

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request of Florida Public)	DOCKET NO. 890725-EI
Utilities Company, Marianna Electric)	ORDER NO. 22316
Division for a change in depreciation)	ISSUED: 12-18-89
rates effective January 1, 1989.)	
)	

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER PRESCRIBING DEPRECIATION RATES

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

Rule 25-7.045(7), Florida Administrative Code, requires that once every four (4) years, each jurisdictional electric utility submit a study of the accounting treatment given its depreciable property. In compliance with that rule, Florida Public Utilities Company (FPUC or utility) filed a depreciation study in June of 1989 with an expected implementation date of January 1, 1989. The last overall depreciation review of this utility was conducted in Docket No. 850205-EI and concluded by Order No. 15745.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

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The Commission Staff has reviewed FPUC's study and has recommended certain modifications to the depreciation rate components submitted by the utility. Having reviewed the utility's study and having considered the modifications proposed by our Staff, we find that FPUC's rates should be represcribed consistent with the Staff's recommendation. The specific rates and components being approved by this order are set forth on Attachment 1. Major adjustments to individual accounts are discussed below.

CORRECTIVE RESERVE TRANSFERS
ATTACHMENT 2

As will be discussed hereinafter the utility proposed and supplied necessary data for separate rates for the Transportation subaccounts. Staff separated by proration the reserve for the primary account through the theoretical reserves for each subaccount. It was necessary also to take portions of the General Equipment accounts that are to be amortized, and prorate the reserve figures shown in Attachment 2. Also shown in Attachment 2 are the corrections of a negative reserve of \$1,936, in inactive Account 341 (Structures and Improvements), by transfer from a surplus in Account 362 (Station Equipment), and correction of the reserve deficiency in Account 398 (Miscellaneous Equipment) by transfer from Account 397 (Communications Equipment)

DEPRECIATION RATES AND AMORTIZATION SCHEDULES
ATTACHMENT 1

I. DISTRIBUTION PLANT

The currently prescribed average service lives for Distribution Plant appear to need no change except for Street Lighting. Since 1985, data from other Florida electric companies indicate the current net salvage figures for this utility are too positive, and should accordingly be changed. We approve Staff adjustments for these accounts.

A. Station Equipment (Account 362)

Minimal activity in this account since the last review does not support increasing the average service life (which is within the range of averages for Florida utilities). On the other hand, experience gathered from other utilities in the state indicates that the net salvage should be adjusted.

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B. Poles, Towers and Fixtures (Account 364)

While there was a slight difference between life parameters of FPUC and our staff, the most notable difference is in the net salvage estimates. Data indicates other regulated utilities in Florida using poles, electric and telephone, experience high costs of removal (negative net salvage) upon retiring this type of asset. When there are cases of substantial positive salvages being booked as is the case with this utility, it is usually due to reimbursements to the utility for line moves. Thus it appears to be an anomaly and is not expected to relate to all of the assets in this account. Removal of poles is labor intensive. We agree with the Staff's recommendation of negative net salvage for this account.

C. Overhead Conductors (Account 365)

As was stated in the discussion of Distribution Plant the positive net salvage assigned in the 1985 Study is not to be expected for the entire life of this plant type.

D. Line Transformers (Account 368)

As above the situation indicates that the positive net salvage assigned in 1985 is not that expected from this equipment. We therefore approve its change.

E. Services (Account 369)

The difference between our Staff and the utility is in the salvage value. There is no data to support the utility's position that services can be removed without experiencing some negative net salvage. We therefore approve Staff's establishment of a negative net salvage value.

F. Meters (Account 370)

The utility's life proposal appears to be high to the extent that they maintain this account on a location-life basis; their salvage proposal is more negative than would be experienced on a cradle-to-grave basis. We approve Staff's use of average values.

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II. GENERAL PLANT

G. General Equipment

Rule 25-6.0142, Florida Administrative Code, (Uniform Retirement Units) requires all Florida electric utilities to amortize a number of these depreciable assets. It appears that this utility is not complying with this rule.

H. Structures (Account 390)

These assets represent warehouse buildings and associated improvements. The utility proposed 65 years average service life appears to exceed what should be expected from this type of plant. We approve our Staff's recommended continuance with the existing 50-year average service life for this account.

I. Transportation Equipment (Accounts 392.1 through 392.4)

It appears the utility proposed depreciation rates for four subaccounts for vehicles with no life, salvage or reserve components. We approve the Staff-recommended rates which are based on average life and salvage components, with some adjustment for the utility's activity developed over the last four years.

RULE 25-6.0142 FLORIDA ADMINISTRATIVE CODE (Uniform Retirement Units)

The data supplied by the utility indicates that it has not begun to follow the requirements of Rule 25-6.0142, Florida Administrative Code which requires the amortization of certain General Plant assets. We approve Staff's recommendations as shown on Attachment 2 and we find that FPUC must be in conformity with this rule for 1989.

