

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: FLORIDA PUBLIC UTILITIES)
 COMPANY, 1991 depreciation study)
 for Fernandina Beach Electric)
 Division)
)
)
)

DOCKET NO. 900607-EI
 ORDER NO. 24650
 ISSUED: 6/10/91

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 J. TERRY DEASON
 BETTY EASLEY
 GERALD L. GUNTER
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION RATES
AND RECOVERY SCHEDULES

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 25-6.0436, Florida Administrative Code requires investor-owned electric utilities to file a comprehensive study at least once every four years. Florida Public Utilities Company (FPUC or the Company) filed its 1990 study in compliance with this rule. A review of activity and capital recovery positions indicates a need to revise depreciation rates and recovery schedules.

As of January 1, 1991, the reserve for the Fixed Tools, Shop and Garage Equipment Account is negative \$11,894. The contributor to this negative reserve was that about 46% of the account investment retired in 1989 and also an unusual amount of cost of removal was incurred. This activity was not contemplated in the last rescription and, therefore, was not provided for in the design of the current depreciation rate. At this time, the negative reserve represents non-existent plant and equates to positive rate base on which the Company may earn a return.

This study indicates a surplus in the Heavy Trucks account. Accordingly, we approve the following corrective transfer:

DOCUMENT NUMBER-DATE

05775 JUN 10 1991

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<u>ACCOUNT</u>	<u>RESERVE</u>	<u>TRANSFER</u>	<u>RESULTANT RESERVE</u>
392.3 Heavy Trucks	268,119	(13,488)	254,631
394.1 Fixed Tools Eq.	(11,594)	13,488	1,894

We approve Staff's recommended depreciation rates and amortization schedules shown on Attachment 1 and discussed below. These rates would result in a decrease in annual expenses of about \$26,265 based on January 1, 1991 investments.

Transmission Plant

Differences between the positions of Company and Staff in this function exist in the service life projections for Station Equipment, Account 353, and Poles and Fixtures, Account 355. Retirement activity for each of these accounts has been insufficient to perform any meaningful statistical analysis. This makes reliance on industry averages for life and salvage parameters necessary. Service lives for Station Equipment range from 33 years to 40 years throughout the electric companies in the State. The average is 35 years which is the life underlying the currently prescribed remaining life for FPUC. We find no reason to increase this service life to 40 years as proposed by the Company.

Service lives for Poles and Fixtures range from 30 years to 35 years throughout the industry with the average of about 34 years. The service life underlying the currently prescribed remaining life for this account is 35 years. The minimal retirement activity, averaging about 1.5% during the 1989-1990 period, does not lend support for a decrease in service life to 25 years as proposed by the Company. We adopt Staff's recommendation to maintain the 35 years service life with a remaining life reflecting the current age of the survivors.

The Company and Staff differ in the area of net salvage projections, especially cost of removal. The Company's proposal is consistently lower than expected for labor-intensive accounts such as towers and overhead conductors. We approve Staff's recommended net salvage factors.

Distribution Plant

Differences between the positions of Company and Staff in this function exist in the area of service life projections for Station Equipment (Account 362), Poles, Towers and Fixtures (Account 364), Services (Account 369), and Meters (Account 370); in the area of

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net salvage projections for Station Equipment (Account 362), Poles, Towers and Fixtures (Account 364), and Services (Account 369); in the area of expected retirement activity (curve shape) for Overhead Conductors and Devices (Account 365), Line Transformers (Account 368) and for Street Lights and Signal Systems (Account 373).

The retirement rate for Station Equipment has averaged 0.5% during the period 1986-1990. This type of activity is insufficient to produce any meaningful statistical analysis results and makes reliance on industry averages for life and salvage necessary. It certainly does not support a shorter service life as proposed by the Company. The service life underlying the currently prescribed remaining life is at the low end of the range of industry life estimates (30 years to 35 years with an average of about 33 years). Staff's remaining life recommendation is therefore based on use of the existing service life of 30 years updated to reflect the current age of the surviving investment.

Based on the activity data for Poles, Towers and Fixtures, we find no support for a decrease in service life as proposed by the Company. The remaining life approved is based on retaining the 26 year service life that underlies the existing prescribed remaining life, using a curve shape that is more representative of the account's expected retirement pattern, and using the current age of the surviving investment. Industry life estimates for this account currently range from 26 years to 30 years. The net salvage values employed recognize that some costs are expected to be incurred from the retirement and disposition of this type of plant.

This Company does not distinguish between overhead services and underground services as do other electric companies in the State. However, FPUC did provide a percentage breakdown of the account investment showing that about 52% of the account is in overhead services with the remaining 48% in underground services. Staff life and salvage recommendations are the result of compositing "average" type lives of each.

