



FILED 10/30/2023
DOCUMENT NO. 05880-2023
FPSC - COMMISSION CLERK

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

October 30, 2023

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Docket No: 20230079-EI - Petition for approval of 2023 depreciation study by Florida Public Utilities Company.

Dear Mr. Teitzman:

Attached for electronic filing, please find Florida Public Utilities Company's Responses to Staff's Depreciation Study Report.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Attachment

Florida Public Utilities Company – Electric Division Responses to Staff Report Questions

Staff Additional Questions:

Although staff is generally in agreement with FPUC's proposed depreciation parameters, staff would like FPUC's response to the following questions:

1. For Account 352 - Structures & Improvements, the currently-approved ASL is 60 years. Please explain if FPUC considered the depreciation principle of gradualism when the Company proposed an ASL of 75 years (25 percent increase) for this account.

Company's Response:

In this instance, the Company did not consider the principle of gradualism in developing its proposed average service life. In the 2019 Depreciation Study, it was noted that there had been no retirements during the 2015 period and a 60-year average service life was proposed as a move closer to the norm of other Florida companies. As the current study recognizes, there have been no retirements during the past 12 years. This data indicates a further increase in life expectations is warranted. Due to the lack of retirements, the Company relied on projections of other Florida electric utilities necessary for the determination of the life factor. While the Company believes a 75-year average service life is appropriate, the average service life proposed by staff is 5 years less but also within the range of lives for other Florida electric utilities. The Company does not object to an average service life of 70 years. However, the Company recommends that the resulting average remaining life be rounded to 64 years in keeping with the Commission's practice of rounding lives to the nearest whole number for lives over 20 years and to the tenth of a year for lives less than 20 years.

2. For Account 360.1 - Land Rights, the currently-approved ASL is 60 years. Given the proposed ASL of 75 years, which is also a 25 percent increase for this account. please explain if FPUC considered the depreciation principle of gradualism when it proposed this ASL.

Company's Response:

In this instance, the principle of gradualism was not considered. The Company believes that the life of distribution easements should be similar to that of transmission easements. At a minimum though, the life should mirror the longest-lived distribution plant, which is Account 361, Structures and Improvements. The Staff proposed 70-year average service life rather than the Company proposed 75 years is in line with the Company proposed average service life for Account 361 and is acceptable. However, the Company recommends that the resulting average remaining life be rounded to 33 years in keeping with the Commission's practice of rounding lives to the nearest whole number for lives over 20 years and to the tenth of a year for lives less than 20 years.

3. For Account 373 - Street Lighting, the currently-approved ASL is 22 years. Similar to the above questions, please explain if FPUC considered the depreciation principle of gradualism when the Company proposed an ASL of 37 years (59 percent increase) for this account.

Company's Response:

To clarify, the Company's proposed ASL is 39 years, not 37 years as stated above.

As with the other accounts above, the principle of gradualism was not considered by the Company in the determination of an average service life for Account 373. Both the 2019 and the 2023 Studies referenced the account's minor retirement activity making reliance on the lives of other Florida electric utilities necessary. While the Company proposal is a move to the top of the range of lives of other Florida IOUs, the Staff proposed average service life of 30 years depicts a move closer to the midpoint of the range. The Company believes this is a move in the right direction and does not object to the Staff proposal.

4. Please explain how the more than \$6M allocation for FPUC's new Customer Information System was determined.

Company's Response:

The new Customer Information System will be utilized corporate-wide by all Chesapeake Utilities business units and is therefore being allocated to FPUC electric based on the number of customers or 14% of the total cost of the new system.

Staff Preliminary Positions:

Staff is in agreement with FPUC's proposed depreciation parameters for all but the following three accounts. Please provide a response to staff's proposed parameters indicating the Company's agreement with the changes, or justification for maintaining the Company's proposed parameters for these three accounts.

1. Account 352 - Structures & Improvements

Referring to Exhibit A of the 2023 Study, this account has an average age of 6.2 years. In an effort to reflect the inclusion of a more gradual approach to increasing the account's ASL, staff proposes to increase this account's currently-approved ASL of 60 years to 70 years, rather than 75 years, while retaining the currently-approved 0 percent Net Salvage (NS). Using these parameters with the S5 curve, an Average Remaining Life (ARL) of 63.8 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 1.4 percent for this account.

Company's Response:

See response No. 1 above.

2. Account 360.1 - Land Rights

This account has an average age of 37.5 years. Staff proposes increasing the currently approved ASL of 60 years to 70 years, rather than 75 years, and retaining the currently-approved 0 percent NS. Using these parameters with the SQ curve, an ARL of 32.5 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.1 percent for this account.

Company's Response:

See response No. 2 above.

3. Account 373 - Street Lighting & Signal Systems

The Street Lighting & Signals account has an average age of 13.5 years. Staff proposes increasing the currently-approved ASL of 22 years to 30 years, instead of 37 years, while retaining the currently-approved (10) percent NS. Applying these parameters with the R3 curve, an ARL of 17.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.9 percent for this account.

Company's Response:

See response No. 3 above.