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September 2, 2025

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

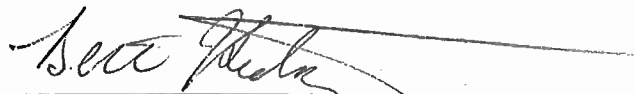
Docket No. 20250035-GU – Petition for approval of 2025 depreciation study and for approval to amortize reserve imbalance, by Florida City Gas.

Dear Mr. Teitzman:

Attached for filing, please find Florida City Gas's Response to Staff's Report regarding the Company's Depreciation Study. Included for filing is the Response and Attachment B. Attachments A and C are being sent via email to the parties' and staff and are not included with the filed document.

As always, thank you for your assistance in connection with this filing. If you have any questions whatsoever, please do not hesitate to let me know.

Sincerely,



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Florida City Gas Company
2025 Depreciation Study
Docket No. 20250035-GU

FCG Responses to Staff Report

I. Overview

FCG appreciates the opportunity to provide comments and responses to the Staff’s preliminary positions detailed in the Staff Report (Report). FCG understands the work involved in conducting a thorough analysis of a depreciation study, as well as the complexity of developing final conclusions, particularly in a field in which there are limited “hard and fast” rules. While FCG disagrees with several key points in Staff’s analysis, FCG nonetheless respects the process. With that said, FCG finds it unfortunate that the length of time taken to get to this point in the process may ultimately negate the ancillary (but important) benefit originally anticipated by FCG in its Petition of February 4, 2025, which initiated this proceeding.

The key difference between the Staff Report’s proposals and FCG’s Study proposals are found in two major areas: 1) the lives, salvage values, or curve shape in several accounts; and 2) recovery of the reserve imbalance. In this Response, FCG will address the assumptions noted in the Report, the proposed changes to depreciation study account parameters, as well as the reserve imbalance recovery.

To provide context for FCG’s further response, FCG provides Table 1 below, which provides a comparison of the approved curve shapes and service lives from FCG’s 2018 and 2022 studies in the accounts in which FCG’s and Staff’s proposals differ, along with the comparative proposals arising from this 2025 Study. These accounts are the largest FCG plant accounts comprising more than 80% of the total January 1, 2025, investment, and have a relatively limited amount of historical data. As such, there is limited statistical basis for estimating service lives and more reliance on other relevant factors is necessary.

Table 1:

| Account | 2018 Study Approved | 2022 Gannett Fleming Proposed | 2022 OPC Proposed | 2022 Commission Approved | 2025 FCG Proposed | 2025 Staff Proposed |
|-------------------------------------|------------------------------------|--|----------------------------------|---|----------------------------------|------------------------------------|
| | Curve ASL | Curve ASL | Curve ASL | Curve ASL | Curve ASL | Curve ASL |
| 3761/3762, Mains | S3 55 | R4 65 | R3 70 | R2 75/R1.5 65 | R2.5 75/R2.5 65 | R4 75/R4 65 |
| 3780/3790, M&R Station Equip. | S3 30/S4 35 | S3 35 | S3 45 | R1.5 40/R2.5 50 | S3 40/R3 50 | S3 40/S3 40 |
| 3801/3802, Services | R2.5 54/S6 45 | R2.5 50 | R2.5 55 | R1.5 55/R0.5 52 | R1.5 55/R1.5 60 | R1.5 55/R1.5 52 |
| 3830, House Regulators | S3 30 | R2.5 40 | R2 47 | S1 42 | S0 42 | R2.5 42 |
| 3900, Structures | R1 40 | S0.5 30 | S0.5 30 | L0 25 | S0.5 40 | S0.5 30 |

In addition, Attachment A to FCG's response is FCG's updated depreciation workbook, which includes: 1) corrections noted in FCG's response to Citizens' Second Set of Interrogatories to Florida City Gas (Nos. 4-16), and 2) adjustments to the resultant depreciation rates to align with the Commission's rounding convention. In response 10b of the Citizen's request, filed August 20, 2025, FCG revised the Study's workbook to report the correct reserve adjustments for Accounts 3032, 3762, and 3922.

II. Rounding Convention

Staff Proposal:

Staff recalculated FCG's proposed depreciation rates for each account shown in Attachment A "Comparison of Rates and Components" based on the Commission rounding convention. These recalculated rates are what staff considers as FCG's proposal. The rounding conventions are:

| | |
|-------------------------------------|-------------------------------------|
| Remaining lives over 20 years: | rounded to the nearest whole year |
| Remaining lives less than 20 years: | rounded to one decimal place |
| Net salvage factor: | rounded to the nearest whole number |
| Reserve Ratio: | rounded to two decimal places |
| Depreciation rates: | rounded to one decimal place |

FCG Response:

The Company's annual depreciation/amortization expense based on January 1, 2025, investments and currently prescribed depreciation/amortization rates is stated above as \$17,779,178. However, Table 6 of the Staff Report shows annual depreciation/amortization expense based on FCG's current approved depreciation/amortization rates as \$17,779,160. This amount is the same as shown on Schedule D of FCG's 2025 Study Workbook.

Regarding the Commission's rounding convention, FCG agrees. However, in reviewing the Staff Report workpapers, FCG found that the rounding convention did not always apply to the components of the theoretical reserve calculation and sometimes did not apply to the remaining life. The difference is not significant.

III. Amortizable Accounts:

Staff Proposal:

For the Company's amortizable accounts, the company wishes to synchronize its amortization periods with those of its parent company, Chesapeake Utilities Corporation (CUC), which has uniform amortization periods for amortizable accounts across all of its natural gas distribution business units. After applying the new amortization periods to the company's amortizable accounts, a reserve deficit of \$7,586 exists, which the Company proposes to amortize over 2 years. Due to the immaterial amount of this imbalance, staff agrees the Company's proposal is reasonable.

In addition, as the Company explains in its petition, as amortizable assets reach the ASL of each account, the associated original cost is retired from the books and records annually. The company has identified amortizable assets that exceed the ASL of their respective accounts and has designated these assets, totaling \$13,189, for retirement. The resulting annual amortization expense is \$849,707.

FCG Response:

FCG agrees but further maintains that any reserve imbalance is a misstatement of rate base and should be recovered as fast as practicable. As such, the Company's proposal to amortize the imbalance is appropriate, regardless of whether the amount of the imbalance is immaterial.

The 2025 Study proposed a 10-year and 20-year amortization period for Accounts 3914 and 3950, respectively, with which Staff has indicated its agreement. However, Table 6 of the Staff Report reflects a 0% amortization rate for these accounts. The correct amortization rate for Accounts 3914 and 3950 are 10.0% and 5.0%, respectively. These are the same as shown on Schedule D of FCG's 2025 Study Workbook and Table 1 of the Report. This correction will have no impact to annual amortization expenses given the accounts having no investment or reserve balances as of January 1, 2025.

