FILED 12/21/2023
DOCUMENT NO. 06714-2023
FPSC - COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2023 depreciation study by Florida Public Utilities Company.	DOCKET NO. 20230079-EI ORDER NO. PSC-2023-0384-PAA-EI ISSUED: December 21, 2023

The following Commissioners participated in the disposition of this matter:

ANDREW GILES FAY, Chairman
ART GRAHAM
GARY F. CLARK
MIKE LA ROSA
GABRIELLA PASSIDOMO

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING 2023 DEPRECIATION STUDY BY
FLORIDA PUBLIC UTILITIES COMPANY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

Background

Rule 25-6.0436(4)(a), F.A.C., requires electric public utilities to file a comprehensive depreciation study with us for review at least once every four years from the submission date of the previous study. Florida Public Utilities Company (FPUC or Company) filed its 2023 Depreciation Study (2023 Study) on June 26, 2023. FPUC's last depreciation study was filed on September 3, 2019 (2019 Study). FPUC serves approximately 32,855 customers, and reported 2022 operating revenues of approximately $87,479,279.[1] We have completed our review of the 2023 Study.

We have jurisdiction pursuant to Sections 350.115, 366.05, and 366.06, Florida Statutes (F.S.).

[1] FPUC's Annual Report of Major Electric Utilities, FERC Form No. 1, December 31, 2022, filed April 28, 2023.

Decision

1. Need to Revise Currently Prescribed Depreciation Rates

FPUC's last comprehensive depreciation study was filed on September 3, 2019. We reviewed that study and, in Order No. PSC-2020-0347-AS-EI, approved revised depreciation rates that became effective January 1, 2020.[2] On June 26, 2023, the Company filed its 2023 Study pursuant to Rule 25-6.0436, F.A.C., which requires electric utility companies to file a comprehensive depreciation study at least once every four years from the submission date of the previously filed study or pursuant to Commission order.

In the 2023 Study, the Company provided plant addition, retirement, and net salvage (NS) data spanning 2019-2022. FPUC's electric distribution and general plant accounts grew by approximately seven percent over that timeframe. Our review of this information indicates the need to revise the Company's currently-prescribed depreciation rates. Our approved depreciation components and rates are discussed in Section 3 of this Order and shown on Attachments A, B, and C.

2. Implementation Date

Rule 25-6.0436, F.A.C., requires that the data submitted in a depreciation study, including plant and reserve balances or Company estimates, "shall be brought to the effective date of the proposed rates." The supporting data and calculations provided by FPUC match an implementation date of January 1, 2023.

3. Appropriate Depreciation Parameters and Resulting Rates

2023 Depreciation Study Approach

FPUC used a similar approach to the 2023 Study that the Company has used for its depreciation studies for more than 20 years. FPUC calculated the average ages for each account using its continuing property record. To determine if a change to the average service life (ASL) for each account was warranted, FPUC utilized the aged retirement data and average ages for each account, along with the ASLs of other Florida based electric utilities. Due to the low level of retirements, FPUC was not able to statistically generate Iowa curves for any of its accounts. However, the currently-approved curves were analyzed using retirement data and average ages of each account.

Based on FPUC's 2023 Study, for its depreciable accounts, the Company proposes an increase to the ASLs for 18 accounts and changes to the Iowa curves for two accounts. FPUC

[2] Order No. PSC-2020-0347-AS-EI, issued October 8, 2020, in Docket Nos. 20190155-EI, *In re: Petition for establishment of regulatory assets for expenses not recovered during restoration for Hurricane Michael, by Florida Public Utilities* Company; 20190156-EI, *In re: Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities* Company; and 20190174-EI, *In re: Petition for approval of 2019 Depreciation Study by Florida Public Utilities Company.*

also proposes to establish two new amortizable accounts, as well as to extend the amortization periods for two existing accounts.

Average Service Lives

As mentioned above, FPUC proposes to extend the ASLs for 18 of its Transmission, Distribution, and General Plant accounts. No reductions to any ASLs are being put forward by the Company. FPUC states that the reason for no ASL reductions is the extremely low level of retirements experienced by the Company since its last depreciation study. We agree that FPUC needs to extend the ASLs for these 18 accounts. However, we have concerns with the magnitude of the ASL increase proposed by FPUC for three of the 18 accounts. Although the proposed ASLs for these three accounts are within the range approved for other Florida electric utilities, we find that a more gradual increase is appropriate at this time.

For Account 352 – Structures & Improvements, FPUC proposes to extend the ASL for this account from 60 years to 75 years. This represents an increase of 25 percent. We find that a more modest increase is appropriate at this time. Therefore, we approve an ASL of 70 years for this account.

