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October 3, 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 the Testimony of Patricia S. Lee, along with her Exhibits PSL-1, Composite PSL-2 (Narrative), PSL-3, and PSL-4, submitted on behalf of Florida City Gas. Her Composite Exhibit PSL-2 (Workbook) is only available in Excel format, which is being delivered to the parties and Commission staff via email this afternoon and will be delivered on a jump drive to the Clerk on Monday.

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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ENCL

CC:// (certificate of service)

BEFORE THE

FLORIDA PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE PETITION FOR)	
APPROVAL OF 2025 DEPRECIATION STUDY)	Docket No. 20250035-GU
AND FOR ARROVAL TO AMORTIZE RESERVE)	
IMBALANCE, BY FLORIDA CITY GAS)	

DIRECT TESTIMONY
OF PATRICIA LEE

ON BEHALF OF

FLORIDA CITY GAS

October 3, 2025

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I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Patricia Lee. My address is 116 SE Villas Court, Unit C, Tallahassee, Florida 32303.

Q. On whose behalf are you submitting this testimony?

A. I am submitting this testimony on behalf of Florida City Gas ("FCG" or "Company"), which is a natural gas division of Chesapeake Utilities Corporation ("CUC").

II. STATEMENT OF QUALIFICATIONS AND PURPOSE

Q. Please state your prior work experience and responsibilities.

A. I was employed as a high school mathematics teacher from 1971-1974 when I began working in statistical analysis for the State of Florida. I joined the Florida Public Service Commission ("FPSC") staff in 1978. While my position changed over the years, my primary focus areas were depreciation and capital recovery. I also reviewed and analyzed cost studies to determine unbundled network element prices and universal service cost levels, as well as to determine the appropriate annual accrual levels for nuclear decommissioning and fossil dismantlement. In that regard, I was responsible for depreciation issues and other issues, such as determining the appropriate cost model inputs. I retired in 2011 after over 30 years of service. I began working for BCRI Inc., d/b/a BCRI Valuation Services[1] in 2012, where I represented consumer advocate groups and Industrial Power Users in hydro and electric and jet fuel company depreciation filings. I prepared CUC-Florida Public Utilities Company's 2015, 2019 and 2023 consolidated electric Depreciation Studies, and the 2019 and

[1] BCRI is a consulting and research company founded in 1998 by Stephen Barreca. The company specializes in assessing technological change and appraising utility property.

2022 consolidated natural gas Depreciation Studies. I also prepared separate and consolidated Depreciation Studies for CUC-Maryland's three natural gas entities and for CUC-Delaware's natural gas entity in 2023 and 2024, respectively.

Q. What is your educational background?

A. I have a Bachelor of Science in mathematics from Appalachian State University in Boone, North Carolina.

Q. Please describe your other professional activities.

A. I am a member of the Society of Depreciation Professionals ("SDP"), an organization that has established national standards for depreciation professionals. I previously served as President of the SDP and was an instructor at several annual meetings concerning depreciation accounting. On behalf of the FPSC, I participated as a faculty member of the National Association of Regulatory Utility Commissioners ("NARUC") Annual Regulatory Studies Program and also for the SDP in the area of depreciation accounting. I was also a member of the NARUC Staff Subcommittee on Depreciation and Technology. In this regard, I co-authored the NARUC 1996 Public Utility Depreciation Practices manual and three NARUC papers that addressed the impact of depreciation on infrastructure development, economic depreciation and stranded investment. Two of these papers were published in the 1996-1997 and 1998 SDP Journals.

Q. Have you previously testified before any state and/or international regulatory commissions?

A. Yes. I have proffered testimony on depreciation in proceedings before the Alberta Utilities Commission, the Public Utilities Board of Manitoba, the Newfoundland

Labrador Board of Commissioners, the Maryland Public Service Commission ("MPSC"), and the FPSC. My Curriculum Vitae and a list of proceedings I was either assigned or in which I presented testimony are found in Exhibit PSL-1.

Q. Have you been accepted as an expert in Depreciation in any previous proceedings?

A. Yes, on multiple occasions.

Q. When did FCG file its last depreciation study?

A. FCG filed its last depreciation study in Docket No. 20220069-GU. In addition to that depreciation study, FCG proposed an alternate mechanism that applied different depreciation parameters and resulting depreciation rates than those reflected in the filed depreciation study. These different depreciation parameters resulted in a significant reserve surplus. The Commission approved the alternate depreciation parameters and resulting depreciation rates rather than those reflected in the depreciation study. The Commission also approved FCG's proposal for correcting a portion of the calculated reserve surplus. The revised depreciation rates and amortizations were approved effective January 1, 2023 by Order No. PSC-2023-0177-FOF-GU.

Q. Explain why FCG is filing the current depreciation study.

A. Rule 25-7.045, Florida Administrative Code, requires regulated gas companies to file a comprehensive depreciation study at least once every five years from the date of the last study. The last depreciation review was conducted when FCG was owned by FPL. Since that time, FCG was purchased by CUC in 2023, marking a major change. FCG is now operating in a different corporate environment, using the same operational and

accounting procedures as other Chesapeake business units, and certain capital projects previously planned are no longer being pursued. For these reasons as well as changes in net plant (investment less reserve), there is a need to revise currently prescribed depreciation rates.

Q. What was your responsibility and participation in the 2025 Depreciation Study for FCG ("2025 Study" or "Study")?

A. I was responsible for and participated in all aspects of the work performed, resulting in the recommendations contained in the Depreciation Study narrative and workbook in Exhibit PSL-2. As a result of errors revealed in the earlier portion of this proceeding, the Study and workbook set forth in Exhibit PSL-2 reflect corrections not included in the Company's initial filing on February 24, 2025.

Q. What corrections have been made and what necessitated those corrections?

A. The following corrections/adjustments have been made to Exhibit PSL-2:

1. Schedule K has been corrected to reflect reserve adjustments of $(183,942). This, in turn, caused Schedules A-E-3, G2024, and K to be revised to reflect correct balances.
2. The curve shape for Account 3761, Plastic Mains, is corrected to R2.5. This curve shape recognizes expectations of increased future retirements of early vintages of plastic pipe and the replacement of mains running through less accessible parts of customer property with mains located in more accessible areas.
3. The curve shape and average remaining life for Account 3762, Steel Mains, revised to R2.5 and 46 years. The R2.5 curve shape recognizes expectations of

increased future retirements of early vintages of plastic pipe and the replacement of mains running through less accessible parts of customer property with mains located in more accessible areas. The corrected average remaining life is the result of using the existing average age, corrected curve shape, and proposed average service life.

4. The average remaining life for Account 3922, Transportation – Light, Medium Trucks, SUVs, and Vans has been re-calculated to correct a mathematical mistake.

Q. What is the purpose of your direct testimony?

A. The purpose of my direct testimony is to sponsor and support the depreciation study and reserve surplus amortization for FCG's natural gas assets. The Depreciation Study attached as Exhibit PSL-2 produces the depreciation rates and amortizations used to determine the depreciation expense for FCG assets included in this filing.

Q. Are you sponsoring any exhibits?

A. Yes. Attached to my testimony are Exhibits PSL-1, PSL-2, PSL-3, and PSL-4. Exhibit PSL-1 is my Curriculum Vitae; Exhibit PSL-2 is the Depreciation Study and Workbook; Exhibit PSL-3 is a Life Table example; and Exhibit PSL-4 is the Florida peer gas companies' averages. To the best of my knowledge, the information contained in these exhibits is true and correct.

Q. Please summarize your testimony.

A. My testimony will explain how the 2025 Depreciation Study was prepared and will set forth the depreciation rates that result from the Study, if accepted by the

Commission. The Study includes all requirements outlined in Rule 25-7.045, F.A.C. I also provide additional detail on each section of the Study in my testimony.

The overall result of the 2025 Depreciation Study is a net decrease in FCG's depreciation rates compared to the currently prescribed rates, which decreases annual depreciation and amortization expenses by about $12.2 million based on January 1, 2025 investments. As detailed later in my testimony, this decrease is primarily due to amortization of the calculated net reserve surplus of $22.4 million over a 2-year period rather than the average remaining life of the related assets. The service lives recommended also reduce depreciation expenses generally. Once the amortization is completed, the depreciation rates will result in approximately $1 million annual decrease in expense compared to current depreciation expenses.

My testimony also addresses other options for the treatment of the reserve surplus and life and salvage parameters for some accounts, and why FCG's proposal is the most appropriate.

III. TESTIMONY STRUCTURE AND DEPRECIATION DEFINITION

Q. How is your testimony structured?

A. My testimony has eight sections. Sections I, II and III are introductory.

Section IV explains how the Depreciation Study conforms to the depreciation study requirements of Rule 25-7.045, Florida Administrative Code, and provides context for the 2025 Florida City Gas Depreciation Study. This section is broken into the following subparts: (A) Amortization Accounting, (B) Study Approach, (C) Survivor Curve and (D) Depreciation Study Conclusions.

Section V addresses the determination of depreciation rates, including identifying the formula used in the remaining life rate design. This section also explains and fully discusses each component of the depreciation rate supported by the Study.

Section VI is broken into the following subparts, which align with the components of the depreciation rate formula: (A) Depreciation Rate Formula, (B) Reserve, (C) Net Salvage and (D) Remaining Life Analysis.

Section VII discusses the change in annual depreciation expenses based on my proposed resultant depreciation rates and amortizations.

Section VIII concludes my direct testimony.