Additionally, FCG has updated the 2025 Study workbook schedules, provided as Attachment A, to include 1) corrections noted in FCG's response to Citizens' Second Set of Interrogatories to Florida City Gas (Nos. 4-16), and 2) adjustments to the resultant depreciation rates to align with the Commission's rounding convention. In response 10b of the Citizen's request, filed August 20, 2025, FCG revised the Study's workbook to report the corrected reserve adjustments for Accounts 3032, 3762, and 3922.

IV. Reserve Imbalance and Corrective Action:

Staff Proposal:

For the Company's depreciable accounts, staff calculated the theoretical reserve based on its initial proposals. In order to remedy the reserve surplus calculated for in Account 3761: Mains-Plastic, staff proposes to reallocate the imbalance to accounts that have calculated reserve deficits.

The remaining life technique corrects imbalances between the book reserve and the theoretical reserve gradually over the remaining lives of the Company's depreciable assets. After the Staff proposed reserve transfers, a reserve imbalance (surplus) of \$3.5M is calculated, an amount that staff proposes to correct via the remaining life technique.

Alternatively, the Company proposes to address the imbalance it has estimated (\$22.4M surplus) between the book reserve and the theoretical reserve via a two-year amortization period as described in its petition and study. This alternative methodology will result in different remaining life rates and corresponding annual expenses on a going forward basis when compared to the remaining life technique. A substantial portion of the difference between staff's reserve imbalance (\$3.5M) and the Company's reserve imbalance (\$22.4M) is attributable to the difference in the

estimates of remaining life for Account 3762 – Mains-Steel. It is staff's opinion that the remaining life depreciation technique is the preferred option to correct the reserve imbalance in this instance.

FCG Response:

The calculated theoretical reserve is based on the life and salvage estimates considered appropriate at the time. 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. A reserve imbalance is a result of comparing the calculated theoretically correct reserve to the book reserve. The difference between the theoretical reserve calculated by FCG and that calculated by the Staff is due to differences in account life and salvage positions.

FCG notes that there are certain calculation errors within Staff's life and salvage proposals. As such, FCG has included Attachment B, which identifies where the errors occurred and reflects that, using Staff's life and salvage proposals with the calculations corrected results in a net reserve surplus of \$8 million rather than the \$3.5 million shown in the Report. Using FCG's life and salvage proposals, however, the reserve surplus is \$22.3 million, as shown on Attachment A.

First and foremost, the Commission's Rule 25-7.045, F.A.C., does not require that reserve imbalances be corrected, but rather only that they be identified. For instance, in Florida Public Utilities Company's 2019 Depreciation Study, a reserve surplus was identified but left on FPUC's books without any reserve transfers pending the company's next depreciation study.¹ The Commission has also acknowledged that, "When significant imbalances occur, corrective transfers among accounts should be made unless this action prevents the Company from earning a fair and reasonable return on its investments."²

As for corrective action, while Staff's Report refers to the Company's proposal of amortizing the reserve imbalance for all accounts over two years as an "alternative methodology," FCG suggests that its proposal is one of three, equally valid mechanisms for addressing a reserve imbalance. A reserve imbalance can be addressed through 1) the remaining life technique where the imbalance is corrected over the remaining life of the given account; 2) the use of reserve transfers between accounts using existing surpluses to offset deficits where possible; or 3) netting the various account imbalances to a bottom-line amount and amortizing the net amount over a shorter period of time as FCG proposes. Which method to be used is a matter of judgment and based largely upon whether it is more appropriate to correct the imbalances quickly or over the average remaining life of the account.

The Commission has acknowledged that the matching principle plays a significant role in determining the best way to resolve reserve imbalances. For instance, in FPL's 2008-2009 rate case and depreciation study, the Commission found that "the matching principle argues for a quick correction of any surplus; the quicker the better so that the ratepayers who may have overpaid would have a chance of benefitting."³ In deciding to amortize a significant reserve surplus over 4 years, the Commission went on to state that, **"This is consistent with our policy with respect to reserve imbalances, which has been to correct them as soon as possible without adversely**

¹ Order No. 2019-0433-PAA-GU, issued in Docket No. 20190056-GU.

² Order No. 2014-0514-PAA-GU at page 6, issued September 25, 2014, in Docket No. 20140051-GU.

³ Order No. PSC-2010-0153-FOF-EI at page 83, issued in Dockets Nos. 20080677-EI and 20090130-EI.

impacting the company's ability to earn a fair and reasonable return.”⁴ Thus, it has been Commission policy that when reserve imbalances either represent or contribute to intergeneration inequity that such imbalances should be corrected as quickly as possible.

To that point, one reason cited by Staff in opposing the Company’s amortization of the calculated surplus over a shorter period of time is that it results in different remaining life rates and resultant expenses compared to remaining life rates without any corrective treatment. In the case of a reserve surplus, however, the remaining life depreciation rate is artificially understated because too much has been recovered to date and there is less to recover in the future. Thus, until the surplus is corrected, future ratepayers will pay less than their fair share in depreciation expenses receiving more of the benefit of the surplus than ratepayers that caused the surplus. Conversely, in the case of a reserve deficit, until the deficiency is corrected, the remaining life rate is artificially overstated because not enough has been recovered to date resulting in more to be recovered over the remaining life. Future ratepayers will pay more than their fair share in depreciation expenses to correct the deficit. Whether the corrective measure is through account reserve transfers or amortization, the remaining life depreciation rate for the given account is corrected to the appropriate level. When an account having a reserve surplus is corrected, the remaining life depreciation rate increases because the overstated reserve is corrected. When an account having a reserve deficit is corrected, a lower depreciation rate results. When the reserve imbalance is corrected, the depreciation rates are corrected to each account’s theoretically correct level.

Similarly, with regard to concerns that depreciation rates will increase or decrease when the reserve imbalance is corrected, the same can occur with reserve transfers because transfers between accounts can also result in different depreciation rates for the affected accounts. It’s worth also considering the approach as it relates to negative reserves. Staff’s approach would entail no corrective treatment. However, a negative reserve in an account with no investment represents non-existent plant and translates to positive rate base that a company will continue to earn a return on until some remedial action is taken. An account with investment and a negative reserve results in a very high depreciation rate until corrected. In either situation, new additions carry the burden of the reserve imbalance.

