BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of 2019 consolidated depreciation study by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.	DOCKET NO. 20190056-GU ORDER NO. PSC-2019-0433-PAA-GU ISSUED: October 22, 2019

The following Commissioners participated in the disposition of this matter:

ART GRAHAM, Chairman
JULIE I. BROWN
DONALD J. POLMANN
GARY F. CLARK
ANDREW GILES FAY

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING 2019 CONSOLIDATED DEPRECIATION STUDY

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 25-7.045(4)(a), Florida Administrative Code (F.A.C.), requires natural gas public utilities to file a comprehensive depreciation study with the Florida Public Service Commission (Commission) for review at least once every five years from the submission date of the previous study. Florida Public Utilities Company's (FPUC or Company) last depreciation study was initially filed on January 13, 2014, and a revised version filed on July 2, 2014. The 2014 Study was approved by Order No. PSC-14-0698-PAA-GU.[1] FPUC's new study was due on or by January 14, 2019. However, on December 26, 2018, FPUC filed a petition to temporarily waive Rule 25-7.045(4)(a), F.A.C.[2] The Company's request was ultimately granted, which permitted

[1]Order No. PSC-14-0698-PAA-GU, issued December 18, 2014, in Docket No. 140016-GU, *In re: 2014 depreciation study by Florida Public Utilities Company*.
[2]Document No. 07669-2018.

it to submit a depreciation study no later than March 4, 2019.[3] In accordance with Order No. PSC-2019-0067-PAA-GU, the Company filed its 2019 Depreciation Study on March 4, 2019, and a revised version on April 10, 2019 (2019 Study or Current Study). Our analysis is based on the April 10, 2019, filing.[4] Further, as was the case with the Company's 2014 Depreciation Study, FPUC's 2019 Study is a consolidated depreciation study encompassing information from, and rates applicable to FPUC, FPUC - Indiantown Division, FPUC - Fort Meade, and the Florida Division of Chesapeake Utilities Corporation. For clarity, the aforementioned collective of operating divisions are singularly referred to as "FPUC or Company" throughout this order

A Commission staff data request seeking additional information regarding the 2019 Study was issued on April 15, 2019, and Commission staff's Report was issued on June 11, 2019. The Company responded to Commission staff's First Data Request on May 17, 2019, and Commission staff's Report on July 2, 2019.

With respect to the Florida Division of Chesapeake Utilities Corporation (Chesapeake), we reviewed the effect of the recommended depreciation rate reductions on forecasted earnings for calendar year 2019.[5] Based on our review, Chesapeake is projected to remain earning within its authorized return on equity range of 9.8 percent to 11.8 percent for 2019.[6] We are not currently aware of any questions or concerns from the public with respect to this matter.

We are vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

DECISION

FPUC's last depreciation study was filed on July 2, 2014. By Order No. PSC-14-0698-PAA-GU, we approved revised depreciation rates that became retroactively effective January 1, 2014.[7]

The Company filed its Current Study in accordance with Order No. PSC-2019-0067-PAA-GU.[8] A review of the Company's recent plant activities and other relevant data indicates a need to revise depreciation rates. FPUC's depreciation rates and their underlying components are specifically discussed below.

The purpose of this review is to ensure that capital invested, as well as future plant retirement costs, are recovered over the useful lives of the assets studied. To this end, our decision is the result of a comprehensive review of FPUC's depreciation and plant-related data filed in this docket. Attachment A to this order shows a comparison of currently-approved depreciation parameters and rates to those proposed by the Company as becoming effective January 1, 2019. We are in agreement with the Company on all proposed depreciation

[3]Order No. PSC-2019-0067-PAA-GU, issued February 22, 2019, in Docket No. 20180230-GU, *In re: Petition for temporary waiver of Rule 25-7.045, F.A.C., by Florida Public Utilities Company*.
[4]Document No. 03618-2019.
[5]Document No. 08748-2019.
[6]Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 090125-GU, *In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.*
[7]Order No. PSC-14-0698-PAA-GU.
[8]Order No. PSC-2019-0067-PAA-GU.

parameters and resulting rates. Shown on Attachment B is a comparison of depreciation expenses between currently-approved and proposed rates based on December 31, 2018 investment and reserve levels.