Q. Please define depreciation.

A. The Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts ("USOA") and the National Association of Regulatory Utility Commissioners ("NARUC") define depreciation as follows:

> *Depreciation,* as applied to depreciable gas plant, means the loss in service value not restored by current maintenance, incurred in connection with the consumption or prospective retirements of gas plant in the course of service from causes which are known to be in current operation and against which the utility is not protected by insurance. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in the art, changes in demand and requirements of public authorities

and, in the case of natural gas companies, the exhaustion of natural resources.[2]

The American Institute of Certified Public Accountants ("AICPA") in Accounting Research Terminology Bulletin #1 defines depreciation accounting as follows:

> Depreciation accounting is a system of accounting which aims to distribute cost or other basic value of tangible capital assets, less salvage (if any), over the estimated useful life of the unit (which may be a group of assets) in a systematic and rational manner. It is a process of allocation, not valuation. Depreciation for the year is the portion of the total charge under such a system that is allocated to the year. Although the allocation may properly take into account occurrences during the year, it is not intended to be a measurement of the effect of all such occurrences.[3]

As noted above, the definition of depreciation emphasizes the allocation of cost concept rather than valuation. In other words, depreciation expense allocates the cost of the asset, including any estimated net salvage necessary to remove the asset, as an ongoing cost of operations over the life of the asset. However, the amount allocated to any one accounting period does not necessarily represent an actual loss or decrease in value that will occur during that particular period. The Company accrues depreciation on the basis of the original cost of all depreciable property included in each functional

[2] 18 C.F.R. 201 (FERC Uniform System of Accounts), Definition 12B. Public Utility Depreciation Practices, August 1996, compiled and edited by Staff Subcommittee on Depreciation of The Finance and Technology Committee of the National Association of Regulatory Utility Commissioners (NARUC Depreciation Practices), p. 318.

[3] Accounting Research and Terminology Bulletin #1, AICPA, p. 25.

property group. On retirement, the full cost of depreciable property, less net salvage value, is charged to the depreciation reserve.

Q. What is the basic purpose of depreciation?

A. The purpose of depreciation is to systematically spread the recovery of prudently invested capital over the period the plant items represented by that capital are providing service to the public. Depreciation is an expense of doing business. Ideally, the timing of the expenses matches the timing of the active period of service. Depreciation rates are prescribed on the basis of estimates of the equipment's expected rate of loss in value due to known causes, including wear and tear, obsolescence and changes in demand. Depreciation expense is part of a company's revenue requirement, and the accumulated depreciation (depreciation reserve) is a deduction from rate base.

Q. Please define service life.

A. The term service life or life broadly refers to the period of time an asset provides service.[4] FERC defines service life similarly as follows:

> *Service life* means the time between the date gas plant is includible in gas plant in service, or gas plant leased to others, and the date of its retirement.[5]

Q. What is service value?

A. Service value, as defined by FERC, is "the original cost of an asset less its estimated net salvage."[6] NARUC defines the term similarly.[7]

Q. Please define net salvage.

[4] NARUC Depreciation Practices, page 321.
[5] FERC Uniform System of Accounts, Definition 36.
[6] FERC Uniform System of Accounts, Definition 37.
[7] NARUC Depreciation Practices, page 324.

A. FERC states "*Net salvage value*" means the salvage value of property retired less the cost of removal."[8] Net salvage is either positive in which the salvage value exceeds the removal costs or negative in which the removal costs exceed the salvage value proceeds.

Q. Please generally describe the purpose of the Study.

A. The basic purpose of the Depreciation Study is to attain the proper depreciation expenses and reserve level for the FCG gas intangible, storage, distribution and general plant accounts. The prime concerns in developing depreciation rates for each account are life, salvage, and reserve level. The key functions of the Study are to (1) determine the average service lives for Intangible, Storage, Distribution and General Plant accounts; (2) determine the appropriate net salvage for Intangible, Storage, Distribution and General Plant accounts; review the reserve position for each account and address the correction of any imbalance thereof; and, (4) develop depreciation rates, including the annual depreciation expenses.

IV. DEPRECIATION STUDY

Q. As part of the Study, did you review prior Commission orders on FCG's depreciation rates?

A. Yes. I reviewed the 2022 Depreciation Study sponsored by Ned Allis for FCG in Docket No. 20220069-GU, which I will refer to as the "Gannett Fleming Depreciation Study", and the depreciation rates, alternate parameters, and corrective reserve measures ultimately approved by the Commission in Order No. PSC-2023-0177-FOF-GU.

[8] FERC Uniform System of Accounts, Definition 23.

Q. Please summarize the results of the 2025 Study.

A. The results of the Depreciation Study are shown on Exhibit PSL-2, Schedules A-E. The Study results in an annual decrease in depreciation expense of about $12.2 million for the next 2 years, followed by an approximate $1 million decrease for the latter years. Table 1 below summarizes the decrease in annual depreciation expenses by function.

Table 1: Summary of Depreciation Study Results

Function	Adjusted 1/1/25 Investment	Adjusted 1/1/25 Reserve	Proposed ASL	Proposed Rates	Proposed Annual Accruals	Current Annual Accruals **	Change in Expense
Intangible Plant	$9,071,097	$1,582,461	18.6	5.4	$488,997	$523,730	($34,733)
Storage Plant	$60,013,891	$1,200,277	50.0	2.0	$1,200,278	$1,200,277	$1
Distribution Plant	$597,640,812	$164,302,791	57.5	2.3	$13,590,464	$14,296,870	($706,406)
General Plant	$29,975,107	$8,436,046	18.7	4.8	$1,448,313	$1,758,283	($309,970)
Total Depreciable Plant	**$696,700,907**	**$175,521,575**	**50.9**	**2.4**	**$16,728,052**	**$17,779,160**	**($1,051,108)**
				Reserve Surplus Amortization	($11,195,532)	$0	($11,195,532)
				Total Accruals with Reserve Surplus Amortization	**$5,532,519**	**$17,779,160**	**($12,246,641)**

The proposed depreciation rates reflect the lives, net salvage values, and theoretical reserves for each account to recover the net investments over each account's average remaining life. The life parameters are based on the average service life procedure and remaining life technique. For net salvage, a review of historical and the most recent 4-year average was performed.

Q. Has a comparison of the impact of proposed depreciation rates and amortizations to current depreciation rates been prepared?

A. Yes. Exhibit PSL-2, Schedules C and D, compares the proposed depreciation rates and amortizations to those currently approved. The proposed depreciation rates and amortizations result in a decrease in annual depreciation expenses of about $12.2 million or about 69 percent over the next two years. Afterwards, it is an approximate $1 million or about 6 percent decrease.

Q. What does the FPSC Rule 25-7.045, Florida Administrative Code, require a depreciation study include?

A. The Commission's depreciation rule requires the following information be included in a depreciation study:

- An effective date for new depreciation rates and/or recovery schedules. If the proposed effective date coincides with the expected data for new revenues initiated through a rate proceeding, the depreciation study must be submitted no later than the filing of the Minimum Filing Requirements.
- A comparison of the current and proposed depreciation components for each account. the components include average service life, average age, curve shape, net salvage, and average remaining life.
- A comparison of current and proposed depreciation rates and expenses identifying the proposed date for implementing the proposed rates. Additionally, plant balances, reserve balances, remaining lives, and net salvage percentages are required in this comparison.
- Each recovery and amortization schedule.
- A comparison of the book reserve to the calculated theoretical reserve based on proposed rates and components for each account.
- A general narrative describing the service environment of the company and the factors necessitating a revision in depreciation rates.
- An explanation and justification for each account under study defining the specific factors that justify the proposed life and salvage components and rates. A discussion of any proposed reserve transfers to correct reserve imbalances.

Any statistical or mathematical methods of analysis or calculation used in the depreciation rate design should be included.

- All calculations, analysis, and numerical basic data used in the depreciation rate design for each account. this should include plant activity and reserve activity for each account since the last submitted study. Where available, retirement data should be aged.
- The mortality and salvage data used in developing proposed depreciation rates for each account must agree with the booked activity. Unusual transactions not included in life or salvage studies should be specifically enumerated and explained.
- Calculations of the proposed depreciation rates should be made using both the whole life and remaining life techniques.

Q. Does the 2025 Depreciation Study contain the information and data required by the Commission's depreciation rule?

A. Yes, it does. The narrative and workbook in Exhibit PSL-2 contain all the information and data required.

Q. Did the Company provide any specific information for conducting the Study?

A. Yes, the Company provided the following information:

- Aged retirements for each year since the last depreciation study (2021-2024);
- Plant and reserve summaries for each year since the last depreciation study (2021-2024);
- Net salvage for 2004-2024;
- 2025 motor vehicle listing from its fixed asset system;

- 2025 office equipment listing from its fixed asset system;
- 2025 average age calculations;
- Prior period plant and reserve adjustments.
- Historical plant data, average retirement rates, and net salvage; and
- 2022 depreciation study reserve surplus calculation and account allocation.

Q. What date of implementation is recommended for the revised depreciation rates?

A. A January 1, 2025, implementation data is recommended for the revised depreciation rates and amortization schedules set forth in the Study. All data have been provided reflecting this date as required by Rule 25-7.045, Florida Administrative Code.

Q. Does the Study reflect any corrections to the information provided by the Company?

A. Yes. During the course of the Study, it was determined that some immaterial prior period adjustments needed to be made to the data furnished by the Company. These adjustments are summarized by account on Schedules H – K, flow through the Study as adjustments to Schedule G 2024, and are reflected in the investments and reserves shown on Schedules A – E of Exhibit PSL-2. These adjustments will be reviewed and recorded by the Company.

Q. Does the Study provide a general narrative describing the service environment and factors necessitating the need to revise current approved depreciation rates?

A. Yes. Exhibit PSL-2 contains a general narrative discussing the need to revise depreciation rates.

Q. Does the Study provide an explanation and justification for all proposed changes in life and salvage factors and any proposed reserve amortizations?

A. Yes. Exhibit PSL-2, pages 8-25, contains account-by-account explanations and justification for the proposed life and salvage allowances and pages 4-6 provide an explanation and justification for recommended reserve corrections.

Q. How was the average age of the surviving investment for each account determined?

A. The calculation of the average age of the surviving investments as of January 1, 2025, is shown in the workbook on Exhibit PSL-2, Schedules H, I and J. Schedule J shows the computation of the average age as of January 1, 2025, for each account except office equipment and furniture and motor vehicles. The source for the vintage and cost basis of each vintage is the CUC-FCG Continuing Property Record System. Schedule H identifies the office furniture and equipment assets for each of the subaccounts. Schedule I identifies each motor vehicle in service as of January 1, 2025, the placement year, the original cost, and the age of the vehicle to which the average age is calculated. For consistency across all CUC business units and administrative ease, office furniture and equipment assets and transportation equipment are proposed to be segregated consistent with all CUC gas companies (CUC-Maryland, CUC-Delaware, and CUC-Florida consolidated natural gas divisions).

