STATE OF FLORIDA

DIVISION OF ECONOMICS
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Public Service Commission

May 23, 2025

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301

STAFF'S SECOND DATA REQUEST
via email

RE: Docket 20250035-GU - Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

Dear Ms. Keating:

By this letter, the Commission staff requests that Florida City Gas (FCG) provide responses to the following data requests:

1. Please refer to FCG's Depreciation Study Narrative, Pages 13-14.

   For Account 3762: Mains - Steel, FCG states,

   > "The currently approved net salvage is (50)%. The overall average net salvage is (146)% with the most recent 2021-2024 period averaging (64)%. Even though removal costs have historically been high, the costs have continually decreased over time....FCG proposes (40)% net salvage in line with recent trends..."

   For Account 3801: Services – Plastic, FCG states,

   > "The current approved net salvage factor for this account is (68)%. The overall net salvage is (398)% with the most recent 2021-2024 period averaging (132)%. Given the miniscule retirement data, the Company does not believe this activity is indicative of future salvage expectations....At this time, the Company proposes a decrease to (40)% net salvage..."

   FCG indicates it relied on recent net salvage trends in the case of Account 3762, but it did not do so for Account 3801. Please explain why.

2. Please refer to FCG's response to Staff's 1st Data Request, No. 11. FCG proposes to increase the ASL for Account 3900: Structures and Improvements from 25 to 40 years (a 60 percent increase). Please explain whether FCG considered a reduced percent increase in this

adjustment, to be revisited in a later study, in recognition of the depreciation concept of Gradualism. If not, please explain why not.

3. Please refer to FCG's Depreciation Study Narrative, Page 15, as well as FCG's response to Staff's 1st Data Request, No. 7. FCG is proposing to increase the net salvage factor for Account 3801: Services – Plastic from (68)% to (40)%.

    a. Please explain the basis for proposing an increase to net salvage when both the overall net salvage of (398)% and most recent net salvage of (132)% experienced for the account are both significantly higher than the currently approved net salvage factor (68)%.
    b. Did FCG consider requesting a lower net salvage percentage for this account based on the depreciation concept of Gradualism, especially given the recent higher trend in net salvage of (132)% compared to the currently approved (68)%? Is so, please explain. If not, please explain why not.
    c. FCG's claims that relocation of the services to the front of the customer's property will serve to reduce retirement costs. Please also provide any quantitative impact/calculations the utility relied upon that supports increasing the net salvage factor of the account from (68)% to (40)%.

4. Please refer to FCG's Depreciation Study Narrative, Page 18. FCG is proposing to increase the net salvage factor for Account 3820: Meter Installations from (25)% to 0%.

    a. Was the concept of gradualism considered when FCG proposed to increase the net salvage factor for Account 3820: Meter Installations from (25)% to 0% in a single adjustment? If so, please explain. If not, please explain why not.
    b. FCG states, "Other gas companies have net salvage estimates in the range of (5)% to (35)%, averaging (23)%." Please explain why FCG's proposed a net salvage factor of 0%, which is outside the band of its peer gas companies.

5. Please refer to FCG's Depreciation Study Narrative, Pages 16-17. Regarding Account 3810: Meters, FCG states, "The Company does not see a meter older than 20 years in the field and expects the average life for a meter is in the range of 15-20 years." However, FCG is proposing to increase the ASL for this account from 19 years to 20 years. Please explain why FCG is proposing a 20 year ASL for this account rather than an ASL representing the mid-range, given the Company's statement that there is no "meter older than 20 years in the field."

6. Please refer to FCG's Depreciation Study Narrative, Pages 18-19. Regarding Account 3821: Meter Installations- ERT, FCG states that there is limited data for the net salvage analysis. Please explain why FCG is proposing a significant change to the net salvage factor (from (25)% to 0%) for this account, given the Company's representation that there is limited data for analysis.

7. Please refer to FCG's Depreciation Study Narrative, Pages 19-20, FCG states in its narrative that the currently approved net salvage factor is zero for Account 3840: House Regulators Installations, while the currently approved net salvage factor for the account is (25)% (Order No. PSC-2023-0177-FOF-GU). Does this information change the Company's proposed net salvage percentage since its stated position is a continuation of the currently approved net salvage factor? Please explain.

8. Please refer to FCG's attachment to its response to Staff's 1st Data Request, No. 12, as well as the table below.

Average Service Life (years)						
Account	St. Joe	Peoples Gas	FPUC	Sebring Gas	**Florida Average**	**FCG Proposed**
3761: Mains - Plastic	40	75	75	45	59	**75**
3762: Mains-Steel	40	65	65	45	54	**65**
3801: Services - Plastic	42	55	55	40	48	**55**
3802: Services – Other/Steel	55	52	60	48	54	**60**

Please provide an explanation of what accounts for the wide variability between the four peer gas companies ASL estimates. For example, why does St. Joe and Sebring estimate a 45 year ASL for Account 3761 while FPUC and Peoples Gas estimate a 75 year ASL for the same account, a difference of 30 years?