2019 Study Overview and Highlights

Order No. PSC-14-0698-PAA-GU

Due to certain matters raised during FPUC's preceding depreciation study review in 2014, we wrote in Order No. PSC-14-0698-PAA-GU, "[t]he Company shall implement a procedure of maintaining clear documentation on each gross salvage and [cost of removal] booked so that we can verify these records through the Annual Status Report reviewing process."[9] This issue is still present and the causes continue to be addressed. In response to a Commission staff inquiry, the Company stated is currently in the process of implementing standardized practices and procedures across all business units regarding retirement-related bookkeeping. However, Company efforts have been partially impeded by high employee turnover, communication issues, and corporate-level restructuring. In spite of these challenges, newly-revised policies regarding FPUC's fixed-asset accounting, which aim to mitigate future reoccurrences of similar issues, went into effect August 1, 2019.

The effects of new Company policies regarding retirement-related bookkeeping shall be monitored by Commission staff through FPUC's Annual Depreciation Status Report (ADSR) review process. Further, Commission staff shall report its findings to us as part of Commission staff's next depreciation study recommendation.[10]

Vintage Year Accounting - General Plant

The Company, through its 2019 Study, has requested authorization to adopt vintage year accounting for certain General Plant accounts.[11] At a high-level, vintage year accounting lessens the work involved in plant record-keeping by simplifying accounting procedures for high volume, low value assets.

With the proposed adoption of vintage year accounting, assets at the date of adoption that meet or exceed the average service life (ASL) of the relevant accounts must be retired. In general, an ASL is the average expected life of all units of a group of assets when new. The total amount of retirement dollars due to the adoption of vintage year accounting is approximately $690,500. Further, all General Plant accounts that are transitioned to vintage year accounting must do so at their theoretically correct reserve level. This is achieved by comparing book reserves to theoretical reserves to determine if an imbalance exists and correcting the reserve if so. The resulting reserve imbalance for FPUC's General Plant accounts that are moving to vintage year accounting is a deficiency of $1,350,980. Based on the Company's proposal, we find that amortizing the deficiency over 5 years resulting in an annual expense of $270,196.

[9]Order No. PSC-14-0698-PAA-GU, Pages 4-5.
[10]Rule 25-7.045(6), F.A.C.
[11]See Federal Energy Regulatory Commission Accounting Release 15.

Reserve Transfers

When a reserve imbalance exists, which is the difference between the theoretical reserve and the book reserve, reserve transfers may be performed.[12] We have approved reserve transfers to reduce or eliminate reserve imbalances in the past. However, Rule 25-7.045(4)(e), F.A.C., does not require that reserve transfers be performed, only that reserve imbalances be identified. As a functional matter, the remaining life depreciation rate, which is calculated using the reserve percentage as one of the input parameters, corrects any reserve imbalance over the life of the account, thus "self-correcting" any imbalance. However, when a significant reserve imbalance is observed, a reserve transfer (or other treatment) may become necessary due to magnitude.

For the 2019 Study, a reserve surplus of $2.3 million was calculated using FPUC's proposed life and salvage parameters. The most significant reserve imbalances are found in the plastic and Gas Reliability Infrastructure Program (GRIP) mains accounts (376.1 and 376G), which are $11.1 million surplus and $7.1 deficit, respectively; and plastic and GRIP services accounts (380.1 and 380G), which are $2.6 million surplus and $3.1 million deficit, respectively.[13,14] However, FPUC proposed that the plastic and GRIP mains accounts be combined for one depreciation rate, and the plastic and GRIP services accounts be combined for one depreciation rate. We agree with the Company. In so doing, the reserve imbalances are reduced to approximately a $4 million surplus for plastic mains and approximately a $0.5 million deficit for plastic services. Given this situation, we find that it is reasonable to forgo performing any reserve transfers in the current proceeding, but rather re-investigate the matter during the Company's next depreciation study review. There will likely be better information for determining the necessity of reserve transfers in the future as GRIP concludes in 2020. Consequently, We find that no reserve transfers be performed in this proceeding.

Account-Specific Analysis

We discuss our decisions regarding FPUC's 2019 Study on a select account-by-account basis below. Not all accounts and/or underlying depreciation parameters used in developing the rates appearing on Attachment A are discussed in the narrative below. Rather, we chose to focus on the more pertinent developments and associated effects over the study period.