With regard to Account 360.1 – Land Rights, FPUC proposes to extend the ASL for this account from 60 years to 75 years. This represents an increase of 25 percent. We find that a more modest increase is appropriate at this time. Therefore, we approve an ASL of 70 years for this account.

For Account 373 – Street Lighting and Signal Systems, FPUC is proposes to extend the ASL for this account from 22 years to 37 years. This represents an increase of 59 percent. We find that a more gradual increase is appropriate at this time. Therefore, we approve an ASL of 30 years for this account.

Iowa Curves

FPUC states that it did not have sufficient retirement activity to generate useful statistical analyses of the retirement patterns for each account. Therefore, the Company reviewed each currently-approved Iowa curve for each account by using the average age of the account along with the retirement activity since the last depreciation study to see if a change in the curve was warranted. Based on this analysis, the Company has put forward changes to the Iowa curves for two accounts. First, FPUC is proposing a change from the currently-approved S2 curve to an R2 curve for Account 356 – Overheard Conductors. Second, for Account 369 – Services, FPUC is proposing a change from the currently-approved R5 curve to an R3 curve. Due to the low level of retirements experienced in these accounts, we agree with the Company that a change in these curves is reasonable.

Net Salvage

As discussed, FPUC has experienced very few retirements since its last depreciation study. As a result, the Company has very little salvage and cost of removal data to analyze.

Consequently, FPUC did not put forward any changes to its currently-approved net salvage percentages. Given the lack of data justifying a change in FPUC's currently-approved NS percentages, we agree with the Company's proposal. Therefore, we approve the Company retaining all currently-approved net salvage values.

Extended Amortization Periods and New Accounts

Existing Software Systems

FPUC currently has four software systems that it records in Account 391.4 – Software. These systems include Outage Management System (OMS), PowerPlan, Utilities International (UI Ph3), and Power Analytics. The current amortization period for this account is five years. FPUC proposes to move the plant and associated reserve amounts for OMS, PowerPlan, and UI Ph3 to Account 303.1 – Miscellaneous Intangible Plant. The Company states that this transfer is appropriate due to the large amount of customization to FPUC's operations that is incorporated into these systems.

FPUC also points out that this treatment is similar to that which has been approved for other Florida utilities for their customized software. Further, FPUC believes extending the amortization period for Account 303.1 from 5 years to 15 years is appropriate. This change is due to the Company's experience with its previous software systems, which lasted from 10 years to 13 years. Given the range of 15 to 20 years that has been approved for similar software for other Florida utilities,[3] we approve FPUC's request to move the plant and associated reserve amounts for OMS, PowerPlan, and UI Ph3 software systems to Account 303.1 – Miscellaneous Intangible Plant. We also approve the Company's request to extend the amortization period for this account to 15 years.

FPUC's Power Analytics software, the fourth of the four software systems, is an out-of-the-box software package which lacks customization specifically for FPUC. For that reason, FPUC proposes leaving the Power Analytics software in Account 394.1 – Software. FPUC stated that additional licensing and fees were paid for this software in 2020. FPUC believes an extension of the amortization period from the currently-approved 5-year period to 10 years is warranted. We agree with FPUC and approve FPUC's request to extend the amortization period for Account 391.4 – Software be extended from 5 years to 10 years.

Customer Information System

To consolidate the different billing systems for all of its divisions in Florida, Delaware, and Maryland, Chesapeake Utility Corporation is planning to implement a new Customer Information System (CIS) for its regulated electric and natural gas businesses in 2025. FPUC

[3] Order Nos. PSC-2021-0446-S-EI, issued December 2, 2021, and PSC-2021-0446A-S-EI, issued December 9, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light;* Order No. PSC-2021-0202A-AS-EI, issued June 28, 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.;* Order No. PSC-2021-0423-S-EI, in Docket No. 20210034-EI, issued November 10, 2021, *In re: Petition for rate increase by Tampa Electric Company.*

stated that $6M of the new CIS system will be allocated to its electric division. In preparation for this implementation, FPUC is requesting that we approve a new subaccount, 303.2 – Miscellaneous Intangible Plant – CIS, with an amortization period of 20 years.

FPUC's current CIS system has been in service since 2000, but was fully amortized in 2005 given the 5-year amortization period for this account. Since FPUC's current CIS system has been in service for more than 22 years, and the new CIS system will be cloud-based and continuously updated, establishing a new subaccount with a 20-year amortization period is appropriate. This amortization period is also in line with other Florida based electric utility companies.[4] Therefore, we approve the Company's request to establish a new subaccount, 303.2 – Miscellaneous Intangible Plant – CIS, with an amortization period of 20 years.