The age is determined by subtracting the placement or install year from the Study date minus a half year. The Study date for these schedules is January 1, 2025. The reduction by a half year is called the half-year convention and assumes that the additions were made throughout the year so that, on average, they came into service about mid-year.[9] For example, the age of investments surviving from 2014 would have an age of 10.5

[9] The half-year convention is a common accounting convention adopted to obtain consistent statistics. Frank K. Wolf and W. Chester Fitch, *Depreciation Systems*, Iowa State University Press, 1992, p. 22.

years as of January 1, 2025. The average age for each account is the direct weighting of the vintage age with the original vintage cost.

Q. What property is included in the Depreciation Study?

A. Four functional groups of depreciable property are analyzed in the Study: 1) Intangible, 2) Storage, 3) Distribution Plant, and 4) General Plant. Intangible plant contains CUC-FCG's customized software. Storage plant consists of a liquified natural gas facility placed in service in 2023. Distribution plant primarily consists of lines and facilities used to distribute gas to CUC-FCG's customers. General plant is plant (such as office buildings) used to support the overall utility operations.

A. AMORTIZATION ACCOUNTING

Q. Please describe vintage group amortization accounting.

A. Vintage group amortization is proposed for accounts with a large number of small value assets. Asset records will be maintained at a vintage level. Periodic inventories will no longer be needed to properly reflect plant in service. Retirements will be recorded when a vintage is fully amortized rather than when the associated assets are removed from service. Each plant account or group of assets will be assigned a fixed period that represents an anticipated life during which the assets will provide benefit. For example, assets having a 20-year amortization period will be fully recovered after 20 years of service and retired from the Company's books at that time, but not necessarily physically removed from service. Assets taken out of service before the end of 20 years remain on the books until the amortization period for that vintage has expired.

Q. Is vintage group amortization accounting proposed for certain plant accounts?

A. Yes. Under the Stipulation and Settlement Agreement approved in FCG's 2017 rate case by Order No. PSC-2018-0190-FOF-GU, vintage group accounting was adopted for certain General Plant accounts, specifically, Accounts 391X, 3930-3950 and 3970-3980. These accounts represent less than 1% of FCG's total plant investment.

Q. How were the proposed amortization periods determined for General Plant accounts?

A. Based on discussions with Company personnel, CUC seeks to adopt uniform amortization periods for General Plant accounts across all CUC natural gas business units. This will allow CUC to streamline business processes and reduce administrative burdens across all business units. These amortization periods are based on judgement and were approved in the most recent depreciation studies for CUC-Florida Public Utilities Company's consolidated natural gas divisions,[10] CUC-Delaware natural gas division[11], and CUC-Maryland's consolidated natural gas divisions[12].

Q. Has vintage group amortization been adopted by other utilities?

A. Yes. Vintage group amortization has been adopted for all of CUC's other natural gas and electric entities, as well as other electric and gas utilities.

Q. Are there any additional proposals for these amortization accounts?

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[10] Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company – Indiantown Division.*

[11] Order No. 10753, issued June 18, 2025, in Docket No. 24-0906, *In the Matter of The Application of Chesapeake Utilities Corporation for A General Increase in Its Natural Gas Rates and For Approval of Certain Other Changes to Its Natural Gas Tariff Filed August 12, 2024.*

[12] Order No. 91242, issued July 24, 2024, in Case No. 9721, *Chesapeake Utilities Corporation, Sandpiper Energy, Inc. and Elkton Gas Company's Joint Petition for Approval of Changes in their Depreciation Rates.*

A. Yes. I propose that the January 1, 2025 net unrecovered costs (investment less reserve) for each of these accounts be amortized over the remaining amortization period determined by the age minus the amortization period. In other words, if the amortization period is 20 years for a given account and the average age of those related assets is five years, then the remaining amortization period for the net unrecovered costs is 15 years. A depreciation/amortization rate is calculated by investment less reserve divided by the remaining amortization period. At the end of the remaining amortization period of 15 years, the related net investment will be fully recovered and should be retired from the Company's books. For vintages 2025 going forward, an amortization/depreciation rate of 5.00 percent should be applied to additions placed in service.

B. STUDY APPROACH

Q. Please describe your Depreciation Study approach.

A. The components required in the remaining life rate design are average service life, age, curve shape, average remaining life, net salvage, and reserve. The aged retirement data and the average age distributions of the surviving investments along with the lives of other Florida gas companies were used to determine if a revision to the average service life underlying the currently approved average remaining life for each account is needed.

First, data was assembled from the last depreciation review. Next, I reviewed the statistical analyses and data contained in the 2022 Gannett Fleming Depreciation Study. After that review, I conferred with field personnel, engineers, and managers

responsible for the installation, operation, and removal of the assets under study to gain additional input into the operation, maintenance, and salvage of the assets. FCG's plant and reserve data for the January 2021- November 2023 period was obtained from FPL and the data for the period following the acquisition were reviewed for accuracy with all discrepancies examined and adjusted as needed. That information, along with recent data and the range of currently prescribed lives and net salvage values, was then evaluated to determine the expected future average service life and net salvage. Finally, the theoretical reserve for each account was calculated and reviewed for the need for corrective action.

For many FCG accounts, the historical average retirement rate[13] as well as the recent 2001-2024 average retirement rate for each account has averaged less than one percent. This level of activity makes the results of any statistical analysis meaningless for developing life expectations. For this reason, reliance on industry averages is necessary. I have used the range of average service lives underlying the currently prescribed average remaining lives for other Florida gas utilities in determining an appropriate average service life for the Company.[14] Florida gas companies have more similar operating and regulatory environments among them than they do with gas utilities in other states.

Q. Did you perform statistical analysis for your proposed life or salvage factors?

A. No, I didn't.

[13] Retirement rate = retirements/exposures = [retirements during the year/(end of year plant balance + retirements)] x 100.
[14] See Exhibit PSL-4.

Q. Please explain.

A. I reviewed the statistical analysis presented in the 2022 Gannett Fleming Depreciation Study and decided there was no need for additional statistical analysis. Statistical analysis, at best, only indicates how the account under study has lived in the past. Company personnel are a better source for what the future may look like. Only if the past is a mirror of the future is statistical analysis of value. If the past is considered to mirror the future, repetitive statistical analysis serves no real purpose.

C. SURVIVOR CURVE

Q. What is a survivor curve?

A. A survivor or mortality curve is a graphical picture of the amount of property surviving at each age through the life of the property group. The graph plots the percent surviving on the y-axis and the age on the x-axis. The survivor curve depicts the expected retirement pattern of plant in an account over time. Iowa Curves are types of survivor curves developed to describe the life characteristics of utility property. They are the descriptive and accepted representation of retirements of utility property and consist of 34 retirement distributions. Survivor curves were not generated by statistical analysis for any account in the Study. Rather, the Iowa Curve underlying the currently prescribed average remaining life for each account was reviewed to determine if it is still appropriate based on the average age and average retirement rate.

In this Study, the "Proposed" curve shapes shown in the workbook on Exhibit PSL-2, Schedule B, are based on existing curve shapes underlying the currently prescribed average remaining life for each account, a review of the curve shapes proposed in the 2022 Gannett Fleming Depreciation Study, actual retirement experience over the

2020-2024 period as well as historical retirements, and the current average age. If the proportion surviving at the current age implies more or less retirements than those implied under the current curve shape, a change may be proposed for a curve considered indicative of future expectations. For most of the accounts, FCG has no planned near-term retirements that could affect the curve shape. Additionally, many accounts have experienced miniscule retirements indicating a curve shape with very little infant mortality. However, a Company's input for future retirement expectations is valuable and can result in a change in curve shape.

Q. How did you determine the proposed average service lives?

A. First, I compiled the annual data for the 2021-2024 period, as well as the General Ledger, Fixed Asset System, and near-term planning. I then reviewed and compared this data for accuracy and followed-up on all discrepancies with Company personnel having knowledge of the property being studied and/or Company practices. I also reviewed the data FCG acquired from FPL.

I reviewed each account's average retirement rate over the period and curve shape underlying the currently prescribed average remaining life. This data, along with the January 1, 2025, calculated average age of the account's surviving investments, indicated whether a need for some modification to the curve shape underlying the currently approved average remaining life is needed. Retirement activity averaging less than one percent provides insufficient data to perform any meaningful statistical analyses for life characteristics; therefore, it was necessary to rely on life characteristics for similar plant of other Florida gas utilities to make a complete analysis. The assumption is that the same type of plant, located in the same

environment is likely to follow similar life patterns unless otherwise warranted by specific company planning. Average retirement rates were calculated for each account and compared to those implied retirements at the January 1, 2025 average age of the underlying current curve shapes to determine if any modifications are warranted.

Q. How is a survivor curve used in this Study?

A. The average service life, Iowa Curve, and average age are used to develop the average remaining life of the account.

V. DETERMINATION OF THE DEPRECIATION RATES

Q. What is the purpose of this section of your testimony?

A. This section explains how depreciation rates are determined, including the formula for depreciation rates. This portion of testimony also explains and discusses each portion of the depreciation rate formula and the theoretical reserve calculation supported by the Study.

A. DEPRECIATION RATE FORMULA

Q. How are the depreciation rates determined?

A. The depreciation rates are calculated using the remaining life technique.

$$\text{Remaining Life Rate} = \frac{100\% - \text{Reserve\%} - \text{Average Future Net Salvage\%}}{\text{Average Remaining Life (in Years)}}$$

The numerator of the formula represents the amount remaining to be recovered for each account (plant investment[15] less reserve less any net salvage) and the denominator represents the current estimate of the number of years left in which to recover (average remaining life) the investment. The use of the remaining life technique incorporates a

[15] Plant investment represents 100% in the remaining life depreciation rate formula.

self-correcting mechanism that will adjust for any over- or under-recoveries that have occurred. The remaining life technique ensures that the full-service value of the associated assets is recovered through depreciation expense.

Q. What portion of the formula used to derive depreciation rates is supported by the Study?

A. The Study determines several pieces of the depreciation rate formula. The portions of the formula derived by the Study are:

Reserve: The depreciation book reserve was provided by FCG with actual plant and reserve balances on January 1, 2025. It represents historical depreciation expenses, less retirements and cost of removal, plus historical gross salvage. The book balances were restated to include Study adjustments. The reserve percent is derived by dividing the adjusted reserve balance by the adjusted plant balance for each account.