Account 374.1 – Land Rights

This account contains the investment associated with easements, and it has an average age of 27.6 years. The current investment of the account was made in 1990 and 1991, and FPUC has no plans for near term retirement. Given these factors, the Company proposed an increase in the account's ASL from 30 years to 35 years. We find that this proposal is appropriate. Using the proposed ASL value with the account's average age and its existing SQ retirement

[12]The theoretical reserve is the calculated balance that would be in the reserve if the estimates of depreciation life and salvage now considered appropriate had always been applied. The book reserve is the amount of plant investment actually recovered to date.

[13]Revised Attachment 2 of the 2019 Study, Exhibit DD, FPUC's response to Staff's Data Request, No. 38, and Staff Report, Page 3. Document Nos. 03618-2019, 04383-2019, and 05299-2019, respectively.

[14]Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.*

dispersion, an average remaining life (ARL) of 7.4 years is calculated for the account.[15] For background, an ARL is the future expected service life in years of the asset-group survivors at a given age. With respect to the net salvage (NS) parameter, FPUC proposed to retain the existing value of zero percent. The NS represents the difference between the value of salvage and cost of removal resulting from plant retirement and disposal. Considering the nature of the account and the industry averages, we find that the Company's salvage proposal is reasonable. Therefore, we approve an ARL of 7.4 years and NS of zero percent for Account 374.1.

Account 376 – Distribution Mains

The mains accounts consist of plastic mains (376.1), steel mains (376.2), and GRIP mains (376G). Collectively, these accounts comprise 64 percent of FPUC's distribution plant investment and more than 60 percent of FPUC's total plant investment under study. In 2012, the Commission approved FPUC's GRIP initiative.[16] GRIP provides for the accelerated replacement of FPUC's bare steel and cast iron pipes. The program was initiated in response to concerns regarding aging infrastructure reliability and safety. As a result, the GRIP-related plant investment has increased by approximately 150 percent during the current study period; correspondingly, the mains accounts have experienced increased retirements. However, FPUC indicated that it "believes this situation will return to normal once GRIP ends in 2020." Each of the mains accounts has a currently-approved ASL of 45 years. FPUC has proposed to increase the ASL of all three mains accounts to 55 years. The Company believes that with the replacement of the problematic mains, the new mains investment/technology should experience longer life. With the current expectation that plastic mains will experience an average life of greater than 55 years, we find that the Company's proposal is appropriate.

The currently-prescribed retirement dispersion for plastic (inclusive of GRIP) and steel mains accounts is the S3 curve shape. FPUC acknowledged that during this study period retirement activities in the mains accounts indicated retirement dispersions with higher infant mortality (higher number of earlier retirements) than the S3 curve shape provides. However, the Company believes that the retirement dispersions used for estimating future lives should be based on account expectations of a return to normalcy (with less infant mortality), as the retirement activities are expected to go back to normal when the GRIP ends. Thus, FPUC believes the current S3 dispersion remains reasonable for the future study period. We find this reasoning to be appropriate. Consequently, for the combined plastic and GRIP mains account, an ARL of 48 years is calculated by using a 55-year ASL with the account's average age of 7.3 years. For the steel mains account, an ARL of 37 years is calculated by using a 55-year ASL with the account's average age of 18.5 years. Therefore, we approve ARLs of 48 years and 37 years, respectively, for plastic mains (inclusive of GRIP) and steel mains.

[15]Bulletin 125, *Statistical Analysis of Industrial Reporting*, published in 1935, by Robley Winfrey of the Iowa State College Engineering Experimental Station. The retirement distributions (depicted as the "Iowa Curves") published in Bulletin 125 are widely-accepted representations of utility property retirement patterns. Iowa curves are comprised of a set of standardized patterns (or curve shapes) of asset retirement dispersions organized into four broad classes: "S," "R," "L," and "O" curves. The inherent logic of the Iowa Curves is that the same type of plant, living in the same environments, generally experiencing the same external factors, will continue to follow the same mortality pattern, or until factors/considerations change.
[16]Order No. PSC-12-0490-TRF-GU.