AMI Meter Account

Although it does not currently have plans to begin installing AMI meters, FPUC proposes to establish a new subaccount for the possibility of such installations. FPUC proposed an ASL of 20 years with a negative 10 percent NS which results in a whole life rate of 5.5 percent. These depreciation parameters are similar to those of other Florida based electric utilities. This proposal is efficient and appropriate. Therefore, we approve Account 370.1 – Meters – AMI, and the Company's proposed ASL and NS.

Reserve Transfer

As part of reviewing FPUC's 2023 depreciation study, we verified the book reserve balance of each plant account. We also calculated the associated theoretical reserve balance of each plant account using the current recommended life and net salvage parameters. The difference between an account's book and theoretical reserve amounts may be described as an imbalance, either positive or negative, or as a surplus or deficiency. When imbalances are present, corrective transfers among accounts should be considered, and if warranted, should be performed.

Table 1
Accumulated Depreciation Transfers

Acct. No.	Account Title	Transfer Amount
392.1	Transportation – Cars	(10,373)
392.2	Transportation – Light Trucks & Vans	135,660
392.3	Transportation – Heavy Trucks	(125,287)

---

[4] Order Nos. PSC-2021-0446-S-EI, issued December 2, 2021, and PSC-2021-0446A-S-EI, issued December 9, 2021, in Docket No. 20210015-EI, *In re: Petition for rate increase by Florida Power & Light;* Order No. PSC-2021-0202A-AS-EI, issued June 28, 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.;* Order No. PSC-2021-0423-S-EI, in Docket No. 20210034-EI, issued November 10, 2021, *In re: Petition for rate increase by Tampa Electric Company*, Order No. PSC-2020-0210-PAA-EI, issued June 25, 2020, in Docket No. 20200059-EI, *In re: Petition for approval of amortization rate for customer account management system, by Gulf Power Company.*

As shown in Table 1, we are approving a reserve transfer for Account 392.1 – Transportation – Cars due to this account having a reserve balance but no plant balance. This resulted from the Company identifying necessary reclassifications and transfers to affiliates, and net salvage adjustments related to FPUC's transportation accounts. FPUC also calculated a reserve surplus associated with Account 392.3 – Transportation – Heavy Trucks and a reserve deficit associated with Account 392.2 – Transportation – Light Trucks & Vans. Therefore, we approve transfers of $10,373 from Account 392.1 – Transportation – Cars and $125,287 from Account 392.3 – Transportation – Heavy Trucks to Account 392.1 – Transportation – Light Trucks & Vans in order to correct the reserve balance in Account 392.1 mentioned above, and to offset the theoretical reserve deficit associated with Account 392.2 and the surplus associated with Account 392.3. These approved transfers are discussed in more detail below in the Account-Specific Analysis portion of this Order.

Prior Period Adjustments

By Order No. PSC-2020-0347-AS-EI in docket 20190155-EI, we approved the establishment of a regulatory asset for the recovery of the undepreciated plant and cost of removal for assets that were retired due to damage from Hurricane Michael. Exhibit G of the 2023 Study reflects the adjustments to remove those costs from FPUC's plant and reserve account.

FPUC explained that, while developing its 2023 Study, it discovered:

> …instances where prior period adjustments related to the last study were inadvertently missed and not recorded; investment and reserve entries were unintentionally recorded in the wrong account; and assets were accidentally loaded incorrectly during the implementation of the new fixed asset system PowerPlan.

The Company stated that Exhibit G of the Study reflects the corrections with explanations of each one. FPUC stated these corrections are incorporated into the plant and reserve balances in Exhibits A-E of the 2023 Study.

Account-Specific Analysis

Below is an account-by-account discussion of the approved components for Transmission Plant, Distribution Plant, and General Plant.

Transmission Plant

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, we approve an increase of this account's currently-approved ASL of 60 years to 70 years, rather than 75 years, while retaining the currently-approved 0 percent NS. Using these parameters with the

S5 curve, an ARL of 64 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 1.4 percent for this account.

Account 353 – Station Equipment

This account has an average age of 10.2 years. The Company proposes retaining the currently-approved ASL of 53 years and 0 percent NS. Using these parameters with the S3 curve, an ARL of 43 years is calculated. A remaining life depreciation rate of 1.9 percent results from applying these parameters to this account.

Account 354 – Towers & Fixtures

The Towers and Fixtures account has an average age of 48.5 years. The Company proposes increasing the currently-approved ASL of 60 years to 70 years, while retaining the currently-approved (15) percent NS. Using these parameters with the S6 curve, an ARL of 22 years is calculated. Using an ARL value of 22 years produces a remaining life depreciation rate of 1.0 percent for this account.