Net Salvage: The Study supports the overall net salvage percentages for each Storage, Distribution, and non-amortizable General Plant account. Net salvage is the realized gross salvage less the costs to remove the retired asset. For these plant accounts, salvage and cost of removal percentages are calculated by dividing the net salvage, gross salvage less cost of removal, by the original installed cost of the retired assets.

Remaining Life: The Study supports the remaining life calculation by determining the appropriate average service life, curve shape, and average age for each account.

Resulting Depreciation Rates and Expenses: The Study calculates the depreciation rates; the annual expenses are calculated by multiplying the depreciation rate times the plant balances as of January 1, 2025.

B. THEORETICAL RESERVE

Q. What purpose does the theoretical reserve serve in a depreciation study?

A. The theoretical reserve represents the portion of the account's investment that should have been theoretically accrued if the life and net salvage assumptions now considered appropriate had always been in effect. The Theoretical reserve serves as a point of comparison to the book reserve[16] to determine if the unrecovered investment (gross investment less net salvage) is over or under-accrued. Since the reserve is 100% (assuming zero net salvage) at the time of retirement of the plant under study, the theoretical reserve is 100% less the future accruals and less the expected net salvage. The future accruals are represented by the Whole Life depreciation rate multiplied by the years remaining for recovery (remaining life).

Q. How does the Study determine the theoretical reserve?

A. The theoretical reserve for each account is a calculation based on the plant balances as of January 1, 2025. For each account, the plant balance is multiplied by the theoretical reserve percentage. The calculation for the theoretical reserve percentage is:

100%-Remaining Life * Whole Life Rate[17] – Net Salvage%

A theoretically correct reserve is developed based on the average service life as well as the remaining life period for recovery, and salvage projections. When the book reserve and the calculated theoretically correct reserve are the same, the Remaining Life depreciation rate equals the Whole Life rate.

Q. What if the book reserve and the calculated theoretical reserve are not the same?

[16] The book reserve is the amount of plant investment actually recovered to date.
[17] The whole life rate equals the investment less net salvage (NS) divided by the average service life (ASL). The formula is: (100%-NS)/ASL

A. If the book reserve and the theoretical reserve are not the same, the difference is a reserve imbalance. This is not unusual. In fact, when a depreciation study with revised life and salvage factors is filed, the amount of the theoretical reserve will necessarily change from case to case. Essentially, there will always be a difference between the book reserve and the calculated theoretical reserve. In a typical case when the difference is not significant, if no corrective action is taken, the imbalance will effectively be allocated over the remaining life of the associated plant. The remaining life formula will self-correct for any reserve imbalance to ensure full recovery of the investment. If the imbalance is significant, it is more pertinent to address the issue.

Q. What is a reserve deficit?

A. A reserve deficit exists when the book reserve is less than the calculated theoretical reserve. In this case, all things remaining equal, the remaining life rate will increase recognizing that not enough has been recovered to date and more needs to be recovered over the remaining period of service.

Q. What is a reserve surplus?

A. A reserve surplus exists when the book reserve is greater than the calculated theoretical reserve. In this case, all things remaining equal, the remaining life rate will self-correct to recognize that there is a smaller amount of investment to be recovered over the remaining life of the given investment. In other words, future customers would receive the full benefit from lower depreciation rates rather than those customers who may have paid for the surplus.

Q. Is it desirable for the book reserve to conform to the calculated theoretical reserve?

A. Yes. It is desirable for the book reserve to conform to the calculated theoretical reserve as closely as possible. When remaining life rates are used, the theoretical reserve provides the basis for any over or under-recovery in setting the depreciation rates at the appropriate level based on the current life and salvage expectations. The remaining life depreciation rates will self-adjust for any over or under-recovery.

Q. What are the options for correcting reserve imbalances?

A. There are three options correcting reserve imbalances: 1) through remaining life rates where the imbalance is corrected over the remaining life of the associated investments, 2) through reserve transfers between accounts using existing surpluses to offset deficits where possible, or 3) netting the various account imbalances to a bottom-line and amortizing the net amount over a short period of time that is economically practicable for the company.

Q. Have you proposed any reserve transfers?

A. Yes. I am proposing a reserve transfer from Account 3762, Steel Mains, to correct the negative reserve balance in Account 3821, Meter Installations-ERT, Sch A and Sch E-3 of the attached workbook. This transfer brings the reserve for each account more in line with its theoretically correct level.

Q. What is a negative reserve and what caused the one existing for Account 3821, Meter Installations?

A. A negative reserve is failure of the past to recover adequately. A negative reserve relates to plant no longer in service and represents positive rate base that the Company will earn a return on until corrected. The negative reserve for Account 3821, Meter Installations, is from an unusually large retirement in 2021.

Q. With your proposed reserve transfers, is there a net reserve imbalance?

A. Yes, I have calculated a net reserve imbalance of $22.4 million at January 1, 2025, based on my proposed life and salvage parameters for each account. This represents nearly 13% of the calculated theoretical reserve. The calculation is shown on Schedules E of the Study workbook in Exhibit PSL-2. Using the remaining life technique to correct the imbalance, the surplus will be allocated over the remaining life of all accounts, about 43 years. I consider this too long given the amount of the surplus. Also, the resultant remaining life depreciation rates will be artificially lower than they should be because more has been recovered in the past resulting in less to be recovered in the future.

Q. What corrective action do you recommend for the identified net reserve surplus?

A. I recommend a 2-year amortization for the reserve surplus. This amortization will reduce depreciation expenses or the amortization period. After 2 years, the amortization ceases and the depreciation expenses return to a normal level based on the remaining life rates at the theoretically correct level.

Q. If the reserve surplus is corrected, what is the reserve position used in the remaining life rate calculation?

A. If the reserve surplus is corrected, each account's reserve is brought to its theoretically correct level. This is the reserve position used in the calculation of the proposed remaining life depreciation rates. Because the reserve will be corrected, the remaining life depreciation rates and the whole life rates will be the same.

Q. Has the Commission ever approved such a remedy as FCG is proposing for a reserve imbalance?

A. Yes, it has on many occasions. Commission Order No. PSC-2019-0433-PAA-GU found that when a significant imbalance is observed, reserve transfers or amortization may be necessary due to magnitude.[18] Furthermore, the Commission found in 2010 the "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."[19] The Commission's historic practice has been to correct significant reserve imbalances, whether deficits or surpluses, as quickly as economically practicable to avoid intergenerational inequity. Order No. PSC-01-2270-PAA-EI found that reserve imbalances are primarily a matter of differences between current and past projections and should be recovered as fast as possible, so long as doing so does not jeopardize the financial integrity of the utility.[20] In Order No. PSC-10-0131-FOF-EI[21] and Order No. PSC-10-0153-FOF-EI[22], the Commission determined that the reserve imbalance (a surplus in both cases) should be amortized over 4 years. In Order No. PSC-94-1199-FOF-EI, the Commission delayed approval of an amortization period so a faster recovery period could be evaluated based on earnings.[23]

Q. Has the Commission approved corrective reserve measures in depreciation studies that are filed separately from a base rate case?

A. Yes, regularly. Reserve transfers between accounts, a long-standing Commission-approved practice, are tantamount to amortization of reserve imbalances correcting deficits on one account with surpluses in another. In cases where vintage year

[18] Order No. PSC-2019-0433-PAA-GU at page 4, issued October 22, 2019, in Docket No. 20190056-GU.
[19] Order No. PSC-2010-0153-FOF-EI, issued March 17, 2010, in Dockets Nos. 20080677-EI and 20090130-EI.
[20] Issued November 19, 2001, in Docket No. 20010669-EI.
[21] See, pages 45-52. Issued in Dockets Nos. 20090079-EI, 20090114-EI, and 20090145-EI, on March 5, 2010.
[22] See, pages 83-87. Issued in Dockets Nos.20080677-EI and 20090130-EI, on March 17, 2010.
[23] Issued September 30, 1994, in Docket No. 19931231-EI.

accounting for amortizable general plant accounts has been requested, the Commission has approved amortization of the reserve imbalance associated with the affected accounts to bring each to its theoretically correct level. Another example is found with Order No. 19438, issued June 6, 1986, in Docket No. 19860868-EI, where the Commission approved that tax credits associated with the interest synchronization of investment tax credits should be applied to decrease the unrecovered cost associated of planned retirements and prospectively to be booked in a non-specific account to be made account specific in the next depreciation study.[24] Additionally, the Commission has previously approved that net gains from the sale of certain plant be applied first to the unrecovered cost of the associated plant with the remainder amortized over a short period.

Q. Is the Company's proposal to amortize this amount over 2 years consistent with sound depreciation techniques?

A. Yes. In this case, FCG's amortization proposal is the most appropriate way to address the imbalance. First, if FCG's proposal is accepted, the annual depreciation expenses will decrease by approximately $12.2 million for two years compared to existing rates and amortization, which I address later in my testimony. After the two year amortization of the reserve surplus is completed, depreciation expense will decrease by about $1 million compared to existing rates and amortization. In this way. 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

[24] 88 FPSC 6:104.

over 2 years. If the reserve surplus is instead corrected over a longer period, such as the remaining life, current FCG customers will effectively subsidize future customers. New additions will carry the overstated reserve position resulting in lower than equitable depreciation rates and resulting expenses. The more significant the reserve surplus, the more depressed the resulting remaining life rate will be.

C. NET SALVAGE

Q. Please explain the concept of net salvage.

A. Net salvage is a component of the service value. It is the difference between realized salvage (gross salvage) and the cost to remove and dispose of the given asset. If the cost of removal is greater than the gross salvage realized, the net salvage is negative. Conversely, if gross salvage is greater than the cost to remove the asset, the net salvage is positive.

For most accounts, the net salvage is negative in that it costs more to remove or abandon the retired plant than the Company receives from selling the retired items. Salvage and cost of removal percentages are traditionally calculated by dividing the net of gross salvage and cost of removal by the original installed cost of the assets retired.

Q. How did you determine the net salvage factor for each Distribution and General Plant account?

A. To determine the net salvage factor for each account, I start by dividing the current gross salvage less cost of removal by the original installed cost of the associated retired assets. However, judgement also is applied to select a net salvage factor that represents the future expectations for each account. To apply the judgement, historical salvage

and removal data was compiled for each account to determine values and trends in net salvage. This data is shown on Schedule Q of the study workbook in Exhibit PSL-2.