Based upon the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates and amortization schedules set forth in Attachment 1 to this order are hereby approved for Florida Public Utilities Company, Marianna Electric Division. It is further

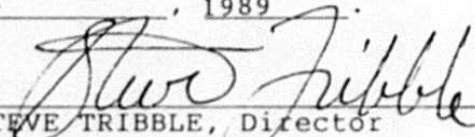
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ORDERED that Florida Public Utilities Company, Marianna Electric Division shall record the corrective reserve transfers set forth in Attachment 2. It is further

ORDERED that the effective date of the new rates is January 1, 1989. It is further

ORDERED that the Florida Public Utilities Company, Marianna Electric Division shall comply with the requirements of Rule 25-6.0142, Florida Administrative Code, as discussed in the body of this order.

By ORDER of the Florida Public Service Commission, this 18th day of DECEMBER, 1989.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

5355L:MRC

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule

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25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 8, 1990.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

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

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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ATTACHMENT 1
PAGE 1 OF 2

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA ELECTRIC DIVISION
DEPRECIATION RATES
(Effective 1-1-89)

<u>ACCOUNT</u>	<u>REM. LIFE</u> yr.s	<u>NET SALV.</u> %	<u>DEPR. RATE</u> %
Hydraulic Production Plant			
331 Structures & Improv.	11.5	(30)	3.5
332 Reserv., Dams, Wtrways	11.5	(30)	3.2
333 Wheels, Turb.s, Geners.	11.5	(30)	6.6
334 Accessory Equipment	11.5	0	5.7
335 Misc. Power Plant	11.5	0	5.6
Distribution Plant			
360.1 Land Rights	23	0	4.3
361 Structures & Improv.	38	0	2.3
362 Station Equipment	27	(10)	3.0
364 Poles, Twrs., Fixts.	21	(20)	3.8
365 Over Hd. Conductors	18.6	0	3.8
366 U.Grnd. Conduit	48	0	2.0
367 U.Grnd. Conductors	32	0	3.0
368 Line Transformers	18.2	(10)	4.4
369 Services	18.5	(15)	5.0
370 Meters	15.6	(10)	4.4
371 Installs. on Cust. Prem.	11.4	35	3.4
373 Street Lighting	21	5	2.6

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FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA ELECTRIC DIVISION
DEPRECIATION RATES
(Effective 1-1-89)

<u>ACCOUNT</u>	<u>REM.</u> <u>LIFE</u> yr.s	<u>NET</u> <u>SALV.</u> %	<u>DEPR.</u> <u>RATE</u> %
General Plant -			
390 Structures & Improv.	20	0	2.6
391.1 Ofc. Furniture	[Seven year amortization]		
391.2 Ofc. Machines	[Seven year amortization]		
391.3 EDP Equipment	[Five year amortization]		
392 Transport. Equip.			
Autos	3.4	15	13.6
Light Trucks	5.3	10	9.6
Heavy Trucks	5.4	10	7.7
Trailers	13.4	0	3.8
393 Stores Equipment			
Handling Equipment	20	0	3.2
Stores Equip./Portable Handling Equip.	[Seven year amortization]		
394 Tools, Shop, Garage Fixed/Stationary Equipment	20	0	4.3
Portable Equipment	[Seven year amortization]		
395 Lab. Equipment			
Fixed/Stationary Equipment	31	0	2.5
Portable Equipment	[Seven year amortization]		
396 Power Op. Equipment	15.1	0	5.2
397 Communic. Equipment	7.8	0	2.8
398 Misc. Equipment	[Seven year amortization]		

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FLORIDA PUBLIC UTILITIES COMPANY
 MARIANNA ELECTRIC DIVISION
 RESERVE REALLOCATIONS
 (Effective 1-1-89)

ACCOUNT	BOOK RESERVE	REALLOCATED RESERVE
	\$	\$
392 Transportation	285,543	0
Automobiles	0	26,291
Light Trucks	0	31,566
Heavy Trucks	0	224,725
Trailers	0	2,961
	<u>285,543</u>	<u>285,543</u>
393 Stores Equip	6,215	0
Handling Equip.	0	6,019
Stores Equip./Portable		
Handling Equip.	0	196
394 Tools, Shop & Garage	5,086	0
Fixed/Stationary Equip.	0	2,290
Portable Equip.	0	2,796
395 Lab. Equipment	5,229	0
Fixed/Stationary Equip.	0	3,808
Portable Equip.	0	1,421
	<u>16,530</u>	<u>16,530</u>
362 Station. Equipment	184,788	182,852
341 Structures & Improv.	(1,936)	0
397 Communic. Equipment	42,720	41,534
398 Misc. Equipment	(852)	334
	<u>224,720</u>	<u>224,720</u>