Account 355 – Poles & Fixtures

Account 355 – Poles and Fixtures currently has an average age of 17.0 years. The Company proposes increasing the currently-approved ASL of 50 years to 54 years, while retaining the currently-approved (50) percent NS. Applying these parameters with the R4 curve, an Average Remaining Life of 37 years is calculated. This ARL value is then used to produce a remaining life depreciation rate of 3.0 percent for this account.

Account 355.1 – Poles & Fixtures – Concrete

As reflected in Exhibit A of the 2023 Study, this account has an average age of 8.8 years. The Company proposes increasing the currently-approved ASL of 56 years to 65 years, and retaining the currently-approved (30) percent NS. Using these parameters with the R4 curve, an ARL of 56 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.0 percent for this account.

Account 356 – Overhead Conductors & Devices

This account has an average age of 12.1 years. The Company proposes increasing the currently-approved ASL of 55 years to 60 years, while retaining the currently-approved (20) percent NS. FPUC is also proposing to change the currently-approved S2 curve to an R2. Given the low amount of retirements experienced in this account over the Study period, we find that this change is reasonable. Therefore, with the above parameters and the R2 curve, an ARL of 49 years is calculated. A remaining life depreciation rate of 2.1 percent results for this account.

Account 359 – Roads & Trails

For the Roads & Trails account, there is an average age of 37.7 years. The Company proposes increasing the currently-approved ASL of 70 years to 75 years, and keeping the currently-approved 0 percent NS. These parameters along with the SQ curve generate an ARL of 37 years. An ARL of 37 years is then used to produce the remaining life depreciation rate of 0.2 percent for the Roads & Trails account.

Distribution Plant

Account 360.1 – Land Rights

This account has an average age of 37.5 years. We find that it is appropriate to increase the currently-approved ASL of 60 years to 70 years, rather than 75 years, and retain the currently-approved 0 percent NS. Using these parameters with the SQ curve, an ARL of 33 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.1 percent for this account.

Account 361 – Structures & Improvements

This account has an average age of 12.7 years. The Company proposes increasing the currently-approved ASL of 60 years to 70 years, and retaining the currently-approved (5) percent NS. Using these parameters with the SQ curve, an ARL of 57 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.5 percent for this account.

Account 362 – Station Equipment

Station Equipment, Account 362, has an average age of 14.8 years. The Company proposes increasing the currently-approved ASL of 55 years to 60 years, while retaining the currently-approved (10) percent NS. These parameters with the S3 curve generate an ARL of 45 years. The ARL of 45 years is then used to produce a remaining life depreciation rate of 1.7 percent for this account.

Account 364 – Poles, Towers, & Fixtures

The average age for this account is 12.6 years. The Company proposes increasing the currently-approved ASL of 44 years to 50 years, and keeping the currently-approved (50) percent NS. Based on these parameters, with the R4 curve, the resulting ARL for this account is 37 years. This ARL is then used to produce a remaining life rate of 2.9 percent.

Account 365 – Overhead Conductors & Devices

This account has an average age of 17.3 years. The Company proposes increasing the currently-approved ASL of 45 years to 55 years, while retaining the currently-approved (35) percent NS. Based on these parameters with the R5 curve, an ARL of 38 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.1 percent for this account.

Account 366 – Underground Conduit

The average age for this account is 14.6 years. The Company proposes increasing the currently-approved ASL of 64 years to 69 years, while retaining the currently-approved (5) percent NS. Applying these parameters with the R5 curve, an ARL of 54 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.5 percent for this account.

Account 367 – Underground Conductors & Devices

The Company's Underground Conductors & Devices account has an average age of 16.8 years. FPUC proposes retaining the currently-approved ASL of 47 years and (5) percent NS. Using these parameters with the R4 curve, an ARL of 30 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.0 percent for this account.

Account 368 – Line Transformers

The Line Transformers account has an average age of 17.5 years. The Company proposes increasing the currently-approved ASL of 36 years to 40 years, while retaining the currently-approved (20) percent NS. Applying these parameters with the S4 curve, an ARL of 23 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.3 percent for this account.

Account 369 – Services

This account has an average age of 17.0 years. The Company proposes increasing the currently-approved ASL of 48 years to 55 years, while retaining the currently-approved (40) percent NS. FPUC is also proposing to change the currently-approved R5 curve to an R3. Given the low amount of retirements experienced in this account over the Study period, we find that this change is reasonable. Therefore, using the above parameters with the R3 curve, an ARL of 39 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.1 percent for this account.

Account 370 – Meters

The Meters account has an average age of 17.3 years. The Company proposes retaining the currently-approved ASL of 30 years and NS of (10). Applying these parameters with the R5 curve, an ARL of 12.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.8 percent for this account.