9. Please refer to FCG's attachment to its response to Staff's 1st Data Request, Nos. 12 and 13, as well as the table below.

Average Service Life (Years)				
Account	FCG Currently Approved	FCG 2022 Study	Florida Average	**FCG 2025 Proposed**
3761: Mains - Plastic	75	65	59	**75**
3762: Mains-Steel	65	65	54	**65**
3801: Services - Plastic	55	50	48	**55**
3802: Services – Other/Steel	52	50	54	**60**

a. Given the Company's reliance on its peer gas companies for its ASL projections for many accounts, please explain why, for the above-referenced accounts, FCG is proposing and ASL that is higher than the Florida Average ASL among the peer utility group.

b. Specifically for Account 3761: Mains – Plastic, FCG is proposing a 75 year ASL, which is 16 years longer than the Florida Average and 10 years longer than FCG's 2022 Depreciation Study. FCG's last depreciation study's proposed 65 year ASL relied on a mathematical fit of FCG's retirement data to a 65-R4 survivor curve (FCG 2022 Depreciation Study, Exhibit NWA-1, page 157 of 179) Please provide any calculations supporting FCG's proposal in the instant case to extend the average service life of this account to 75 years.

10. Please refer to FCG's response to Staff's 1st data request, No. 2.a. FCG states, "FCG did not consider placement/experience bands for curve shape considerations." Please explain why FCG elected not to utilize placement/experience bands in the instant case, as was done in FCG's last depreciation study.

11. Please refer to Page 4 of FCG's 2025 Depreciation Study Narrative. FCG indicates that a review of the existing survivor curve for each account was performed to determine if a modification to the average service life is warranted based on the average age and actual or expected retirement experience.

    a. Explain each element of FCG's process of analyzing average age distribution and aged retirement data to assess average service life selection in this case. Provide an example and any documentation showing how this process was completed.
    b. For each account, did FCG prepare updated Original Life Tables of FCG's assets and application of percent surviving at each age interval to create graphical and/or mathematical Iowa curve analyses in support of average service life determinations? Please provide all related analysis, computations, and graphical representations. If not, explain why not.

12. Absent statistical or visual analysis of the data described in Question 11 above, please explain how FCG determined the appropriate ASL/survivor curve shapes for each account in the instant case. Please provide an example.

13. The 2025 Depreciation Study Narrative indicates that, for several accounts (Accounts 3762, 378, 3790, 3801, 380.2) low retirement rates from 2004 through 2024 (averaging less than one percent) makes statistical analysis of life and salvage factors meaningless and/or reliance on industry expectations necessary. Yet, in FCG's 2022 Depreciation Study, the utility did provide statistical analysis of both life and salvage factors and used such analysis, along with other information, to establish depreciation parameters. Please explain why long term low retirement rates makes such statistical analysis meaningless in 2025 but not so in 2022.

14. Please provide an overview of the differences in methodology in the various components of FCG's proposed 2025 Depreciation Study and the 2022 Depreciation Study approved by the Commission in 2023.

15. Assuming all other things equal (i.e. no new depreciation study), would the requested two-year amortization of the $27.3 million surplus lead to a higher depreciation expense and higher customer rates in FCG's next rate case than if the surplus were corrected using the remaining life technique? Please explain your answer.

16. Please provide an estimate, quantified in dollars, of the benefits customers would receive from the two-year amortization of the $27.3 million surplus (compared to remaining life technique), including:
    a. An estimate of the difference between existing customer rates and the increased rates FCG would request without the amortization;
    b. An estimate of the rate case expense for the near-term rate case FCG projects would be required absent the amortization;

c. Any other quantifiable benefit FCG believes customers would receive as a result of the two-year amortization.

17. Please provide an estimate of the total cost of FCG's petition for approval of the 2025 Depreciation Study in the present docket. Does FCG intend to request recovery of that expense in connection with its next petition for rate increase?

Please file all responses electronically no later than Thursday, June 12th, 2025, through the Commission's website at www.floridapsc.com, by selecting the Clerk's Office tab and Electronic Filing Web Form. *In addition, please email the filed response to discoverygcl@psc.state.fl.us.*

Please feel free to call me at (850) 413-6648 if you have any questions.

Sincerely,

/s/ Andrew Kunkler
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cc: Office of Commission Clerk