Under the Staff proposal, the nearly \$3 million surplus calculated for plastic services will be recovered over a remaining life of 47 years. FCG believes this is too long for corrective action. Current ratepayers will not receive the benefit of that surplus for 47 years. FCG’s proposal will provide a return of the reserve surplus, which equates to the over payment of depreciation expenses, to the generation of ratepayers who may have overpaid and provide a return to the matching principle and intergenerational equity over a short period, 2 years. Moreover, given that FCG’s parent has expressed its intent to consolidate the FPUC and FCG gas operations in the near future, use of the remaining life technique to correct the perceived reserve imbalances will dilute the benefit to FCG’s ratepayers and provide an inequitable benefit to FPUC’s ratepayers upon consolidation.

⁴ Id. at page 87; citing Order No. PSC-01-2270-PAA-EI, issued on November 19, 2001, in Docket No. 010699-EI, In re: Request for approval of implementation date of January 1, 2002, for new depreciation rates for Marianna Electric Division by Florida Public Utilities, p. 2.

V. Account by Account Responses

The Staff's Report notes that FCG did not conduct statistical life analysis on its assets for life expectations. This is not a requirement of Rule 25-7.045, F.A.C. The Company did however review the statistical analysis provided in the 2022 Gannett Fleming Depreciation Study. Although that study was not ultimately approved, FCG determined that the statistical analysis therein was sufficient and that additional statistical analysis was not needed. To be clear, FCG did not rely on that analysis as the basis for its proposals but considered it a tool along with the depreciation parameters of other Florida gas companies, recent account activity, information obtained from Company personnel, and judgement.⁵

FCG's data provides some degree of service life indications but only for a relatively short period of time and does not provide definitive life indications for many accounts. For any depreciation study, considerations other than historical data should inform service life recommendations. In fact, the analysis of historical data is only one part of the process of estimating service lives. Relying on historical data implies that the future will mirror the past, which is not always a reasonable assumption. This is true even if there is extensive historical data available that provides fairly definitive indications of how long the assets have lived in the past. If, however, historical data is more limited, which is the case for FCG, then it is even more important to consider other relevant factors such as a general knowledge of the property and associated investments under study, information obtained from Company personnel, and an understanding of estimates used for other Florida gas utilities that were previously vetted by the Commission.

a. Intangible Plant:

1. *Account 3031: Miscellaneous Intangible Plant – 15 years - Software

Staff Proposal:

This account is an amortizable account with an average age of 2.1 years. The Company proposes extending the currently-approved 12 year amortization period to a 15-year amortization period to align the amortization with CUC's other natural gas business units. Staff agrees with the Company's proposal. This results in a remaining amortization period of 12.9 years and a 6.7 percent amortization rate for subsequent vintages.

FCG Response:

No response is needed.

⁵ After reviewing the Staff's Report, however, FCG is, however, somewhat concerned that in certain instances it appears that FCG's 2025 Study was discounted in favor of recommendations in the 2022 Gannett Fleming Study, which was not approved by the Commission.

2. *Account 3032: Miscellaneous Intangible Plant – 20 years – CIS/ERP Systems

Staff Proposal:

This account currently has an average age of 3.7 years. The Company proposes retaining the currently-approved 20-year amortization period for this account. Staff concurs with the Company's proposal. This results in a remaining amortization period of 16.3 years and a 5.0 percent amortization rate for subsequent vintages.

FCG Response:

No response is needed.

b. Storage Plant:

Staff Proposal:

The following accounts are associated with FCG's liquefied natural gas (LNG) facility placed into service in 2023. Given the low average age of these accounts (1.5 years) and insufficient retirement historical data, FCG proposes to retain the 50-year ASL, S4 curve shape, and a zero percent net salvage factor, for all four accounts, as prescribed in FCG's 2017 Depreciation Study. FCG's 2017 Depreciation Study prescribed depreciation parameters for the LNG facility even though the facility had not been placed into service yet. Since the facility still was not in service as of December 31, 2022, FCG's 2022 Depreciation Study did not include the LNG facility, stating the parameters prescribed in FCG's 2017 Depreciation Study were within the range of estimates used for other LNG facilities. Staff agrees with the Company's proposal to continue with the rates prescribed in FCG's 2017 Depreciation Study. The resulting remaining life rates for each account are calculated below.

3. Account 3642: Structures and Improvements

With a 50-year ASL, an average age of 1.5, and an S4 curve shape, an average remaining life of 49 years is calculated. The resulting remaining life depreciation rate is 2.0 percent

4. Account 3643: LNG Processing Equipment

With a 50-year ASL, an average age of 1.5, and an S4 curve shape, an average remaining life of 49 years is calculated. The resulting remaining life depreciation rate is 2.0 percent.

5. Account 3645: Measuring and Regulating Equipment

With a 50 year ASL, an average age of 1.5, and an S4 curve shape, an average remaining life of 49 is calculated. The resulting remaining life depreciation rate is 2.0 percent.

6. Account 3646: Compressor Station Equipment

With a 50-year ASL, an average age of 1.5, and an S4 curve shape, an average remaining life of 49 is calculated. The resulting remaining life depreciation rate is 2.0 percent.

FCG Response:

The difference between the positions of Staff and FCG for these accounts is that FCG calculated a reserve imbalance for each account and considered it in the bottom-line net reserve surplus with a proposed 2-year amortization whereas Staff proposal corrects the reserve imbalances over the average remaining life. In either case however, the depreciation rates for each of the storage accounts do round to 2.0% with or without reserve correction.

c. Distribution Plant:

7. Account 3743: Right-of-Way

Staff Proposal:

This account has an average age of 31 years and has no currently prescribed life or salvage factors. Due to this account being composed of easements and right-of-ways that have no end date and are held in perpetuity or until the underground facilities are abandoned, the Company proposes the life of this account match the longest-lived distribution account – Account 3761 – Mains-Plastic. The Company proposes an ASL of 75 years, a SQ curve shape, and a zero percent net salvage factor. Staff concurs with the Company.

Using the parameters above, an ARL of 44 years and a 2.3 percent annual remaining life depreciation rate is calculated.

FCG Response:

There is no difference between the Staff and FCG in the proposed average service life, average remaining life, or salvage for this account. The difference in positions is with the remaining life depreciation rate. Staff proposes recovery of the reserve surplus over a period of 44 years whereas FCG proposes recovery over a shorter period of time, 2 years.

8. Account 3750: Structures and Improvements

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 33 years, an L0 curve shape, and a zero percent net salvage factor. This account has an average age of 4.8 years.

Due to no retirements reported over the 2021-2024 period and only 3 years experiencing any retirements over the past 20 years, the Company proposes extending the ASL to 35 years and transitioning to an R4 curve, as was proposed in FCG's 2022 Depreciation Study.

The Company proposes no change to the existing net salvage factor of zero percent. Staff believes the Company's proposals are reasonable.