Q. How were the net salvage percentages for Storage Plant determined?

A. The currently prescribed net salvage for these accounts is zero. The investments have only been in service since 2023 so no historical data is available. Continuation of the currently prescribed zero net salvage is recommended to be reevaluated as actual experience is incurred in the future.

D. REMAINING LIFE ANALYSIS

Q. How were the recommended average remaining lives determined for each account?

A. The recommended average service life (projection life) and January 1, 2025 calculated average age for each account were used with the selected Iowa Curve life table to determine the average remaining life. The Life Tables I used in the remaining life expectancy determinations were obtained from GTE-INC.[25] These are standard Iowa Curve life tables that can also be replicated from other sources.[26]

For example, an account with a life of 30 years following an S3 retirement dispersion (survivor or mortality curve) would, at age 9.5 years, have an average remaining life of 20.52 years, rounded to 21 years. The life table used is attached as Exhibit PSL-3. For accounts where the average age is not found in the life table, the remaining life is determined by extrapolation. For instance, using the same service life and curve shape

[25] The life tables obtained from GTE-INC are comprised of two volumes, each consisting of 646 pages, too voluminous to copy and attach to this testimony.

[26] Frank K. Wolf and W. Chester Fitch, *Depreciation Systems*, Iowa State University Press, 1992, p. 40 and Appendix 1, pp. 305-338; Robley Winfrey, *Bulletin 125: Statistical Analyses of Industrial Property Retirements*, 1935 as revised 1967, Iowa State University Engineering Publications and Communications Services, pp. 102-106; Robley Winfrey, *Bulletin 155: Depreciation of Group Properties*, 1942, Iowa State University Engineering Publications and Communications Services, pp. 124-127.

as above, at age 9.7 years, the average remaining life is 20.3 years, rounded to 20 years.

Projection Life 30 Years	
Age	Remaining Life
9.5	20.52
9.7	*X*
10.5	19.54

(9.7-9.5)/ (10.5-9.5) = (X-20.52)/ (19.54-20.52)

0.2/1 = (X-20.52)/-0.98

X-20.52 = -0.196

X = 20.52 - 0.196

X = 20.324 rounded to 20 years

VI. DEPRECIATION STUDY CONCLUSIONS

Q. Based on the Study, what conclusions do you reach?

A. I conclude that:

- FCG's current approved life and salvage parameters should be revised as set forth in the workbook on Exhibit PSL-2, Schedules A and B, which are sponsored by me.
- Proposed accounts for Intangible Plant for software systems should be approved with the proposed amortization periods set forth in the Study Narrative and workbook, Exhibit PSL-2.
- New subaccounts for General Plant are proposed to be consistent across all CUC gas distribution business units. Additionally, the proposed

amortization/depreciation periods for the general plant amortizable accounts set forth in the workbook on Exhibit PSL-2, Schedules should be approved.

- The proposed reserve transfers identified in Study Narrative and workbook, Exhibit PSL-2, Schedules A and E-3, should be approved.
- A 2-year amortization of the calculated net reserve surplus of $22.4 million identified on Exhibit PSL-2, Schedules E-2 should be approved.
- The depreciation rates in the Study will result in a decrease in the annual depreciation expense of approximately $12.2 million. This amount was determined by comparing the depreciation expenses based on the currently prescribed depreciation rates to expenses based on the proposed rates using January 1, 2025, investments.

Q. **Are the life, salvage value, and curve shapes you propose in in your Exhibit PSL-2, FCG's 2025 Depreciation Study, supported by sound depreciation analysis and techniques?**

A. Yes.

VII. CHANGES IN DEPRECIATION EXPENSE AS A RESULT OF THE PROPOSED DEPRECIATION RATES

Q. What is the purpose of this section of your direct testimony?

A. This section of my direct testimony discusses the change in depreciation expenses resulting from the proposed depreciation rates, amortizations, and components. I specifically detail the major changes in depreciation expense.

Q. Please summarize the Depreciation Study results with respect to changes in depreciation expense.

A. The depreciation rates based on the recommended life, salvage, and corrected reserve levels, reflect a decrease in annual depreciation expenses of about $12.2 million. These expenses are based on January 1, 2025 investments. Exhibit PSL-2, Schedule D, shows the major decrease in expenses is due to the proposed amortization of the bottom-line net reserve surplus. Other decreases are primarily found in the distribution plant accounts, specifically Account 3801, Plastic Services, Account 3810, Meters, and Account 3812, Meters-ERTs.

VIII. CONCLUSION

Q. Do you have any concluding remarks?

A. Yes. The depreciation study and analysis performed under my supervision fully supports the proposed depreciation rates indicated in my testimony and underlying depreciation study. The depreciation study describes the analysis performed and the depreciation rates and amortizations that are appropriate for FCG's property. The proposed depreciation rates and amortizations should be approved to allow recovery of the Company's investment in property over the estimated remaining life of the associated assets and to correct the calculated reserve surplus as fast as economically practicable.

Q. Does this conclude your direct testimony?

A. Yes, it does.

PATRICIA S. LEE
CURRICULUM VITAE

QUALIFIED BY

Over 40 years of experience in reviewing and analyzing the assets of public utility companies in the electric, gas, telecommunications, and water and wastewater industries. Technical understanding of plant and equipment of telecommunications, electric, gas, and water and wastewater industries coupled with valuation, depreciation, and accounting knowledge of federal regulatory procedures and regulations.

PROFESSIONAL EXPERIENCE

03/2012 – Present

BCRI Inc. and Self

- Responsibilities include reviewing depreciation studies and basic data, and advising clients concerning recommended depreciation lives, net salvage values, resultant depreciation rates, reserve imbalances, and depreciation methods, procedures, and techniques.
- Specific regulatory experience providing expert testimony on depreciation matters includes:
  - For Chesapeake Utilities Corporation, providing expert consultation and support preparing the 2024 depreciation study for the Delaware Division. (Case No. 24-0906)
  - For Chesapeake Utilities Corporation, providing expert consultation and support preparing the 2023 depreciation studies for the Maryland Division, Sandpiper Energy, Inc., and Elkton Gas Company, and also for the consolidated company. (Case No. 9721)
  - For the Florida Public Utilities Consolidated Gas Divisions, provided expert consultation and support preparing the 2018 and 2023 depreciation studies filed with the Florida Public Service Commission.
  - For the Office of the Utilities Consumer Advocate of Alberta in the AltaLink Management Ltd. 2017 – 2018 General Tariff Application providing analysis, issue identification and support in negotiated settlement process. For the Office of the Utilities Consumer Advocate of Alberta in the ATCO Pipelines 2017 – 2018 General Rate Application providing joint written evidence. For the Office of the Utilities Consumer Advocate of Alberta in the AltaGas Utilities Inc. 2018 Depreciation Study providing joint written evidence. In the ATCO Pipelines 2019-2020 General Rate Application for the Office of the Utilities Consumer Advocate providing written testimony on depreciation related matters in conjunction with Patrick Bowman. For the Office of the Utilities Consumer Advocate of Alberta in the AltaLink Management Ltd. 2019 – 2021 General Tariff Application providing joint written evidence and oral testimony. For the Office of the Utilities Consumer Advocate of Alberta in the ATCO Electric Transmission 2020-2022 General Tariff Application providing joint written evidence. For the Office of the Utilities Consumer Advocate of Alberta in the AltaLink Management Ltd. 2022-2023 General Tariff Application providing joint written evidence.
  - For the Manitoba Industrial Power Users Group and The Coalition in the 2014/2015 and 2015/2016 Manitoba Hydro General Rate Application providing written and oral testimony.
  - For the Florida Public Utilities Electric Division, provided expert consultation and support preparing the company's depreciation study filed with the Florida Public Service Commission in 2015, 2019, and 2023 including in the agreement on appropriate life and salvage parameters, reserve position, and resultant depreciation rates.
  - For Industrial Customers of Newfoundland and Labrador Hydro in the 2012 Newfoundland and Labrador Hydro Depreciation Methodology Review providing written testimony and support in the negotiated agreement.

11/78 – 09/2011

FLORIDA PUBLIC SERVICE COMMISSION, Tallahassee, FL

Proficient in the application of principles of statistics, probability, engineering finance as related to the design of depreciation rates for utilities. Responsibilities included:

Technical

- Reviewed and analyzed depreciation rates and the capital recovery positions of Florida regulated utilities.
- Reviewed and analyzed the valuation of assets in a competitive market.
- Investigated and evaluated various valuation and depreciation methods and concepts, for example, age life, Equal Life Group, Fisher-Pry, net plant weighting, amortizations and capital recovery schedules.
- Developed use of engineering planning (short-term and long-range) as a tool in the determination of remaining life and/or capital recovery schedules.
- Determined the prudency of technologically driven change-outs of public utility assets.
- Assisted in the development of Commission rules regarding depreciation study requirements and review cycles for electric, gas, telecommunications and water and wastewater utilities.
- Investigated and developed Commission staff advisory guidelines regarding the allocation of overhead costs between capital and expense.
- Assisted in the development of Commission rules regarding stratification of depreciable plant for determination of life and salvage for gas, electric, and telecommunications companies.
- Assisted in the determination of the appropriate treatment for removal and disposal costs associated with gas service lines, nuclear decommissioning and dismantlement of fossil-fueled generating plants.
- Participated on the Tangible Personal Property Guidelines Industry/Government Task Force (Florida Department of Revenue), specifically with the development of the Life Expectancy Guidelines.
- Investigated issues arising with increasing competition in telecommunications and electric generation companies.
- Reviewed and analyzed cost studies for the purpose of determining unbundled network element prices and universal service cost levels for telecommunications companies as well as the appropriate nuclear decommissioning and fossil dismantlement annual accrual levels for electric companies.