Currently, the plastic (inclusive of GRIP) and steel mains accounts have prescribed NS parameters of negative 16 percent and negative 28 percent, respectively. During this study period, the plastic mains experienced NS activities ranging from negative 24 percent to negative 668 percent with an average of negative 147 percent; and the steel mains experienced NS activities ranging from negative 56 percent to negative 1,228 percent with an average of negative 172 percent. FPUC considers the recent NS activity to be atypical (due to the GRIP replacements) and expects the NS levels of these accounts to return to normalcy in the future as the GRIP program concludes. As such, FPUC proposed retaining the currently-approved NS parameters for plastic (inclusive of GRIP) and steel mains accounts. We find this to be reasonable. Therefore, we approve NS parameters of negative 16 percent for plastic (inclusive of GRIP) mains account and negative 28 percent for steel mains account.

Account 379 – Measuring & Regulating Equipment (City Gate)

This account consists of pipes, controls, and other equipment used at city gate stations. During the current study period, this account has experienced an increase of approximately 72 percent in new plant investment and no retirements. Acknowledging "[a]verage service lives for other gas companies in the State range from 31 years to 35 years," FPUC proposed a slight increase in the ASL from 30 to 32 years. We find that the Company's proposal is reasonable. This results in an ARL of 23 years calculated by using the account's average age of 9.5 years and existing R3 retirement dispersion. Therefore, we approve an ARL of 23 years for this account.

Regarding NS, FPUC has proposed to retain the currently-approved value of negative 5 percent. Recognizing there were no retirement activities in the account during the study period, we find that this proposal is appropriate. Therefore, we approve a NS of negative 5 percent for the account.

Account 380 – Distribution Services

Services accounts consist of plastic services (380.1), steel services (380.2), and GRIP services (380G). Collectively, these accounts comprise approximately 20 percent of FPUC's distribution plant investment and 19 percent of FPUC's total plant investment under study. As with the mains accounts, bare steel and cast iron services are being replaced as a result of GRIP and in response to concerns regarding reliability and safety of the aging infrastructure.

For the plastic services (inclusive of GRIP) account, the currently-approved ASL is 45 years. For the steel services account, the currently-approved ASL is 40 years. FPUC believes that all of its service accounts' investments now have longer life expectancies as a result of the replacement of the problematic services pipes. FPUC proposed to increase the ASL of all services accounts by 10 years, which brings the ASL of plastic services to 55 years and the ASL of steel services to 50 years. We find FPUC's average service life proposals to be reasonable. The age of the combined plastic services account is 9.0 years, and the age of the steel services account is 31.3 years. The existing retirement dispersion of the plastic services is S3. FPUC believes, and we concur, that such dispersion may not accurately reflect the current retirement pattern of the account, but is reflective of future expectations. The existing retirement dispersion of steel services is the S2 curve shape. Using these parameters, the ARLs of the plastic services account and the steel services account is 46 years and 22 years, respectively. Therefore, we approve these two ARL parameters.

For the plastic services (inclusive of GRIP) and steel services accounts, the currently-approved NS parameters are negative 22 percent and negative 125 percent, respectively. Similar to the mains accounts, the services accounts experienced a wide range of NS values during the current study period: plastic services ranged from negative 58 percent to negative 341 percent with an average of negative 101 percent, and steel services ranged from negative 49 percent to negative 357 percent with an average of negative 179 percent. FPUC considers these levels atypical and a result of GRIP-related replacements. The Company expects the NS levels will return to normalcy in the future as GRIP replacements decrease into the program's completion. As such, FPUC proposed retaining the currently-approved NS parameters for plastic services (inclusive of GRIP) and steel services of negative 22 percent, and negative 125 percent, respectively. We find that FPUC's salvage proposals are appropriate.

Account 385 – Industrial Measuring & Regulation Equipment

This account consists of measuring and regulating equipment at industrial stations. The currently-approved ASL of the account is 30 years. FPUC proposed a modest increase to 35 years. We find that the proposal is reasonable. Based on this, an ARL of 17.7 years is calculated using the account's average age of 18.9 years and its existing R3 curve shape retirement dispersion.

For the NS parameter, FPUC proposes to retain the currently-approved zero percent since there have been no retirement/salvage activities during the study period. We find that the Company's proposal is appropriate.