Account 370.1 – AMI Meters

This is a newly-proposed account, and therefore has an average age of 0.0 years. The Company proposes an ASL of 20 years, a (10) percent NS, and R5 curve. The resulting whole life rate for this account is 5.5 percent.

Account 371 – Installations on Customers Premises

This account has an average age of 12.4 years. The Company proposes increasing the currently-approved ASL of 25 years to 30 years, while retaining the currently-approved 5 percent NS. Using these parameters with the S3 curve, an ARL of 17.7 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 2.9 percent for this account.

Account 373 – Street Lighting & Signal Systems

The Street Lighting & Signals account has an average age of 13.5 years. We find it appropriate to increase the currently-approved ASL of 22 years to 30 years, instead of 37 years, and retain 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.

General Plant

Account 390 – Structures & Improvements

This account has an average age of 15.6 years. The Company proposes increasing the currently-approved ASL of 50 years to 60 years, while retaining the currently-approved 0 percent NS. Using these parameters with the R4 curve, an ARL of 44 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 1.6 percent for this account.

Account 391.4 – Software

FPUC proposes to increase the currently-approved 5 year amortization period to 10 years for this account, and to transfer certain assets from this account to Account 303.1 – Miscellaneous Intangible Plant – 15 Years. We find both requests to be appropriate and approve them.

Account 392.1 – Transportation – Cars

This account has an average age of 0 years due to there being no current investments in this account. The Company proposes retaining the currently-approved ASL of 11 years and 15 percent NS. Using these parameters with the S2 curve, an ARL of 11.0 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 7.7 percent for this account.

This account currently has no plant balance, yet there is a $10,373 balance in the reserve. Accordingly, we approve a reserve transfer to eliminate this reserve balance.

Account 392.2 – Transportation – Light Trucks & Vans

The Transportation – Light Trucks & Vans account has an average age of 8.4 years. The Company proposes retaining the currently-approved ASL of 11 years and 12 percent NS.

Applying these parameters with the S4 curve, an ARL of 2.9 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 8.0 percent for this account.

This account has a theoretical deficit of $135,661. We agree with FPUC that this deficit should be offset with the reserve surplus in Account 392.3 – Transportation – Heavy Trucks, and approve this offset.

Account 392.3 – Transportation – Heavy Trucks

This account has an average age of 7.9 years for this account. The Company proposes increasing the currently-approved ASL of 15 years to 20 years, and retaining the currently-approved 10 percent NS. Using these parameters with the S3 curve, an ARL of 12.2 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.3 percent for this account.

As discussed above, this account has a reserve surplus. We agree with FPUC's proposal and approve a transfer of a portion of this surplus to Account 392.2 – Transportation – Light Truck & Vans.

Account 392.4 – Transportation – Trailers

The Transportation Equipment – Trailers account has an average age of 19.9 years. The Company proposes retaining the currently-approved ASL of 25 years and 5 percent NS. Applying these parameters with the R4 curve, an ARL of 6.8 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 3.0 percent for this account.

Account 396 – Power Operated Equipment

This account has an average age of 12.6 years for this account. The Company proposes retaining the currently-approved ASL of 25 years and 0 percent NS. Using these parameters with the S6 curve, an ARL of 12.4 years is calculated. This ARL is then used to produce a remaining life depreciation rate of 4.1 percent for this account.

There were a number of amortizable accounts with no proposed change to the current amortization period. We agree with the current amortization period for these accounts and concur that no change is necessary. Table 2 below lists those accounts and the corresponding amortization period.

Table 2
Unchanged Amortizable Accounts

Account Number	Account Name	Current and Approved Amortization Period
391.0	Office Furniture & Equipment	7 Years
391.1	Computers & Peripherals	5 Years
391.2	Computer Equipment	5 Years
391.3	Furniture & Fixtures	7 Years
393	Stores Equipment	7 Years
394	Tools/Shop Equipment	7 Years
395	Communications Equipment	7 Years
397	Communications Equipment	5 Years
398	Miscellaneous Equipment	7 Years
399	Misc. Tangible Assets	5 Years

Conclusion

In conclusion we approve the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for FPUC that are shown on Attachments A and C. As shown on Attachment B, the corresponding depreciation and amortization expense effect of our approvals is a decrease of $868,148 annually, or 18.3 percent, based on December 31, 2022 investments.