Using these parameters, an ARL of 30 years is calculated. These parameters are then used to produce a remaining life depreciation rate of 3.2 percent for this account.

FCG Response:

No response needed. The difference in positions is with the remaining life depreciation rate. Staff proposes recovery of the reserve surplus over a period of 30 years whereas FCG proposes recovery over a shorter period of time, 2 years.

9. Account 3761: Mains– Plastic

Staff Proposal:

The ASL, curve shape, and net salvage factor currently prescribed for this account is 75 years, an R2 curve shape, and a (33) percent net salvage factor. This account has an average age of 10.4 years.

The Company proposes to retain the current 75-year ASL, but transition to an R2.5 curve shape to be more “in line with the historical miniscule retirements as well as possible retirements of early vintages of plastic pipe.” The Company originally proposed an R4 curve shape for this account but later corrected its proposal to an R2.5 curve shape. However, after a review of the Company's historical retirement data and related retirement dispersion patterns of this account, it is staff's opinion that an R4 curve shape is the most reasonable curve shape for this account. In addition, an R4 curve shape was also proposed in FCG's 2022 depreciation study.

The Company also proposes to increase the net salvage factor from (33) percent to (30) percent due to the recent trend of lowering retirement costs, reflecting an average net salvage factor of (30) percent for the account over the 2021-2024 time period. Staff believes the Company's net salvage proposal is reasonable.

Based on the discussion above, these parameters result in an ARL of 65 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 1.7 percent for this account.

FCG Response:

As noted in the August 5 letter with 2025 Study revisions, there is no disagreement that statistical analysis indicates an R4 curve for Steel Mains. Statistical analysis, at best, only indicates how the account has lived in the past. If the future is expected to mirror the past, the results of statistical analysis are likely to hold for the future. Such a situation very seldom exists.

A review of the original life table presented on page 57 of the 2022 Gannett Fleming Study⁶ for the combined plastic and steel mains accounts, indicated a stub curve with more than 70% surviving at age 56.5. In *Depreciation Systems* by Frank Wolf and Chester Fitch, page 49, the conclusion is that stub curves⁷ with more than 70% surviving are not a reasonable fit with accuracy to complete curves. Based on this, the Staff proposed R4 curve has no basis as being a reasonable fit with accuracy. This makes reliance on other information necessary, specifically company expectations.

FCG's program to relocate mains from the customer's back yard to more accessible areas as well as the program to retire orange pipe due to safety concerns increase future retirement expectations. For these reasons, FCG expects the future mortality dispersion (curve shape) to recognize more early retirements. While the historical data may indicate a higher mode curve, taking the above into consideration supports a curve indicating more early retirements than either the existing R2 curve or the Staff proposed R4 (minimal retirements), such as an R2.5 as FCG proposed.

No response is needed regarding net salvage. The difference between the depreciation rate proposed by Staff and FCG is due to rounding and that Staff proposes recovery of the calculated reserve surplus immediately through a reserve transfer whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

10. Account 3762: Mains – Steel

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 65 years, an R1.5 curve shape, and a (50) percent net salvage factor. This account has an average age of 21.5 years.

The Company proposes to retain the current 65-year ASL, but transition to an R2.5 curve shape. Similarly to Account 3761, the Company originally proposed an R4 curve shape for this account but later corrected its proposal to an R2.5 curve shape. Similarly to Account 3761, it is staff's opinion that Company's historical retirement data and related retirement dispersion patterns indicate an R4 curve shape is the most reasonable curve shape for this account, as was proposed in FCG's 2022 depreciation study, and was originally proposed in this study.

The Company also proposes to increase the net salvage factor from (50) percent to (40) percent due to the recent trends showing increasing average net salvage over time, and an expectation for the trend to continue. Due to the realized average net salvage factor for the account over the past 20 years being equal to (146) percent and the most recent 4 years averaging (64) percent, staff believes that retaining the currently approved (50) percent salvage factor is more reasonable, and would allow for the re-evaluation of the account's net salvage activity at the time of the Company's next depreciation study.

⁶ FCG refers to the study sponsored by FCG witness Ned Allis in Docket No. 20220069-GU as the "Gannett Fleming Study".

⁷ A stub curve is a survivor curve for which the data end before the curve reaches 0%.

Based on the discussion above, these parameters result in an ARL of 44 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 2.3 percent for this account.

FCG Response:

The existing life and curve shape for steel mains is a 65-R1.5. The Staff proposes a 65-R4 life table for steel mains as being the most reasonable based on historical retirement data. FCG proposes a 65-R2.5 life table.

In the 2022 Gannett Fleming Study that was not approved by the Commission, a 65-R4 life table was recommended for the combined mains accounts based on a better mathematical fit to the data. As discussed above for plastic mains, given that the original life table in 2022 indicated more than 70% for the combined plastic and steel mains accounts, the stub curve does not provide a reasonable fit with accuracy to complete curves. This makes reliance on other information for life and salvage necessary.

FCG's program to relocate mains from the customer's back yard to more accessible areas as well as the program to retire orange pipe due to safety concerns increase future retirement expectations. While the historical data may indicate a higher mode curve, taking the above into consideration is support for a lower mode curve (more early retirements) than either the existing R1.5 curve or the Staff proposed R4 curve, such as an R2.5 as FCG proposed.

Regarding net salvage, the Staff proposes a net salvage of (50)% as opposed to FCG's proposal of (40)% based on historical net salvage in excess of (100)% for steel mains and that the most recent 4 years has averaged (64)%. Given that the statistics for life projections are not reasonable for estimating the future life expectancy, the same applies to net salvage projections. More reliance on other information is needed.

The major cost component with retiring a main is labor. Net salvage has steadily become less negative in the past 4 years from (97)% to (1)%. With FCG's program to relocate mains to more accessible areas, the labor costs for cutting and capping the main at retirement should be reduced. This translates to a lower negative net salvage expectation. Other Florida gas companies estimate net salvage for steel mains in the range of (30)% to (60)%, averaging (40)%. While the Staff proposal moves net salvage factor in the right direction, FCG believes it does not go far enough.

The difference between the depreciation rate proposed by Staff and FCG is due to rounding and that Staff proposes recovery of the calculated reserve surplus immediately through a reserve transfer whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

11. Account 3780: Measuring and Regulating Equip – General

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 40 years, an R1.5 curve shape, and a (10) percent net salvage factor. The average age of this account is 7.5 years.

The Company proposes to retain the current 40 year ASL, and the (10) percent net salvage factor but transition to an S3 curve shape, which is the same curve shape proposed in FCG's 2022 Depreciation Study. Staff believes these parameters are reasonable, given the nature of the assets in this account

These parameters are then used to produce an ARL of 33 years and a remaining life depreciation rate of 2.8 percent for this account.