Communication

- Prepared and presented oral and written Commission staff recommendations involving valuation and capital recovery matters in Commission depreciation and revenue rate proceedings.
- Served as Commission staff expert witness involving capital recovery matters.
- Served as member of the Comment Committee for the National Association of Regulatory Utility Commissioners (NARUC) Staff Subcommittee on Depreciation. Prepared comments for NARUC regarding various reports and orders issued by the Federal Communications Commission in the matter of simplification of the depreciation prescription process for telecommunications companies.
- Interfaced with staff of Federal agencies and other State Commissions, consulting firms, regulated and non-regulated companies and municipalities, and within the Commission.
- Presented depreciation accounting training at the 1993 - 1998 NARUC Annual Regulatory Studies Program - Michigan State University.
- Conducted depositions and cross examination of depreciation witnesses as a Class B Practitioner.
- Made oral presentations to the Society of Depreciation Professionals and the United States Telephone Association regarding various telecommunications, electric, and gas issues.
- Co-authored Public Utility Depreciation Practices, published August, 1996.
- Co-authored Florida Commission staff depreciation training manual.
- Conducted Commission in-house depreciation training.

EDUCATION

B.S., Mathematics, APPALACHIAN STATE UNIVERSITY - Boone, North Carolina, 1970

AFFILIATIONS

Society of Depreciation Professionals member

Chair and Vice Chairperson - NARUC Staff Subcommittee on Depreciation

1998 Chair of Ethics & Standards Committee, 1997 Past President, 1996 President, 1995 Vice President, 1994 Treasurer - Society of

Depreciation Professionals
Faculty Member - NARUC Annual Regulatory Studies Program; 1993-1998
President, National Conference of Regulatory Utility Commission Engineers

CHESAPEAKE UTILITIES CORPORATION

FLORIDA CITY GAS

2025 Depreciation Study

Florida City Gas ("FCG" or "Company") is a natural gas local distribution company providing sales and transportation of natural gas, and, since December 2023, is a wholly owned subsidiary of Chesapeake Utilities Corporation ("CUC")[1]. Prior to that, FCG was owned by Florida Power & Light Company. The Company currently serves 120,000 residential, commercial and industrial natural gas customers in eight counties, including Brevard, Broward, Hendry, Indian River, Martin, Miami-Dade, Palm Beach and St. Lucie. FCG's current authorized depreciation rates were approved in Order No. PSC-2023-0177-FOF-GU, issued June 9, 2023 in Docket No. 20220069-GU.

Rule 25-7.045(4)(a), Florida Administrative Code ("F.A.C.") requires regulated gas utilities to file a depreciation study "at least once every five years from the submission date of the previous study. . ." The submission date of the 2022 Depreciation Study was May 31, 2022. CUC's purchase of FCG has led to a review of FCG's depreciation rates and recovery position.

Depreciation rates should be revised when the need arises. A review of the January 1, 2025 plant investments, reserve, and account activity data indicate there is a need to revise rates now. An implementation date of January 1, 2025 is recommended for the revised depreciation rates set forth in the 2025 Depreciation Study ("2025 Study" or "Study"). All data and calculations provided in the Study support this recommended date.

The 2025 Study workbook includes the following supporting schedules:

- **Schedule A: Schedule of Remaining Life Accrual Rates and Amortization** summarizes investments and reserves on January 1, 2025, proposed depreciation components and calculated life accruals and rates by account, function, and total plant.
- **Schedule B: Comparison of Current and Proposed Depreciation Components** compares the current and proposed depreciation components for each account. The components include average service life, age of surviving investments on January 1, 2025, curve shape[2], and average remaining life.
- **Schedule C: Comparison of Current and Proposed Depreciation Rates** compares the current and proposed depreciation rates as of January 1, 2025 for each account. The proposed rates are based on the January 1, 2025 reserve percentages restated after proposed reserve transfers, remaining lives, and net salvage factors.

[1] FCG was a subsidiary of Florida Power & Light Company prior to December 2023.

[2] Curve shape (Iowa Curve, survivor curve, or mortality dispersion) – a graphical picture of the amount of property surviving at each age through the life of the property group. The graph plots the % surviving on the y-axis and the age on the x-axis. The survivor curve depicts the expected retirement distribution (or survival distribution) of plant in an account over time.

- **Schedule D: Comparison of Annual Depreciation Expenses** compares the resultant expenses for each account between the current and proposed remaining life depreciation/amortization rates based on January 1, 2025 investments.
- **Schedule E: Comparison of Accumulated Book Reserve and Theoretical Reserve** compares the January 1, 2025 book reserve to the calculated theoretical reserve for each non-amortizable account based on the proposed depreciation rates and components.
- **Schedule E-1: Amortizable Plant Reserve Deficiency Amortization Calculation** compares the January 1, 2025 book reserve to the calculated theoretical reserve for each amortized account based on the proposed depreciation rates and components and provides the amortization of the reserve deficit associated with amortizable plant accounts.
- **Schedule E-2: Reserve Surplus Amortization Calculation** provides the amortization details for non-amortized plant accounts.
- **Schedule E-3: Proposed Reserve Transfers** provides the details for reallocation of reserve balances to eliminate negative reserves.
- **Schedule F: Aged Retirements** provides aged retirements for each account and year from 2021 through 2024 adjusted for any missed retirements.
- **Schedule F-1: Retirement Rates** provides retirement rates for each account and year from 2021 through 2024. Historical retirement rates are shown on Schedule P.
- **Schedule G: Plant in Service and Reserve Summaries** provides plant and reserve activity for each year 2021 through 2024. All study adjustments for investment and reserve were added to Schedule G 2024 and are detailed on Schedules J and K.
- **Schedule H: Office Furniture, Equipment, And Software Average Age Calculations** compiles office and computer investments as of January 1, 2025 and computes the average age calculations by proposed subaccounts:
    - 3910 - Office Furniture and Equipment - Office Eq.,
    - 3912 - Office Furniture and Equipment - Computer Hardware,
    - 3913 - Office furniture and equipment - Furniture, and
    - 3914 - Office Furniture and Equipment - Software.

  For consistency across all CUC business units and administrative ease, the subaccounts reflect the same subaccounts utilized by all CUC-Maryland's consolidated natural gas divisions[3] and CUC-Florida Public Utilities Company's consolidated natural gas division[4]. These subaccounts have been proposed for CUC-Delaware.[5]
- **Schedule I: Transportation Accounts Average Age Calculations** compiles transportation investments as of January 1, 2025, and computes the average age calculations by the proposed subaccounts:
    - 3921 - Transportation Equip. - Cars,

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[3] See Order No. 91242, issued July 24, 2024, in Case No. 9721, *Chesapeake Utilities Corporation, Sandpiper Energy, Inc. and Elkton Gas Company's Joint Petition for Approval of Changes in their Depreciation Rates.*

[4] Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company – Indiantown Division.*

[5] See Rate Case filed August 12, 2024, in PSC Docket No. 24-0906, *In the Matter of the Application of Chesapeake Utilities Corporation for a General Increase in its Natural Gas Rates and for Approval of Certain Other Changes to its Natural Gas Tariff.*

- 3922 - Transportation Equip - Light to Medium Duty Trucks, SUVs, and Vans,
- 3923 - Transportation Equip. - Heavy Duty Vehicles, and
- 3924 - Transportation Equip. - Trailers.

For consistency across all CUC business units and administrative ease, these subaccounts are the same ones approved for CUC's Maryland and Florida consolidated natural gas divisions and proposed for CUC-Delaware.

- **Schedule J: Average Age Calculations** summarizes the adjustments made to the 2025 Study for misclassified, missing, or unsupported investments and retirements and computes the January 1, 2025 average age of surviving investments for each account.
- **Schedule K: Reserve Adjustments** summarizes the adjustments made to the 2025 Study for misclassified, missing, or unsupported assets, retirements, and net salvage for each account.
- **Schedule L: Net Salvage Percentage Computation** provides net salvage activity from 2021 through 2024 adjusted to reflect corrections for missed or misclassified retirements and net salvage.
- **Schedule M: 2022 Study Reserve Surplus Calculation by Account** provides the 2022 Study reserve surplus calculation with allocation of the surplus amount authorized for use by account.
- **Schedule N: Cumulative Reserve Surplus Applied by Year** provides the amount of the applicable surplus utilized from 2023 to 2024.
- **Schedule O: Historical Plant 2004-2024** provides the historical plant data from 2004 to 2024 for each account, identifying annual additions, retirements, and Transfers/Adjustments.
- **Schedule P: Historical Retirement Rates 2004-2024** provided the historical retirement rates from 2004 to 2024 for each account on an annual, overall, and 5-year average.
- **Schedule Q: Historical Net Salvage Analysis 2004-2024** provides the historical net salvage activity from 2004 to 2024 for each account. Net salvage is expressed as a percentage of total retirements on both an annual and 3 year rolling average with the most 5-year average also provided.

During the course of this Study, it was discovered that some immaterial prior period adjustments needed to be made for additions discovered to have been recorded in a wrong account and retirements discovered to not have been recorded. All adjustments made to the Study are summarized by account on Schedule J and Schedule K of the workbook. These adjustments will be reviewed by the Company and flow through to Schedule G 2024, under the Adjustment column. For depreciation study purposes, the investments and reserves shown on Schedules A - E reflect these corrections.

The retirement rate[6] for many FCG accounts is minimal, rendering statistical analysis results meaningless for life or salvage projections. These factors make it necessary to rely on prescribed life and salvage factors of other gas companies. Because FCG has a similar operating and

[6] Retirement rate = retirements/exposures = [retirements during the year/ (end of year plant balance + retirements) x 100.

regulatory environment to other gas utilities in Florida, as compared to those in other states, comparisons with life and salvage factors of other gas utilities in Florida are appropriate and reasonable. The estimated curve shapes for most accounts reflect the retirement rates and the range of lives and curve shapes used for other regulated gas utilities in Florida.

The aged retirement data and the average age distributions, along with the lives of the other Florida gas utilities, were used to determine if a revision to the average service life underlying the existing average remaining life for each account is needed. Also, a review of the existing survivor curve for each account was performed to determine if a modification is warranted based on the average age and actual or expected retirement experience. The average service life (projection life) and January 1, 2025 average ages for each account were used with the selected Iowa Curve life table[7] to determine the average remaining life.

For the General Plant accounts, this Study proposes new subaccounts for Account 3910, Office Furniture and Equipment, and Account 3920, Transportation Equipment, to be consistent across all CUC gas distribution business units.[8] Additionally, the amortization periods for the vintage group general plant amortizable accounts are proposed to be revised based on judgement, discussions with Company personnel, and consistent with those approved for CUC's Florida Public Utilities consolidated natural gas divisions and Maryland business units and proposed for CUC-Delaware natural gas business unit.