Account 390 – Structures & Improvements

The currently-approved NS rate for this account is 10 percent. The most recent 6-year analysis of actual NS is approximately 51 percent. In questioning this matter, the Company stated that the unusually high net salvage over the study period was due to the sale of its Winter Haven and Indiantown office buildings. These buildings were no longer needed post consolidation of the FPUC gas companies. While we are not currently requiring a change from the 10 percent level based on only two data points, our staff shall monitor this account's NS developments over the next study period to determine if the trend towards higher NS persists and if a change should be recommended for our consideration in the future.

Account 391.0 – Office Furniture

We approve the transition of this account to vintage year accounting at an annual amortization rate of 5.0 percent.

Account 391.2 – Office Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 7.1 percent.

Account 391.3 – Computer Hardware

We approve the transition of this account to vintage year accounting at an annual amortization rate of 10.0 percent.

Account 391.4 – Computer Software

We approve the transition of this account to vintage year accounting at an annual amortization rate of 10.0 percent.

Account 393 – Stores Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 3.8 percent.

Account 394 – Tools, Shop & Garage Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 6.7 percent.

Account 395 – Laboratory Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 5.0 percent.

Account 397 – Communication Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 7.7 percent.

Account 398 – Miscellaneous Equipment

We approve the transition of this account to vintage year accounting at an annual amortization rate of 5.9 percent.

For the reasons stated above we approve the lives, reserve percentages, net salvage percentages, and resulting depreciation rates applicable to FPUC's investments that are shown on Attachment A. As shown on Attachment B, the relevant corresponding total depreciation expense effect of the rate approvals is a decrease of $893,899, or approximately 7.2 percent, from current depreciation expense levels at December 31, 2018. Further, with respect to Chesapeake, we reviewed the effect of the recommended depreciation rate reductions on forecasted earnings for calendar year 2019.[17] Based on our review, Chesapeake is projected to remain earning within its authorized return on equity range of 9.8 percent to 11.8 percent for 2019.[18]

The data submitted for the 2019 Study, including actual plant and reserve balances, is as of December 31, 2018. Thus, the underlying Company data and depreciation-related calculations appropriately match an implementation date of January 1, 2019.

We have approved revised depreciation rates for the Company to be effective January 1, 2019, which reflect changes to most accounts' remaining lives also to be effective January 1, 2019. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in Sections 168(f)(2) and (i)(9),[19] former IRC Section 167(l),[20, 21]

[17]Document No. 08748-2019.
[18]Order No. PSC-10-0029-PAA-GU.
[19]26 USC §§168(f)(2) and (i)(9).
[20]Former 26 USC §167(l), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11812(a)(1-2)(1990).

former IRC Section 46(f),[22,23] Federal Tax Regulations under the Code sections,[24] and Section 203(e) of the Tax Reform Act of 1986 (the Act).[25]

Commission staff, 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 books are also reviewed to determine if they are in compliance with the regulatory guidelines regarding 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.[26] 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 have approved changes to the Company's remaining lives, it is also important to change the amortization of ITCs to avoid violation of the provisions of IRC Section 50(d)(2) and its underlying Treasury Regulations. The consequence of an ITC normalization violation is a repayment of unamortized ITC balances to the IRS. Therefore, we find that the current amortization of ITCs shall be revised to match the actual recovery periods for the related property. The Company shall file detailed calculations of the revised ITC amortization at the same time it files its earnings surveillance report covering the period ending December 31, 2019, as specified in Rule 25-7.1352, F.A.C.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's Petition for Approval of 2019 Consolidated Depreciation Study is hereby approved. It is further

ORDERED that the lives, reserve percentages, net salvage percentages, and resulting depreciation rates applicable to FPUC's investments shown on Attachment A are approved. As shown on Attachment B, the relevant corresponding total depreciation expense effect of this approval is a decrease of $893,899 or approximately 7.2 percent, from current depreciation expense levels at December 31, 2018. It is further

ORDERED that the depreciation rates herein approved have an implementation date of January 1, 2019. It is further

ORDERED that the current amortization of ITCs is revised to match the actual recovery periods for the related property. The Company shall file detailed calculations of the revised ITC

---

[21]Under IRC Section 50(d)(2), the terms of former IRC Section 167(l) 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)).
[22]Former 26 USC §46(f), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11813(1990).
[23]Under IRC Section 50(d)(2), the terms of former IRC Section 46(f) 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)).
[24]Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.
[25]Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).
[26]Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

amortization at the same time it files its earnings surveillance report covering the period ending December 31, 2019, as specified in Rule 27-7.1352, F.A.C. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest, in the form provided by Rule 28-106, F.A.C. with the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within 21 days of the issuance of this order, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 22nd day of October, 2019.