FCG Response:

There is no difference between the Staff and FCG with respect to the proposed average service life, average remaining life, or net salvage for this account. FCG notes that, while the S3 curve it proposes is the same as that reflected in the Gannett Fleming Study, FCG did not base its proposals on that study given that it was not approved. FCG proposed the S3 curve as being more in line with the historic and expected retirement pattern of the account than the existing R1.5 curve shape given the miniscule account retirements. The original life table shown on pages 61-62 of the 2022 Gannett Fleming Study indicates 88% surviving at age 60.5. The curve on page 60 indicates more than 95% surviving at age 20. This data illustrates that a high shoulder curve indicating little infant mortality is in order. The existing R1.5 curve indicates more infant mortality than FCG's data. At age 7.5 years, the R1.5 curve indicates nearly 4% retirements as opposed to a historical average retirement rate of the account of less than 1%. The S3 curve at age 7.5 years indicates very few retirements similar to the account data. This is why the S3 curve was proposed.

The difference between FCG and Staff positions is with the remaining life depreciation rate. Staff proposes recovery of the reserve surplus over a period of 33 years whereas FCG proposes recovery over a shorter period of time; *i.e.* 2 years.

12. Account 3790: Measuring and Regulating Equip – City Gates

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 50 years, an R2.5 curve shape, and a (10) percent net salvage factor. The average age of this account is 13.8 years.

The Company proposes to retain the current 50-year ASL, and (10) percent net salvage but transition to an R3 curve shape. Since the assets in this account are similar to those in Account 3780, it is staff's opinion that it is most reasonable for the accounts to have the same depreciation parameters. Staff proposes an ASL of 40 years, (10) percent net salvage, and an S3 curve shape for this account, the same as Account 3780.

These parameters are then used to produce an ARL of 26 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 2.8 percent for this account.

FCG Response:

For the purpose of this current study, FCG agrees to the Staff 40-S3 life table, the same as for Account 378. FCG notes that the S3 curve Staff proposes is the same as that reflected in the Gannett Fleming Study. FCG did not rely on that study given that it was not approved. The difference between the depreciation rate proposed by Staff and FCG is due to rounding and that Staff proposes a partial reserve transfer with the remaining surplus recovered over the average remaining life whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

13. Account 3801: Services-Plastic

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 55 years, an R1.5 curve shape, and a (68) percent net salvage factor. The average age of this account is 10.5 years.

The Company proposes to retain the current 55-year ASL and R1.5 curve shape, but to increase the net salvage factor from (68) percent to (40) percent due to easier accessibility to retired pipe and the expectations of other Florida gas companies. The realized average net salvage factor for the account over the past 20 years was (398) percent and the most recent 4 years averaged (132) percent. The Company's asserts that these realized net salvage factors are based on a small amount of retirements and are not indicative of the future. In addition, the Company states that retired services are more accessible now than in the past and expects the trend of increasing net salvage to continue. While staff does not disagree with the Company's claims, it is staff's opinion that a more gradual increase to net salvage factor is a more reasonable approach, given the most recent 4-year average net salvage factor (132) is still substantially lower than the currently approved net salvage factor (68). FCG's 2022 Depreciation Study recommended a (60) net salvage factor for the account, which staff believes is a more reasonable net salvage factor at this time. Therefore, staff recommends adoption of a (60) percent salvage factor for the account, and re-evaluation of the account's net salvage activity at the time of the Company's next depreciation study.

Based on the above discussion, these parameters result in an ARL of 47 years and remaining life depreciation rate of 2.9 percent for this account.

FCG Response:

There is no disagreement between the Staff and FCG life and curve proposals so no response is needed.

With regards to net salvage, the current approved net salvage factor for plastic services is (68)%. FCG proposes a net salvage of (40)%. Staff proposes a (60)% net salvage. Staff's

proposal appears to rely on the recommendation of (60)% made in the 2022 Gannett Fleming Depreciation Study, which was not approved by the Commission.

Retired services are becoming easier to access to cut and cap and abandon in place, thus reducing the associated labor costs. Staff indicates that it does not disagree with FCG but nonetheless proposes a more gradual increase in negative net salvage. Since FCG is now part of Chesapeake Utilities, Inc., it will operate under the same policies and procedures as FPUC consolidated gas utilities. As such, FCG believes its net salvage costs should be similar to that of FPUC consolidated gas utilities for which a (40)% net salvage is currently approved.

Besides differences in the net salvage value, the difference between the resulting remaining life depreciation rate of Staff and FCG is that Staff proposes recovery of the calculated reserve surplus over the remaining life of 47 years whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

14. Account 3802: Services-Steel

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 52 years, an R0.5 curve shape, and a (125) percent net salvage factor. The average age of this account is 34.5 years.

The Company proposes an increase to the ASL for this account to 60 years, a R1.5 curve shape, and to retain the current (125) percent net salvage factor. FCG's 2022 Depreciation Study recommended a 50-year ASL and R2.5 curve shape. The Company has not provided any analytical support (i.e. life analysis, curve fitting, etc..) for the proposed increase. The Company claims reliance on other Florida gas companies is necessary for its review of this account due to few historical retirements. Staff does not disagree with this claim, however, staff notes that the previously recommended 50-year ASL and the currently approved 52-year ASL are both within the range of the other Florida gas companies (48-60 years). At this time, staff recommends no change to the account's current ASL and curve shape due to lack of support for any revision.

Based on the above discussion, these parameters are then used to produce an ARL of 26 years and a remaining life depreciation rate of 4.3 percent for this account.

FCG Response:

FCG believes clarification is needed. Specifically, Staff recommends that no change be made to the current average service life and curve shape. This would mean retaining an R0.5 curve and a 52-year average service life. These factors used with an average age of 34.5 years result in an average remaining life of 32 years not 26 years as Staff proposed. However, the Staff Report's workpapers indicate the Staff is proposing changing the existing R0.5 curve to an R1.5 curve, which is the same as FCG's proposed curve.

With respect to Staff's comment that FCG has not provided any analytical support (i.e. life analysis, curve fitting, etc.) for its proposed service life and curve shape, FCG reviewed the statistical life analysis presented on pages 63-65 of the 2022 Gannett Fleming Study (a study not approved by the Commission). The original life table indicated more than 70% percent surviving at age 57.5 for the combined steel and plastic services accounts. No analysis was performed on each separate account. In *Depreciation Systems* by Frank Wolf and Chester Fitch, page 49, the conclusion is that stub curves⁸ with more than 70% surviving are not a reasonable fit with accuracy to complete curves. Given this, FCG suggests that other complete curves could be considered a reasonable fit to the stub curve and additional reliance on external information is necessary, including expectations of other Florida gas companies and information gleaned from Company personnel. FCG's program to relocate services from the customer's back yard to more accessible areas as well as the program to retire orange pipe due to safety concerns will increase future retirement expectations. Taking the above into consideration is support for a slight increase in the mode of the curve from R0.5 to R1.5.