The accounting treatment for meters is "cradle-to-grave", that is, at the time a meter is purchased, the cost is immediately charged to plant in service and not retired until final disposition. The change-out of meters or refurbishment costs are expensed. Also included in the Meters Account is the associated installation cost of the meter. The 30 year service life underlying the currently prescribed remaining life is at the high end of industry estimates for this account. (Estimates range from 25 years to 30 years with an average of 27 years.) We find no support for the Company proposal to increase the life to 38 years.

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We adopt Staff's recommendations to retain the current service life and use an updated age.

The Company provided information necessary to separate those general plant investments that are subject to be amortized in conformity with Rule 25-6.0142, Florida Administrative Code, from the remaining investments for which a depreciation rate is continuing to be applied. As a result of this and also to reflect 1990 activity, Staff recalculated the age of these remaining investments. We approve and accept Staff's calculations.

Staff recommendations for the remaining accounts in this function are based on current industry estimates for similar types of plant. We approve and accept Staff's recommendations.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the depreciation rates, methods, remaining lives, net salvage values and reserve transfers discussed in this Order are hereby approved. It is further

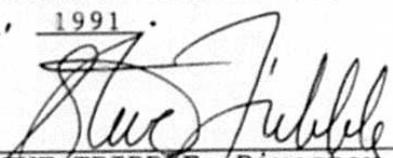
ORDERED that the depreciation rates, methods, remaining lives, net salvage values and reserve transfers discussed in this Order shall be effective January 1, 1991. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that if no party/ person whose substantial interests are affected timely files a petition for formal proceeding or notice of appeal this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 10th
day of JUNE, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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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 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 July 1, 1991.

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.

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.

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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.

FERNANDINA BEACH ELECTRIC DIVISION -- FPU
 1990 STUDY
 Comparison of Depreciation Rates and Components

ACCOUNT	COMMISSION		APPROVED		
	AVERAGE	NET	1-1-91	REMAINING	
	REMAINING	SALVAGE	BOOK	LIFE	
	LIFE	(%)	RESERVE	RATE	
	(yrs)	(%)	(%)	(%)	
Transmission Plant					
350.1	Land Rights	29.0	0	22.27	2.7
352	Structures and Improvements	32.0	0	50.44	1.5
353	Station Equipment	27.0	10	25.53	2.4
354	Towers and Fixtures	35.0	(10)	49.64	1.7
355	Poles and Fixtures	28.0	(20)	25.88	3.4
356	Overhead Conductor & Devices	29.0	(10)	38.41	2.5
359	Roads and Trails	28.0	0	59.41	1.4
Distribution Plant					
360.1	Land Rights	23.0	0	36.17	2.8
361	Structures & Improvements	33.0	0	36.69	1.9
362	Station Equipment	23.0	10	28.44	2.7
364	Poles, Towers and Fixtures	19.5	(10)	31.90	4.0
365	Overhead Conductor & Devices	25.0	(15)	25.16	3.6
366	Underground Conduit	47.0	0	7.25	2.0
367	Underground Conductor & Devices	24.0	0	17.71	3.4
368	Line Transformers	21.0	(36)	19.59	5.5
369	Services	22.0	(20)	22.56	4.4
370	Meters	20.0	(20)	37.03	4.1
371	Installation on Cust. Premise	14.3	5	37.64	4.0
373	Street Light Systems	15.9	0	34.40	4.1
General Plant					
390	Structures & Improvements	32.0	0	39.52	1.9
391.1	Office Furniture and Equipment				
	Pre 1958		4 Yr. Amort.		
	1959 Adds.		5 Yr. Amort.		
	1990 Adds.		6 Yr. Amort.		
391.2	Office Machines				
	Pre 1988		4 Yr. Amort.		
	1990 Adds.		6 Yr. Amort.		
391.3	EDP Equipment-Pre 1988		2 Yr. Amort.		
392.1	Passenger Cars	2.2	15	49.80	16.0
392.2	Light Trucks	3.5	20	27.36	15.0
392.3	Heavy Trucks	6.5	10	65.50 @	3.8
392.4	Special Trucks	15.5	0	34.63	4.2
393.1	Stores Equipment-Fixed Handling	17.5	0	30.85	4.0
393.2	Stores Equipment-Port. Handling		4 Yr. Amort.		
394.1	Tools, Shop & Gar Eq (Fixed)	22.0	0	20.80 @	3.6
394.2	Tools, Shop & Gar Eq (Port.)				
	Pre 1988		4 Yr. Amort.		
	1988 Adds.		4 Yr. Amort.		
	1989 Adds.		5 Yr. Amort.		
	1990 Adds.		6 Yr. Amort.		
395.1	Laboratory Equipment-Fixed	15.8	0	35.89	4.1
395.2	Laboratory Equipment-Portable				
	Pre 1988		4 Yr. Amort.		
	1988 Adds.		4 Yr. Amort.		
	1989 Adds.		5 Yr. Amort.		
396	Power Operated Equipment	8.7	5	48.03	5.4
397	Communication Equipment	7.9	0	46.64	6.8
398	Miscellaneous Equipment		4 Yr. Amort.		

@ Denotes restated reserve after corrective transfer.