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.

SBr

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 November 12, 2019.

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.
\

Attachment A

Comparison of Rates and Components

Account Number	Account Title	Current[1] Ave. Rem. Life (yrs.)	Current[1] Future Net Salvage (%)	Current[1] Remaining Life Rate (%)	Commission Approved Ave. Rem. Life (yrs.)	Commission Approved Reserve (%)	Commission Approved Future Net Salvage (%)	Commission Approved Remaining Life Rate (%)
DISTRIBUTION PLANT								
374.1	Land Rights	7.4	0	17.2	7.4	59.02	0	5.5
375	Structures & Improvements	18.9	0	2.5	23	42.02	0	2.5
376.1	Mains - Plastic	35	(16)	2.6	48	17.26	(16)	2.1
376.2	Mains - Steel	28	(28)	2.8	37	45.56	(28)	2.2
376G[2]	Mains - GRIP	35	(16)	2.6	48	17.26	(16)	2.1
378	M&R Station Equip. - General	21	(5)	3.3	23	25.21	(5)	3.5
379	M&R Station Equip. - City Gate	22	(5)	3.4	23	33.14	(5)	3.1
380.1	Services - Plastic	34	(22)	2.7	46	20.27	(22)	2.2
380.2	Services - Other	24	(125)	6.5	22	22.61	(125)	9.2
380G[2]	Services - GRIP	34	(22)	2.7	46	20.27	(22)	2.2
381	Meters	16.2	0	3.7	17.1	38.26	0	3.6
381.1	Meters - AMR Equipment	16.7	0	4.5	12.1	47.57	0	4.3
382	Meter Installations	25	(10)	3.1	27	23.76	(10)	3.2
382.1	Meter Installations - MTU/DCU	33	(10)	2.6	28	37.18	(10)	2.6
383	House Regulators	16.7	0	3.3	16.2	45.98	0	3.3
384	House Regulator Installations	21	0	2.7	16.3	55.65	0	2.7
385	Industrial M&R Station Equip.	16.9	0	3.4	17.7	59.64	0	2.3
387	Other Equipment	15.7	0	4.0	15.7	37.24	0	4.0
GENERAL PLANT								
390	Structures & Improvements	31	10	2.0	31	17.40	10	2.3
391	Office Furniture	15.6	0	3.7	20-Year Amortization			
391.2	Office Equipment	10.1	0	6.1	14-Year Amortization			
391.3	Computer Hardware	4.3	0	5.2	10-Year Amortization			
391.4	Computer Software	4.3	0	5.2	10-Year Amortization			
392.1	Transportation - Cars	5.1	10	11	4.4	13.54	10	17.4
392.2	Transportation - Light Trucks & Vans	4.8	20	8.0	5.1	37.37	20	8.4

Attachment A

Comparison of Rates and Components

Account Number	Account Title	Current[1] Ave. Rem. Life (yrs.)	Current[1] Future Net Salvage (%)	Current[1] Remaining Life Rate (%)	Commission Approved Ave. Rem. Life (yrs.)	Commission Approved Reserve (%)	Commission Approved Future Net Salvage (%)	Commission Approved Remaining Life Rate (%)
392.3	Transportation - Heavy Trucks	0	10	8.2	0	0.00	0	8.2
392.4	Transportation - Other	9.9	0	3.3	9.8	43.27	0	5.8
393	Stores Equipment	5.8	0	5.8	26-Year Amortization			
394	Tools, Shop & Garage Equip.	3.8	0	7.4	15-Year Amortization			
395	Laboratory Equipment	0	0	5.0	20-Year Amortization			
396	Power Operated Equip.	6.0	10	1.1	5.7	61.16	10	5.1
397	Communication Equip.	8.1	0	7.0	13-Year Amortization			
398	Miscellaneous Equip.	10.5	0	4.6	17-Year Amortization			
399	Miscellaneous Tangible	5-Year Amortization			5-Year Amortization			

[1]Order No. PSC-14-0698-PAA-GU.
[2]Account not shown on Order No. PSC-14-0698-PAA-GU. Rates applicable to Accounts 376.1 and 380.1 were applied during the period between depreciation studies.