Other Florida utilities estimate service lives for steel services in the range of 52 years to 60 years. A 60-R1.5 life table (FCG proposed) provides a reasonable visual fit to the 2022 original life table stub curve and future Company expectations. At age 20, the 2022 original life table indicates about 96% surviving; the 60-R1.5 life table (FCG proposal) indicates 95% percent surviving; a 52-R0.5 life curve (existing approved) indicates about 84% surviving.⁹ Therefore, at age 20, a 60-R1.5 curve appears a good fit. See Attachment C for Iowa Curves Percent Surviving Excerpt.

At age 40, the 2022 original life table indicates 82% surviving compared to 78% surviving using FCG's proposed 60-R1.5 life curve, 65% using the 52-R0.5 life curve, and 69% using the 50-R2.5 life curve. Again, FCG's proposed 60-R1.5 life curve appears a reasonable fit to the original life table. Finally, at age 50, the original life table indicates 75% surviving; a 60-R1.5 (FCG proposed) year life table indicates 67% surviving compared to 54% surviving for a 52-R0.5 life table and 54% surviving for 50-R2.5. At age 50 then, the FCG proposed life curve indicates more retirements than the original life table but less than the R0.5 curve and the R2.5 curve. This is in line with Company future retirement expectations. In sum, FCG's analysis of the data indicates a 60-R1.5 life curve is reasonable and is therefore proposed. The resulting average remaining life using a 34.5 year average age is 33 years. See Attachment C for Iowa Curves Percent Surviving Excerpt.

With regards to net salvage, the Staff and FCG are in agreement so no response is needed.

15. Account 3810 – Meters

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 19 years, an R2 curve shape, and a 3 percent net salvage factor. The average age of this account is 8.7 years.

⁸ A stub curve is a survivor curve for which the data end before the curve reaches 0%.

⁹ The percent surviving for the 60-R1.5, 52-R0.5, and 50-R2.5 obtained from the BCRI Iowa Curves Percent Surviving. See bcricom, BCRI Valuation Services, BCRI Iowa Curves, free download.

The Company proposes to extend the ASL to 20 years and proposes a (5) percent net salvage factor due to recent experienced negative net salvage for these assets. The Company states that it expects the average life of a meter to be between 15 and 20 years, while other gas companies have lives ranging from 20-28 years. Staff believes these parameters are reasonable. These parameters are then used to produce an ARL of 12.7 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 5.3 percent for this account.

FCG Response:

No response is needed. The difference in the remaining life rate between the Staff and FCG is due to rounding and that Staff proposes recovery of the calculated reserve surplus immediately through a reserve transfer whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

16. Account 3812: Meters-ERT

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 19 years, an R2 curve shape, and a 3 percent net salvage factor. The average age of this account is 3.4 years.

The Company proposes to extend the ASL to 20 years, and a 0 percent net salvage. The Company states that a 20 year life is common for this type of asset, which is the same ASL that was proposed in FCG's 2022 depreciation study. Staff believes these parameters are reasonable.

These parameters are then used to produce an ARL of 17 years and a remaining life depreciation rate of 5.5 percent for this account.

FCG Response:

FCG agrees with Staff that these parameters are reasonable but suggests that the 2025 FCG Study provides sufficient reasons and support on a standalone basis for changing the existing average service life and net salvage. In any case, the Staff and FCG agree to the life and salvage values. The differences in the resulting depreciation rate is due to rounding and Staff correcting the reserve imbalance over the remaining life compared to FCG's 2-year correction.

17. Account 3820: Meter Installations

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 44 years, an R1 curve shape, and a (25) percent net salvage factor. The average age of this account is 12.7 years.

The Company proposes to retain the current ASL and curve shape but increase the net salvage factor from (25) percent to zero percent. Based on the net salvage data provided by the Company, staff believes this revision to net salvage is reasonable. These parameters are then used to produce an ARL of 35 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 2.3 percent for this account.

FCG Response:

No response is needed. The difference in positions is with the remaining life depreciation rate and is due to rounding and that Staff proposes recovery of the calculated reserve surplus through a reserve transfer whereas FCG calculated a reserve imbalance for each account and proposed amortization of the total net amount over a period of 2 years.

18. Account 3821: Meter Installations-ERT

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 44 years, an R1 curve shape, and a (25) percent net salvage factor. The average age of this account is 0.8 years.

The Company proposes to retain the current ASL and curve shape but increase the net salvage factor from (25) percent to zero percent, the same as Account 3820. Based on the Company's net salvage data, staff believes this revision to net salvage is reasonable. These parameters are then used to produce an ARL of 43 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 2.3 percent.

FCG Response:

No response is needed. The difference in positions is with the remaining life depreciation rate and rounding. Staff proposes recovery of the reserve surplus through a reserve transfer whereas FCG proposes recovery over a shorter period of time, 2 years.

19. Account 3830: House Regulators

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 42 years, an S1 curve shape, and a 0 percent net salvage factor. The average age of this account is 11.0 years.

The Company proposes no change to the 42 year ASL and 0 percent net salvage, but does propose a change from an S1 curve shape to an S0 curve shape. After analyzing the Company's retirement data for this account, staff believes the parameters proposed by the Company are reasonable. Staff also notes that the proposed curve change has a de minimis impact on the remaining life and corresponding depreciation expense for this account.

Based on the discussion above, these parameters are then used to produce an ARL of 32 years and a remaining life depreciation rate of 2.6 percent for this account.

FCG Response:

FCG believes clarification may be needed on this account. The Staff Report states that Staff agrees with FCG's life and curve proposals in its account-by-account analysis; that is, an S0 curve and 42-year average service life, zero net salvage, and resulting 33-year average remaining life. However, the Staff Report workpapers indicate an R2.5 curve shape as Staff's position. This is not reflected in the Staff analysis and no reason is given for the R2.5 curve reflected in the workpapers, although FCG notes that is the curve shape also recommended by the 2022 Gannett Fleming Study.

The 42-R2.5 life table shown for the Staff proposal in the Report workpapers implies 2.5% retirements at the account's average age of 11 years. FCG's proposed 42-S0 life table implies 6% retirements at age 11 years. The 2004-2024 retirement rate for house regulators averaged 4.31% with 2020-2024 averaging 9.58%. This data indicates a lower mode curve with more infant mortality than Staff's proposed R2.5 is in order. FCG submits that its proposed life-curve is closer to the original life table than the Staff's proposal shown in the Report workpapers. The difference in depreciation rates between the Staff and FCG is due to the Staff proposed recovery of the reserve imbalance over the remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

20. Account 3840: House Regulator Installations**Staff Proposal:**

The ASL, curve shape, and net salvage currently prescribed for this account is 47 years, an R1 curve shape, and a 0 percent net salvage factor. The average age of this account is 19.9 years.