4. Amortization of Investment Tax Credits (ITCs) and Flow Back of Excess Deferred Income Taxes (EDITs)

In Section 3 of this Order, we approved revised depreciation rates for the Company, which reflect changes to most accounts' remaining lives to be effective January 1, 2023. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flow back of EDITs in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in Federal Tax Regulations under the Code sections,[5] Sections 168(f)(2) and (i)(9),[6] former IRC Sections 167(l), and 46(f),[7] and Section 203(e) of the Tax Reform Act of 1986 (the Act).[8]

This Commission, the Internal Revenue Service (IRS), and independent outside auditors examine a company's books and records, and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in the appropriate manner. The

[5] Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.
[6] 26 US Code §§168(f)(2) and (i)(9).
[7] Under IRC Section 50(d)(2), the terms of former 26 US Codes §167(l) and §46(f), which were repealed by the Revenue Reconciliation Act of 1990 (Pub. L. No. 101-508, §11812(a)(1-2)(1990)), remain applicable to public utility property for which a regulated utility previously claimed ITCs, which is the case here. (I.R.S. Priv. Ltr. Rul. 200933023, 1n.1 (May 7, 2009)).
[8] Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).

books are also reviewed to determine if they are in compliance with the regulatory guidelines in regard to normalization.

Former IRC Section 46(f)(6) of the Code indicated that the amortization of ITC should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility.[9] While Section 46(f)(6) was repealed, under IRC Section 50(d)(2), the terms of former IRC Section 46(f)(6) remain applicable to public utility property for which a regulated utility previously claimed ITCs. Because we ordered changes to the Company's remaining lives, it is also important to change the amortization of ITCs and EDITs to avoid violation of the provisions of IRC Section 50(d)(2) for ITCs, and IRC Section 168(i)(9), former section 167(l), and section 13001(d) of the Tax Change and Jobs Act for EDITs, and their underlying Treasury Regulations. The consequence of an ITC or EDIT normalization violation is a repayment of unamortized ITC balances to the IRS and inability to utilize accelerated depreciation. Therefore, we order that the current amortization of ITCs and any flow back of EDITs be revised to match the actual recovery periods for the related property. The Company shall file detailed calculations of the revised ITC amortization and flow back of EDITs at the same time it files its earnings surveillance report covering the period ended December 31, 2023, as specified in Rule 25-6.1352, F.A.C.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that our review of Florida Public Utilities Company's plant and depreciation-related information indicates a need to review the Company's currently-prescribed depreciation rates. It is further

ORDERED that implementation date of the new depreciation rates for FPUC approved in this Order shall be January 1, 2023. It is further

ORDERED that the lives, reserve percentages, net salvage percentages, and resulting remaining life depreciation rates for FPUC that are shown on Attachments A and C are approved. As shown on Attachment B, the corresponding depreciation and amortization expense effect of our approvals is a decrease of $868,148 annually, or 18.3 percent, based on December 31, 2022 investments. It is further

ORDERED that the current amortization of ITCs and any flow back of EDITs shall be revised to match the actual recovery periods for the related property. The Company shall file detailed calculations of the revised ITC amortization and flow back of EDITs at the same time it files its earnings surveillance report covering the period ended December 31, 2023, as specified in Rule 25-6.1352, F.A.C. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by

[9] Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that 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 shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 21st day of December, 2023.

ADAM J. TEITZMAN
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
www.floridapsc.com

Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

SPS

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on January 11, 2024.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Comparison of Rates and Components