Attachment B

Account Number	Account Title	Comparison of Expenses Current[1] Depreciation Rate (%)	Current[1] Annual Expense ($)	Commission Approved Depreciation Rate (%)	Commission Approved Annual Expense ($)	Change In Expense ($)
DISTRIBUTION PLANT						
374.1	Land Rights	17.2	2,221	5.5	710	(1,511)
375	Structures & Improvements	2.5	40,109	2.5	40,109	0
376.1	Mains - Plastic	2.6	2,441,461	2.1	$1,971,949	(469,512)
376.2	Mains - Steel	2.8	1,684,114	2.2	1,323,232	(360,882)
376G[2]	Mains - GRIP	2.6	2,602,559	2.1	2,102,067	(500,492)
378	M&R Station Equip. - General	3.3	143,871	3.5	152,591	8,720
379	M&R Station Equip. - City Gate	3.4	442,690	3.1	403,629	(39,061)
380.1	Services - Plastic	2.7	1,381,087	2.2	$1,125,330	(255,757)
380.2	Services - Other	6.5	116,239	9.2	164,523	48,284
380G[2]	Services - GRIP	2.7	697,998	2.2	$568,739	(129,259)
381	Meters	3.7	616,414	3.6	599,754	(16,660)
381.1	Meters - AMR Equipment	4.5	100,481	4.3	96,015	(4,466)
382	Meter Installations	3.1	419,307	3.2	432,834	13,527
382.1	Meter Installations - MTU/DCU	2.6	15,513	2.6	15,513	0
383	House Regulators	3.3	175,520	3.3	175,520	0
384	House Regulator Installations	2.7	28,172	2.7	28,172	0
385	Industrial M&R Station Equip.	3.4	62,857	2.3	42,521	(20,336)
387	Other Equipment	4.0	117,769	4.0	117,769	0
GENERAL PLANT						
390	Structures & Improvements	2.0	62,775	2.3	72,192	9,417
391	Office Furniture	3.7	59,572	5.0	80,503	20,931
391.2	Office Equipment	6.1	119,198	7.1	138,738	19,541
391.3	Computer Hardware	5.2	50,833	10.0	97,755	46,922
391.4	Computer Software	5.2	387,213	10.0	744,641	357,428
392.1	Transportation - Cars	11.0	17,852	17.4	28,239	10,387
392.2	Transportation - Light Trucks & Vans	8.0	440,778	8.4	462,817	22,039
392.3	Transportation - Heavy Trucks	8.2	0	8.2	0	0
392.4	Transportation - Other	3.3	3,011	5.8	5,292	2,281
393	Stores Equipment	5.8	1,484	3.8	972	(512)

Attachment B

Account Number	Account Title	Comparison of Expenses Current[1] Depreciation Rate (%)	Current[1] Annual Expense ($)		Commission Approved Depreciation Rate (%)	Commission Approved Annual Expense ($)	Change In Expense ($)
394	Tools, Shop & Garage Equip.	7.4	68,426		6.7	61,953	(6,473)
395	Laboratory Equipment	5.0	0		5.0	0	0
396	Power Operated Equip.	1.1	16,776		5.1	77,782	61,006
397	Communication Equip.	7.0	156,963		7.7	172,659	15,696
398	Miscellaneous Equip.	4.6	16,445		5.9	21,092	4,647
399	Miscellaneous Tangible	20.0	0		20.0	0	0
General Plant Reserve Deficiency					20.0	270,196	270,196
Total			**12,489,709**			**11,595,809**	**(893,899)**

[1]Order No. PSC-14-0698-PAA-GU.
[2]Account not shown on Order No. PSC-14-0698-PAA-GU. Rates applicable to Accounts 376.1 and 380.1 were applied during the period between depreciation studies.