The Company proposes a continuation of all parameters. Staff believes the Company's proposal and these parameters remain reasonable. These parameters are then used to produce an ARL of 33 years and a remaining life depreciation rate (inclusive of the reserve transfer) of 2.4 percent for this account.

FCG Response:

No response is needed. The difference in positions is with the remaining life depreciation rate and rounding. Staff proposes recovery of the reserve imbalance over a period of 33 years whereas FCG proposes recovery over a shorter period of time, 2 years.

21. Account 385: Industrial Measuring and Station Regulating Equipment**Staff Proposal:**

The ASL, curve shape, and net salvage currently prescribed for this account is 37 years, an R3 curve shape, and a (2) percent net salvage factor. The average age of this account is 24.3 years.

The Company proposes an increase in ASL from 37 years to 40 years, with an S3 curve shape and zero percent net salvage. The Company expects that, due to the nature of these assets, they will exhibit similar life characteristics as assets included Account 378. Staff agrees and believes these parameters are reasonable. These parameters are then used to produce an ARL of 16.8 years and a remaining life depreciation rate of 2.3 percent for this account.

FCG Response:

No response is needed. The difference in positions is with the remaining life depreciation rate and rounding. Staff proposes recovery of the reserve imbalance over a period of 16.8 years whereas FCG proposes recovery over a shorter period of time, 2 years.

22. Account 387: Other Equipment

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 24 years, an L2 curve shape, and a 0 percent net salvage factor. The average age of this account is 7.0 years.

The Company proposes an increase in ASL from 24 years to 35 years, with an R3 curve shape instead of an L2 curve shape and no change to net salvage. These proposed changes are the same parameters that were proposed in FCG's 2022 Deprecation Study. Staff believes the new proposed parameters are reasonable. These parameters are then used to produce an ARL of 28 years and a remaining life depreciation rate of 2.7 percent for this account.

FCG Response:

No response is needed. Even though the Staff agrees with FCG's proposed life and salvage factors, the implication is that they are acceptable because they are the same parameters proposed in the 2022 Gannett Fleming Study, a study that was not approved by the Commission. The difference in positions is with the remaining life depreciation rate. Staff proposes recovery of the reserve imbalance over a period of 28 years whereas FCG proposes recovery over a shorter period of time, 2 years. The Staff proposal results in an artificially understated depreciation rate and expenses due to the inherent surplus.

d. General Plant

23. Account 3990: Structures and Improvements

Staff Proposal:

The ASL, curve shape, and net salvage currently approved for this account is 25 years, an L0 curve shape, and a 0 percent net salvage factor. The average age of this account is 7.5 years.

The Company proposes an increase in ASL to 40 years, with an S0.5 curve shape and a continuation of zero percent net salvage. Staff agrees with the Company that a longer ASL may be appropriate, however, due to lack of retirement data, staff believes a gradual increase is the more reasonable approach than a single large increase. Staff believes the parameters proposed in FCG's 2022 Depreciation Study – a 30 year ASL and S0.5 curve shape represent the most reasonable parameters at this time. Staff also believes the Company's proposal to continue with a zero percent net salvage factor is reasonable.

The resulting ARL of 24 years and a remaining life depreciation rate of 3.4 percent is calculated for this account.

FCG Response:

FCG is concerned that Staff indicates its agreement that a longer service life may be appropriate but then proposes the parameters recommended in the 2022 Gannett Fleming Study, a study that was not approved by the Commission. Other Florida gas utilities have service life estimates in the range of 25 years to 40 years, with most estimating 40 years. In some instances, a gradual increase in life may be more reasonable; however, this account is comprised of office buildings and not leasehold improvements. As such, an increase in average service life to 40 years is appropriate.

The depreciation rate positions between the Staff and FCG is due to remaining life differences and rounding. Also, Staff proposes recovery of the reserve imbalance over a period of 24 years whereas FCG proposes recovery over a shorter period of time, 2 years.

24. Account 3921 – Transportation Equipment – Cars

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 9 years, an L2.5 curve shape, and a 11 percent net salvage factor. The average age of this account is 10.6 years.

Due to the current age of the account, the Company proposes to extend the ASL of this account from 9 years to 12 years with an S2 curve shape. An S2 curve shape is the same shape proposed in FCG's 2022 Depreciation Study. The Company also proposes a slight reduction to net salvage factor, from 11 percent to 10 percent due to the older age of the vehicles. Given the average age of this account, staff believes these parameters are reasonable.

These parameters are then used to produce an ARL of 3.6 years and a remaining life depreciation rate of 10.8 percent for this account.

FCG Response:

No response is needed as Staff agrees to FCG's proposals. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the

reserve imbalance over the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

25. Account 3922 – Transportation Equipment – Light-Med Trucks, SUV's & Vans

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 10 years, an L3 curve shape, and a 11 percent net salvage factor. The average age of this account is 4.7 years.

The Company proposes to extend the ASL of this account to 12 years and transition to an S2 curve shape, the same ASL/curve combination as Account 3921. Due to a higher realized average net salvage of 37 percent over the recent period, the Company also proposes an increase to a 20 percent net salvage factor. Staff reviewed the Company's historical retirement and net salvage factor for the account and believes the proposed parameters are reasonable.

Using these adjusted parameters produces an ARL of 7.5 years and a remaining life depreciation rate of 5.2 percent for this account.

FCG Response:

No response is needed. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the reserve imbalance over the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

26. Account 3923 – Transportation Equipment – Heavy Trucks

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 12 years, an L2 curve shape, and a 4 percent net salvage factor. The average age of this account is 8.7 years.

The Company proposes to extend the ASL of this account slightly from 12 years to 13 years, change the curve shape from an L2 to an L3 curve shape, and increase net salvage from 4 percent to 10 percent as was proposed in FCG's 2022 Depreciation Study. Staff believes these parameters are reasonable. Using these adjusted parameters produces an ARL of 5.3 years and a remaining life depreciation rate of 6.3 percent for this account.

FCG Response:

No response is needed. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the reserve imbalance over the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

27. Account 3924 – Transportation Equipment – Trailers

Staff Proposal:

The ASL, curve shape, and net salvage currently prescribed for this account is 12 years, an L2 curve shape, and a 4 percent net salvage factor. The average age of this account is 13.8 years.