RESERVE SURPLUS

Rule 25-7.045(5)(d), Florida Administrative Code ("F.A.C.") requires that a depreciation study include a comparison of the calculated theoretical reserve[9] to the book reserve for each account. This comparison is provided in the attached workbook, Sch E and Sch E-1 p 2 AP Theo Res. The difference between the book reserve and the theoretical reserve is called a reserve imbalance, and can either be a deficit or a surplus.[10] A reserve surplus of $43,469 exists for the amortizable accounts as shown on Sch E-1 p 2 AP Theo Res. This surplus is the result of proposing new amortization periods that are uniform across all CUC natural gas distribution business units. A theoretical reserve analysis for all other FCG accounts is shown on Sch E and indicates a reserve surplus of $22,347,595. The net reserve surplus is $22,391,064. FCG proposes to amortize this net surplus over a period of two years. This will have the effect of reducing depreciation expenses for

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[7] The Life Tables used were obtained from GTE-INC. They can also be replicated form other sources. See Frank K. Wolf and W. Chester Fitch, *Depreciation Systems*, Iowa State University Press, 1992, p. 40 and Appendix 1, pp. 305-338; Robley Winfrey, *Bulletin 125: Statistical Analyses of Industrial Property Retirements*, 1935 as revised 1967, Iowa State University Engineering Publications and Communications Services, pp. 102-106; Robley Winfrey, *Bulletin 155: Depreciation of Group Properties*, 1942, Iowa State University Engineering Publications and Communications Services, pp. 124-127.

[8] Schedules H and I of the attached workbook shows an asset listing and age calculation for each of the new subaccounts.

[9] The theoretical reserve is determined from the proposed estimated remaining life of the group, the total life of the group, and the estimated net salvage. The formula is TR = 100-WLR(ARL)-NS.

[10] A reserve deficit or deficiency is when the book reserve is less than the calculated theoretical reserve. A reserve surplus exists when the book reserve is more than the theoretical reserve.

the amortization period resulting in the added benefit of delaying the expense of a rate proceeding now.

It is desirable for the depreciation book reserve to conform to the calculated theoretical reserve as closely as possible. Under the remaining life depreciation rate design, any reserve imbalance is corrected over the remaining life of the associated investment. If there is an implied reserve deficit, the remaining life rate will be higher to make up the under accrual in the future. Conversely, a reserve surplus will result in a lower depreciation rate as too much has been recovered to date and there is less to recover in the future.

The presence of a reserve imbalance indicates existence of an intergenerational inequity. The depreciation expenses of the past were based on life and net salvage factors now viewed to be too short. This misstatement should be corrected now to reduce the misstatement into the future. The quicker the imbalance is addressed the greater the likelihood that ratepayers who may have overpaid depreciation expense will have a chance of benefitting either through reserve transfers between accounts or an amortization. Allowing FCG to amortize its reserve imbalance over two years will result in a return to the matching principle as quickly as the Company is able to do so.

The Commission's policy with respect to reserve imbalances is to correct them as soon as possible without adversely impacting a company's ability to earn a fair and reasonable return as well as considering any negative impacts on the Company's financial integrity and ratepayers.[11] The Commission has also targeted overearnings in the past to book additional depreciation expense, thereby lowering reported earnings and bringing them in line with the allowed rate of return.

The National Association of Regulatory Commissioners ("NARUC") depreciation manual states that if a reserve imbalance is material, common methods for correcting the imbalance are either through an amortization period over an abbreviated period of time or through the use of remaining life depreciation rates. NARUC does not quantify what constitutes a "material" imbalance.

FCG notes that the Commission has approved amortization of reserve imbalances over a shorter period than the remaining life.[12] Whether the imbalance is a deficiency or a surplus, the rate base

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[11] Order No. PSC-01-2270-PAA-EI, issued 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.

[12] As an example, see Order No. 010699-EI, issued November 19, 2001, *In re: Request for approval of implementation date of January 1, 2002, for new depreciation rates for Marianna Electric Division by Florida Public Utilities Company*, where the Commission stated its policy to recover imbalances "as fast possible, unless such recovery prevents the Company from earning a fair and reasonable return on its investments." Also, see Order No. PSC-10-0131-FOF-EI, issued March 5, 2010, in Docket No. 090079-EI *In re: Petition for increase in rates by Progress Energy Florida, Inc.;* Docket No. 090144-EI, *In re: Petition for limited proceeding to include Bartow repowering project in base rates, by Progress Energy Florida, Inc.;* and Docket No. 090145-EI, *In re: Petition for expedited approval of the deferral of pension expenses, authorization to charge storm hardening expenses to the storm damage reserve, and variance from or waiver of Rule 25-6.0143(1)(c), (d), and (f), F.A.C., by Progress Energy Florida, Inc*, pp. 45-52. See also, Order No. PSC-10-0153-FOF-EI in Docket Nos. 20080677-EI In re: Petition for increase in rates by Florida Power & Light Company and Docket No. 20090130-EI In re: 2009 depreciation and dismantlement study by Florida Power & Light Company, at page 87, determining that the reserve surplus should be amortized over 4 years.

is misstated and should be corrected. The remaining life depreciation rate self-adjusts and corrects any reserve imbalance over the remaining life of the associated plant. The Commission has addressed reserve imbalances through the use of reserve transfers or allocations within the same function. Reserve transfers are not a restatement of depreciation reserve, but rather a reallocation of the amount in the accounts. For example, FCG is proposing a reserve transfer from Account 3762, Steel Mains, to correct the negative reserve balance[13] in Account 3821, Meter Installations-ERT, Sch A and Sch E-3 of the attached workbook.

There are numerous cases where the Commission has approved amortization of reserve imbalances over a period shorter than the remaining life. A proposed amortization of the net reserve surplus is conceptually the same as prior Commission actions for Florida Power & Light Company ("FPL") and Florida Progress Energy ("PEF"). Order No. PSC-96-0461-FOF-EI[14] authorized FPL to record additional depreciation expenses to correct a reserve deficiency associated with FPL's nuclear production facilities, with any residual expense to be applied to other production facilities. In the PEF 2002 Rate Case Settlement Order,[15] PEF agreed to a credit to depreciation expense, essentially an annual amortization. In its 1997 depreciation study,[16] Florida Power Corporation ("FPC") was ordered to amortize the gain realized from the sale of a combustion turbine, to offset a reserve deficiency at a peaking plant. In the FPL 2005 Rate Case Settlement Order, FPL was authorized to amortize an amount of its reserve surplus annually as a credit to depreciation expense and a debit to the bottom-line depreciation reserve over the term of the Settlement.

In sum, FCG has identified a reserve surplus of $22.4 million that it proposes to amortize over the years 2025 and 2026. This action allows a return to the matching principle and correction of intergenerational inequities. This will have the effect of reducing depreciation expenses for the amortization period with the added benefit of further delaying the expense of a rate proceeding.

The results of the 2025 Study are summarized below by function and are based on adjusted plant and restated reserve balances as of January 1, 2025.

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[13] A negative reserve balance caused by plant retiring earlier than the related average service life creates a positive component in rate base upon which the Company earns a return until it is corrected.

[14] Order No. PSC-96-0461-FOF-EI, issued April 2, 1996, in Docket No. 950359-EI, *In re: Petition to establish amortization schedule for nuclear generating units to address potential for stranded investment by Florida Power & Light Company.*

[15] Order No. PSC-2002-0655-AS-EI, issued May 14, 2002, in Docket No. 000824-EI, *In re: Review of Florida Power Corporation's earnings, including effects of proposed acquisition of Florida Power Corporation by Carolina Power & Light* and Docket No. 020001-EI, *In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.* (PEF 2002 Rate Case Settlement Order).

[16] Order No. PSC-98-1723-FOF-EI, issued December 18, 1998, in Docket No. 971570-EI, *In re: 1997 Depreciation Study by Florida Power Corporation.* (FPC 1997 Depreciation Order)

Table 1: Summary of Depreciation Study Results

Function	Adjusted 1/1/25 Investment	Adjusted 1/1/25 Reserve	Proposed ASL	Proposed Rates	Proposed Annual Accruals	Current Annual Accruals	Change in Expense
Intangible Plant	$9,071,097	$1,582,461	18.6	5.4	$488,997	$523,730	($34,733)
Storage Plant	$60,013,891	$1,200,277	50.0	2.0	$1,200,278	$1,200,277	$1
Distribution Plant	$597,640,812	$164,302,791	57.5	2.3	$13,590,464	$14,296,870	($706,406)
General Plant	$29,975,107	$8,436,046	18.7	4.8	$1,448,313	$1,758,283	($309,970)
Total Depreciable Plant	**$696,700,907**	**$175,521,575**	**50.9**	**2.4**	**$16,728,052**	**$17,779,160**	**($1,051,108)**
		Reserve Surplus Amortization			($11,195,532)	$0	($11,195,532)
		Total Accruals with Reserve Surplus Amortization			**$5,532,519**	**$17,779,160**	**($12,246,641)**

The 2025 Study workbook includes plant and reserve balances as of January 1, 2025 (Schedules A and G 2024); aged retirements for each plant account for 2021-2024 (Schedule F); calculated average ages as of January 1, 2024 (Schedule J), with an aged Office Furniture and Equipment and vehicle listing (Schedules H and I). The Company uses its continuing property record ("CPR") system to develop average ages of surviving investments for each account (Schedules H, I, and J).

In sum, the proposed depreciation rates and general plant amortizations result in annual depreciation expenses of about $5.5 million, a net decrease of about $12.2 million compared to current depreciation rates inclusive of the proposed amortization of certain account reserve deficiencies and the proposed amortization of the total reserve surplus mentioned above.

Schedule D indicates that the decrease in depreciation expenses is found in the distribution plant accounts, mainly in Plastic Services, Account 3801, Meters, Account 3810, and Meters-ERT, Account 3812. These three accounts comprise 26% of the distribution investment and 23% of the total FCG's plant investment. The decrease in depreciation expenses for Plastic Services, Meters and Meters-ERTs are all due to inverse changes in life expectations.

