the Company's EV Programs, which were approved by the Commission pursuant to the Company's 2021 Settlement. The 2021 Settlement has an effective date of January 1, 2022. Since DEF's requested implementation date matches that of the 2021 Settlement, and it is consistent with past Commission Orders,[21] staff therefore recommends an implementation date of January 1, 2022.

[21]Order No. PSC-08-0623-PAA-GU, issued September 24, 2008, in Docket No. 20080163-GU, *In re: Petition for approval to create regulatory subaccount of meter installations to capitalize all incurred and future costs associated with installation of encoder receiver transmitters (ERTs) under provisions of Statement of Financial Accounting Standard No. 71, Accounting for the Effects of Certain Types of Regulations (SFAS 71); and requesting depreciation of installation costs of ERTs over 15-year period beginning January 1, 2008, by Florida City Gas.*

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. (Stiller)

Staff Analysis: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.