Due to the current age of the account, the Company proposes to extend the ASL of this account to 20 years and to retain the L2 curve shape. The Company also proposes a slight reduction to net salvage, from 4 percent to 0 percent net salvage. Due to there being no recent salvage activity for this account, staff believes that retaining the currently-approved 4 percent net salvage factor is most reasonable. The adjusted parameters are then used to produce an ARL of 9.5 years and a remaining life depreciation rate of 1.8 percent for this account.

FCG Response:

The Staff agrees with FCG with respect to its life proposals so no response is needed. With respect to net salvage, FCG believes that when trailers retire, there will be very little if any realized salvage, especially given the current average age. To FCG's knowledge, there is only one gas company in the State estimating any net salvage for this account. Moreover, FCG is now subject to the same transportation guidelines as FPUC's consolidated gas companies and should be expected to experience similar net salvage upon the retirement of its vehicles. In fact, the net salvage proposals for the other transportation accounts are the same as those currently prescribed for the FPUC. FCG continues to propose 0% net salvage. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the reserve imbalance over the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

28. Account 3941 – Natural Gas Vehicle Equipment

Staff Proposal:

The ASL, curve shape, and net salvage factor currently prescribed for this account is 20 years, and an S4 curve shape, with 0 percent net salvage. The average age of this account is 8.5 years.

The Company proposes to retain all the parameters listed above. These parameters were also proposed in FCG's 2022 Deprecation Study. Staff believes these parameters remain reasonable. These parameters are then used to produce an ARL of 11.5 years and a remaining life depreciation rate of 4.1 percent for this account.

FCG Response:

FCG's proposal is that no change is needed to the current parameters except for updating the average remaining life with the current age of the surviving investment. Staff is in agreement so no further response is needed. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the reserve imbalance over

the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

29. Account 3960 – Power Operated Equipment

Staff Proposal:

The ASL, curve shape, and net salvage factor currently prescribed for this account is 15 years, and an SQ curve shape, with a 10 percent net salvage factor. The average age of this account is 6.6 years.

The Company proposes to retain all the parameters listed above, with the exception of the curve shape, proposing an L2 curve instead of an SQ curve. The proposed L2 curve shape is similar to the curve shape proposed in FCG's 2022 Depreciation Study (L2.5). Therefore, staff believes these parameters are reasonable. These parameters are then used to produce an ARL of 9.1 years and a remaining life depreciation rate of 6.5 percent for this account.

FCG Response:

FCG's proposal is that no change is needed to the current parameters except for updating the average remaining life with the current age of the surviving investment. Given Staff's agreement, no further response is necessary. FCG emphasizes, however, that its current study and analysis fully support the proposed parameters; thus, reliance upon the 2022 Gannett Fleming study, which was not approved, is unnecessary. The difference in the depreciation rate positions is due to rounding and that Staff proposes recovery of the reserve imbalance over the account average remaining life whereas FCG proposes recovery over a shorter period of time, 2 years.

e. General Plant Amortizable Accounts

Staff Proposal:

30. *Account 3910 – Office Equipment

This account has an average age of 4.5 years. The Company proposes reducing the currently-approved 15 year amortization period slightly to a 14-year amortization period to align the amortization with CUC's other natural gas business units. Staff believes this adjustment is reasonable. This adjustment results in a remaining amortization period of 9.5 years and a 7.1 percent amortization expense for subsequent vintages.

31. *Account 3912 – Computer Hardware

This account has an average age of 4.7 years. The Company proposes extending the currently-approved 5-year amortization period to a 10-year amortization period to align the amortization with CUC's other natural gas business units. Staff believes this adjustment is reasonable. This adjustment results in a remaining amortization period of 5.3 years and a 10 percent amortization expense for subsequent vintages.

32. *Account 3913 – Office Furniture

This account has an average age of 6.9 years. The Company proposes extending the currently-approved 15-year amortization period to a 20-year amortization period to align the amortization with CUC's other natural gas business units. Staff believes this adjustment is reasonable. This adjustment results in a remaining amortization period of 13.1 years and a 5 percent amortization expense for subsequent vintages.

33. *Account 3912 – Computer Software

This account has an average age of 0 years with \$0 currently invested. The Company proposes reducing the currently-approved 12-year amortization period to a 10-year amortization period to align the amortization with CUC's other natural gas business units. Staff believes this adjustment is reasonable. This adjustment results in a remaining amortization period of 10 years and a 10 percent amortization expense for subsequent vintages.

34. *Account 3930 – Stores Equipment

This account has an average age of 1.5 years. The Company proposes extending the currently-approved 25-year amortization period to a 26-year amortization period to align the amortization with CUC's other natural gas business units. Staff believe this adjustment is reasonable. This proposal results in a remaining amortization period of 25 years and a 3.8 percent amortization expense for subsequent vintages.

35. *Account 3940 – Tools, Shop, and Garage Equipment

This account has an average age of 8.2 years. The Company proposes retaining the currently-approved 15-year amortization period. Absent any compelling argument to the contrary, staff believe this amortization period remains reasonable. The resulting remaining amortization period is 6.8 years with a 6.7 percent amortization expense for subsequent vintages.

36. *Account 3950 – Laboratory Equipment

This account has an average age of 0 years. The Company proposes retaining the currently-approved 20-year amortization period. Staff believes this amortization period remains reasonable. The remaining amortization period is then 20 years with a 5 percent amortization expense for subsequent vintages.

37. *Account 3970 – Communication Equipment

This account has an average age of 4.0 years. The Company proposes slightly extending the currently-approved 12-year amortization period to a 13-year amortization period to align the amortization with CUC's other natural gas business units. Staff believe this adjustment is reasonable. This results in a remaining amortization period of 9.0 years and 7.7 percent amortization expense for subsequent vintages.

38. *Account 3980 – Miscellaneous Equipment

This account has an average age of 5.7 years. The Company proposes reducing the currently-approved 20-year amortization period to a 17-year amortization period to align the amortization with CUC's other natural gas business units. Staff believe this adjustment is reasonable. These adjustments result in a remaining amortization period of 11.3 years and a 5.9 percent amortization expense for subsequent vintages.

FCG Response:

There is no difference between the Staff and Company positions regarding the general plant amortizable accounts. No FCG comment is therefore needed.

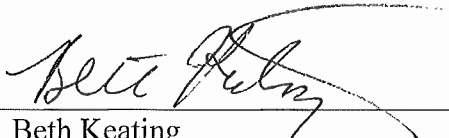
*Small differences may exist due to rounding
**Commission Rounding Convention

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of Florida City Gas's Response to the Staff Report has been furnished by Electronic Mail to the following parties of record this 2nd day of September, 2025:

| | |
|--|---|
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