Acct. No.	Account Title	Current[1] Average Remaining Life (yrs)	Current[1] Future Net Salvage (%)	Current[1] Remaining Life Rate (%)		Commission Approved Average Remaining Life (yrs)	Commission Approved Reserve (%)	Commission Approved Future Net Salvage (%)	Commission Approved Remaining Life Rate (%)
Intangible Plant									
303.1	Miscellaneous Intangible Plant - 15 Yrs	5 Year Amortization				15 Year Amortization			
303.2	Miscellaneous Intangible Plant - CIS				*	20 Year Amortization			
Transmission Plant									
350.1	Land Rights	75	0	1.3		75	0.0	0	1.3
352	Structures and Improvements	57	0	1.7		64	9.5	0	1.4
353	Station Equipment	43	0	1.8		43	20.2	0	1.9
354	Towers and Fixtures	19.0	(15)	1.9		22	93.3	(15)	1.0
355	Poles and Fixtures	27	(50)	4.5		37	39.3	(50)	3.0
355.1	Poles and Fixtures - Concrete	50	(30)	2.3		56	20.6	(30)	2.0
356	Overhead Conductors and Devices	46	(20)	2.3		49	17.1	(20)	2.1
359	Roads and Trails	12.5	0	0.9		37	91.2	0	0.2
Distribution Plant									
360.1	Land Rights	26	0	1.5		33	64.3	0	1.1
361	Structures and Improvements	54	(5)	1.8		57	21.3	(5)	1.5
362	Station Equipment	43	(10)	1.9		45	34.6	(10)	1.7
364	Poles, Towers, and Fixtures	34	(50)	3.4		37	41.8	(50)	2.9
365	Overhead Conductors & Devices	30	(35)	2.8		38	54.6	(35)	2.1
366	Underground Conduit	51	(5)	1.7		54	22.7	(5)	1.5
367	Underground Conductors & Devices	33	(5)	2.0		30	45.0	(5)	2.0
368	Line Transformers	19.7	(20)	2.7		23	66.6	(20)	2.3
369	Services	32	(40)	2.6		39	59.5	(40)	2.1
370	Meters	13.0	(10)	3.8		12.7	61.5	(10)	3.8
370.1	AMI Meters				*	20	0.0	(10)	5.5
371	Installation on Customers' Premises	13.6	5	3.0		17.7	43.3	5	2.9
373	Street Lighting & Signal Systems	11.4	(10)	5.0		17.4	59.9	(10)	2.9
General Plant									
390	Structures & Improvements	38	0	2.0		44	31.0	0	1.6
391.0	Office Furniture & Equipment	7 Year Amortization				7 Year Amortization			
391.1	Computers & Peripherals	5 Year Amortization				5 Year Amortization			
391.2	Computer Equipment	5 Year Amortization				5 Year Amortization			
391.3	Furniture & Fixtures	7 Year Amortization				7 Year Amortization			
391.4	Software	5 Year Amortization				10 Year Amortization			
392.1	Transportation-Cars	5.2	15	7.7		11.0	0.0	15	7.7
392.2	Transportation-Light Trucks & Vans	4.1	12	8.0	**	2.9	64.8	12	8.0
392.3	Transportation - Heavy Trucks	6.1	10	6.0	**	12.2	49.3	10	3.3
392.4	Transportation - Trailers	9.4	5	3.2	**	6.8	74.5	5	3.0
393	Stores Equipment	7 Year Amortization				7 Year Amortization			
394	Tools/Shop Equipment	7 Year Amortization				7 Year Amortization			
395	Lab Equipment	7 Year Amortization				7 Year Amortization			
396	Power Operated Equipment	15.4	0	4.1		12.4	49.7	0	4.1
397	Communications Equipment	5 Year Amortization				5 Year Amortization			
398	Miscellaneous Equipment	7 Year Amortization				7 Year Amortization			
399	Misc. Tangible Assets	5 Year Amortization				5 Year Amortization			

[1] Order No. PSC-2020-0347-AS-EI
*Denotes new account
**Denotes Reserve Transfer

Attachment B

Account No.	Account Title	Comparison of Expenses[1] Current Depreciation Rate (%)	Current Annual Expense ($)		Commission Approved Depreciation Rate (%)	Commission Approved Annual Expense ($)	Change In Expense ($)
Intangible Plant							
303.1	Miscellaneous Intangible Plant - 15 Yrs	20.0	192,651		6.7	64,538	(128,113)
303.2	Miscellaneous Intangible Plant - CIS			*	5.0	0	0
	TOTAL INTANGIBLE PLANT		192,651			64,538	(128,113)
Transmission Plant							
350.1	Land Rights	1.3	0		1.3	0	0
352	Structures and Improvements	1.7	33,034		1.4	27,204	(5,830)
353	Station Equipment	1.8	174,405		1.9	181,076	6,671
354	Towers and Fixtures	1.9	4,271		1.0	2,248	(2,023)
355	Poles and Fixtures	4.5	123,589		3.0	82,028	(41,561)
355.1	Poles and Fixtures - Concrete	2.3	90,331		2.0	80,295	(10,036)
356	Overhead Conductors and Devices	2.3	85,957		2.1	78,483	(7,474)
359	Roads and Trails	0.9	61		0.2	14	(47)
	TOTAL TRANSMISSION PLANT		511,648			451,348	(60,300)
Distribution Plant							
360.1	Land Rights	1.5	855		1.1	627	(228)
361	Structures and Improvements	1.8	8,025		1.5	6,687	(1,338)
362	Station Equipment	1.9	253,365		1.7	226,695	(26,670)
364	Poles, Towers, and Fixtures	3.4	933,631		2.9	796,332	(137,299)
365	Overhead Conductors & Devices	2.8	604,314		2.1	453,236	(151,078)
366	Underground Conduit	1.7	128,096		1.5	115,057	(13,039)
367	Underground Conductors & Devices	2.0	202,417		2.0	199,425	(2,992)
368	Line Transformers	2.7	674,323		2.3	578,710	(95,613)
369	Services	2.6	360,653		2.1	295,848	(64,805)
370	Meters	3.8	220,946		3.8	220,946	0
370.1	AMI Meters			*	5.5	0	0
371	Installation on Customers' Premises	3.0	112,439		2.9	108,691	(3,748)
373	Street Lighting & Signal Systems	5.0	144,339		2.9	83,717	(60,622)
	TOTAL DISTRIBUTION PLANT		3,643,403			3,085,971	(557,432)
General Plant							
390	Structures & Improvements	38.0	80,667		1.6	64,533	(16,134)
391.0	Office Furniture & Equipment	14.3	10,365		14.3	10,365	0
391.1	Computers & Peripherals	20.0	834		20.0	834	0
391.2	Computer Equipment	20.0	0		20.0	0	0
391.3	Furniture & Fixtures	14.3	0		14.3	0	0
391.4	Software	20.0	1,147		10.0	574	(573)
392.1	Transportation-Cars	7.7	0		7.7	0	0
392.2	Transportation-Light Trucks & Vans	8.0	79,153		8.0	79,153	0
392.3	Transportation - Heavy Trucks	6.0	233,975		3.3	128,686	(105,289)
392.4	Transportation - Trailers	3.2	4,919		3.0	4,612	(307)
393	Stores Equipment	14.3	0		14.3	0	0
394	Tools/Shop Equipment	14.3	0		14.3	0	0
395	Lab Equipment	14.3	0		14.3	0	0
396	Power Operated Equipment	4.1	36,839		4.1	36,839	0
397	Communications Equipment	20.0	4,249		20	4,249	0
398	Miscellaneous Equipment	14.3	14,758		14.3	14,758	0
399	Misc. Tangible Assets	20.0	0		20	0	0
	TOTAL GENERAL PLANT		466,906			344,603	(122,303)
	TOTAL		4,814,608			3,946,460	(868,148)

*Denotes new account

Attachment C

Current and Proposed Depreciation Components

		Current			Commission Approved		
Account No.	Account Title	Curve Type	Average Service Life		Curve Type	Average Service Life	Age
Intangible Plant							
303.1	Miscellaneous Intangible Plant - 15 Yrs	SQ	5 Year Amortization		SQ	15 Year Amortization	
303.2	Miscellaneous Intangible Plant - CIS			*	SQ	20 Year Amortization	
Transmission Plant							
350.1	Land Rights	SQ	75		SQ	75	0
352	Structures and Improvements	S5	60		S5	70	6.2
353	Station Equipment	S3	53		S3	53	10.2
354	Towers and Fixtures	S6	60		S6	70	48.5
355	Poles and Fixtures	R4	50		R4	54	17.0
355.1	Poles and Fixtures - Concrete	R4	56		R4	65	8.8
356	Overhead Conductors and Devices	S2	55		R2	60	12.1
359	Roads and Trails	SQ	70		SQ	75	37.7
Distribution Plant							
360.1	Land Rights	SQ	60		SQ	70	37.5
361	Structures and Improvements	SQ	60		SQ	70	12.7
362	Station Equipment	S3	55		S3	60	14.8
364	Poles, Towers, and Fixtures	R4	44		R4	50	12.6
365	Overhead Conductors & Devices	R5	45		R5	55	17.3
366	Underground Conduit	R5	64		R5	69	14.6
367	Underground Conductors & Devices	R4	47		R4	47	16.8
368	Line Transformers	S4	36		S4	40	17.5
369	Services	R5	48		R3	55	17.0
370	Meters	R5	30		R5	30	17.3
370.1	AMI Meters			*	R5	20	0
371	Installation on Customers' Premises	S3	25		S3	30	12.4
373	Street Lighting & Signal Systems	R3	22		R3	30	13.5
General Plant							
390	Structures & Improvements	R4	50		R4	60	15.6
391.0	Office Furniture & Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
391.1	Computers & Peripherals	SQ	5 Year Amortization		SQ	5 Year Amortization	
391.2	Computer Equipment	SQ	5 Year Amortization		SQ	5 Year Amortization	
391.3	Furniture & Fixtures	SQ	7 Year Amortization		SQ	7 Year Amortization	
391.4	Software	SQ	5 Year Amortization		SQ	10 Year Amortization	
392.1	Transportation-Cars	S2	11		S2	11	0
392.2	Transportation-Light Trucks & Vans	S4	11		S4	11	8.4
392.3	Transportation - Heavy Trucks	S3	15		S3	20	7.9
392.4	Transportation - Trailers	R4	25		R4	25	19.9
393	Stores Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
394	Tools/Shop Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
395	Lab Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
396	Power Operated Equipment	S6	25		S6	25	12.6
397	Communications Equipment	SQ	5 Year Amortization		SQ	5 Year Amortization	
398	Miscellaneous Equipment	SQ	7 Year Amortization		SQ	7 Year Amortization	
399	Misc. Tangible Assets	SQ	5 Year Amortization		SQ	5 Year Amortization	

*Denotes new account