Recognizing that the proposed average service life for each plant account represents an estimate of the future life expectancy of the associated investment, the proposed average remaining lives reflect rounding of lives greater than 20 years to the nearest year and rounding lives less than 20 years to the nearest tenth of a year. It is not considered necessary to be any more precise when dealing with estimates.

ACCOUNT ANALYSIS AND PROPOSALS

INTANGIBLE PLANT

FCG requests approval to establish the following Intangible Plant accounts and adopt amortization over the number of years specified below. Based on discussions with the Company, CUC would like to move towards uniform amortization periods for all intangible software applications that are shared by all business units across all of CUC. This will allow the Company to streamline business processes and reduce administrative burdens across all CUC business units. This study reviewed historical, current, and prospective intangible software information for all of CUC's natural gas business units to determine a reasonable amortization period for recovery of the software investments. To date, these accounts and amortization periods have been approved for CUC-Maryland's consolidated gas companies[17], CUC-Florida Public Utilities Company's consolidated electric division[18], CUC-Florida Public Utilities Company's consolidated natural gas division[19], and are currently proposed for CUC-Delaware natural gas division[20].

Account 3031 – Miscellaneous Intangible Plant - 15 Years - Software

The restated investment and reserve as of January 1, 2025 are $2,126,505 and $297,711, respectively, and represent a proposed reclassification of customized software from Account 30302 to Account 3031, Miscellaneous Intangible Plant. The specific software applications are: Business Case Authorization (BCA) Portal Enhancements, Cognizant Power BI Enhancements, Damage Prevention Program, and Gastar Gas Management System.

- BCA portal is used to populate new accounts and controls the data flow into several FCG databases. The costs of enhancing the system is included in this account. System portal enhancements added functionalities to allow more data details for new and existing customers and improved data flow/integration into other FCG systems.

- Cognizant Power BI Enhancements are custom analytical algorithms, operational metrics and dashboards created for Power BI to enhance the sharing of data between systems and processes that will assist with quality control measurement and efficiency improvements.

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[17] See Order No. 91242, issued July 24, 2024, in Case No. 9721, *Chesapeake Utilities Corporation, Sandpiper Energy, Inc. and Elkton Gas Company's Joint Petition for Approval of Changes in their Depreciation Rates.*

[18] Order No. PSC-2023-0384-PAA-EI, issued December 21, 2023, in Docket No. 20230079-EI, *In re: Petition for approval of 2023 depreciation study by Florida Public Utilities Company.*

[19] Order No. PSC-2024-0366-PAA-GU, issued August 19, 2024, in Docket No. 20240060-GU, *In re: Petition for approval to establish new regulatory subaccounts, amortization rates, and reclassification of associated investment and reserve balances, by Florida Public Utilities Company.*

[20] Delaware Public Service Commission, Docket No. 24-0906, *In the matter of the application of Chesapeake Utilities Corporation for a general increase in its natural gas rates and for approval of certain other changes to its natural gas tariff,* filed August 12, 2024.

- Damage Prevention Program software is used to help prevent underground asset damage by providing field operatives with real-time, up-to-date facility locating and marking data.

- GASTAR is used to manage natural gas information from all points of the natural gas supply chain to streamline FCG's business process. It was specifically designed to provide all necessary data to the marketers (TPS) to transact and manage FCG's business within the rules of the current tariff. The integrated system is cloud-based and was placed into service in 2019.

Given these software applications were being amortized at 12 years, at the time of acquisition, FCG proposes a 15-year amortization period to align the amortization with all of CUC's other natural gas business units. An average age of 2.1 years results in a remaining amortization period of 12.9 years for the January 1, 2025 embedded net investment of 1,828,794.[21] For subsequent vintages, a 15-year amortization period equating to a 6.67 % depreciation/amortization rate is proposed.

Account 3032 – Miscellaneous Intangible Plant - 20 Years - CIS/ERP Systems

This account includes the cost of cloud-based software assets with an estimated life expectancy of 20 years. The restated investment and reserve as of January 1, 2025 are $6,944,592 and $1,284,750, respectively.

CUC is actively consolidating the different core business processes of its Delaware, Florida, and Maryland companies into single platforms that can be utilized by all business units. The new state-of-the-art Customer Information System ("CIS") was placed into service in 2024 and Enterprise Resource Planning ("ERP") system is expected to be operational in 2026. The allocated cost of the new CIS system is $1.1 million[22] and the ERP system is currently estimated to be $3.2 million[23].

The new CIS platform will be capable of providing enhanced accounting tools, cross-functional communication, data tracking and analyses, and other business processes in the areas of customer service, billing and information, financial performance, supply chain/inventory, human resources, and asset management. Additionally, it will provide CUC a more flexible platform for enhancing the customer experience with a new set of customer service and communication tools. Being a cloud-based platform, the new CIS will be continuously updated and maintained.

ERP is a type of business process management software that includes procurement, cash management, and the general ledger in an integrated system. The benefits of the software include improved reporting; increased productivity, efficiency, and integration of information; faster responses to inquiries and better customer satisfaction; standardization and centralization of data

[21] The embedded net investment has been corrected to reflect the January 1, 2025 investment less reserve. There is no change to the Study Workbook.
[22] The cost allocation for the new CIS is based on customer count.
[23] The cost allocation for ERP is based on the Distrigas allocation methodology using revenues, gross plant, and direct labor.

that is secure and reliable; reduced processing time; better decision making and higher return on investment; and better communication and increased sharing of information across different departments. Like the new CIS platform, ERP is cloud based and will be continuously updated and maintained.

FCG was authorized by the Florida Public Service Commission to establish a new subaccount 303.20, for the purposes of recording Starnik Customer Information System assets at an annual depreciation rate of 5 percent[24]. CUC proposes that the cost of these systems be recorded in the same account, Account 3032, Miscellaneous Intangible Plant, and amortized over a period of 20 years, based on judgement and discussions with Company personnel. The Company requests that the amortization period for ERP be implemented at its in-service date.

STORAGE PLANT

The storage plant accounts (Accounts 3642, 3643, 3645, and 3646) are associated with a liquefied natural gas (LNG Facility) placed in service in 2023.[25] The assets include truck loading facilities, three 90,000-gallon storage tanks, and vaporization equipment. The combined investment and theoretical restated reserve balances at December 31, 2024 are $60,013,891 and $1,200,277, respectively. Over 99% of the Storage Plant investment is in Account 3646, Compressor Station Equipment.

Depreciation rates and parameters were initially prescribed in the 2017 Depreciation Study with a 50-year average service life and zero net salvage with an S4 curve shape to apply when those assets went into service in 2023. At this time there is insufficient historical data on which to perform statistical analyses. Based on judgment, the type of assets, and intended operations, this Study recommends continued use of a 50-year average service life with the S4 Iowa Curve (dispersion).

This account includes any salvage and removal related to structures and other types of equipment used connection with liquefied natural gas terminaling and processing operations. While it is reasonable to expect cost of removal to exceed salvage, there is no basis at this time to propose such. Continued use of a zero net salvage is proposed at this time and will be evaluated as actual experience is incurred in the future.

DISTRIBUTION PLANT

ACCOUNT 3743: RIGHT-OF-WAY

This account contains the cost of easements and right-of-ways associated with distribution property, mainly mains and services. The investment and theoretical restated reserve as of January

[24] Order No. PSC-2020-0489-PAA-GU, issued December 11, 2020, in Docket No. 20200191-GU, *In re: Petition for approval of amortization rate for Stamik customer information system and other software accounting adjustments, by Florida City Gas.*
[25] The LNG Facility is located in Homestead.

1, 2025 are $11,132 and $4,618, respectively. There is currently no life or salvage prescribed for these investments.

Easements and right-of-way usually have no end date and are held in perpetuity or until the underground facilities are abandoned, it is not uncommon to have a very limited level of retirements making the results of statistical analyses for life or salvage meaningless. For these reasons, the life of this account should reflect the longest-lived distribution asset account, Plastic Mains, Account 3761. Based on the type of assets in this account and judgement, this Study proposes an average service life of 75 years with a SQ mortality dispersion. Taken together with an average age of 31 years results in a proposed average remaining life of 44 years.

A 0% net salvage is common for this type investment and is proposed as reasonable for this account.

ACCOUNT 3750: STRUCTURES AND IMPROVEMENTS

This account is comprised of structures and improvements related to gas distribution operations. The investment includes the cost of all buildings and fixtures permanently attached to structures like fencing, paving and small communications buildings rather than larger pre-fab or masonry buildings. The investment and theoretical restated reserve balances at January 1, 2025, are $273,829 and $38,884, respectively. The average service life underlying the current prescribed average remaining life is 33 years with an L0 curve.[26]

There have been no retirements reported during the 2021-2024 period and the retirement rate for the 2004-2024 period averaged 7.73% with only three years, 2009, 2010, and 2017, experiencing any retirements. Other Florida gas utilities estimate average service lives ranging from 33 years to 40 years, averaging 35 years. The 2022 Depreciation Study[27] proposed a 35-year average service life with an R4 curve. That Study found that the statistical analysis indicated a similar service life to that proposed in the 2017 Depreciation Study[28] with a lower mode curve. A 35-year R4 curve was proposed as being a reasonable fit to the historical data once less consideration was given to larger retirements in 2017. Based on the above, this Study proposes that the 35-year R4 curve as proposed in the 2022 Study is reasonable. Using an average age of 4.8 years results in an average remaining life of 30 years.

The currently approved net salvage is 0%. As noted in the 2022 Depreciation Study, there is limited data for this account, and therefore no statistical support for a change in net salvage. Estimates for gas utilities in Florida range from 0% to (5)%, averaging (1)%. At this time, FCG proposes no

[26] Order No. PSC-2023-0177-FOF-GU.
[27] The 2022 Depreciation Study was prepared by Gannett Fleming Valuation and Rate Consultants, LLC in Docket No. 20220069.
[28] See Order No. PSC-2018-0190-GU, issued April 20, 2018, in Docket No. 20170179, *In re: Petition for rate increase by Florida City Gas,* p.36.

change to the existing net salvage factor. FCG's next depreciation study will examine future trends in this account.

ACCOUNT 376: MAINS

FCG currently has nearly 1,747 miles of cathodically protected steel mains and 2,133 miles of plastic mains.

ACCOUNT 3761: MAINS – PLASTIC

This account includes the cost of gas distribution plastic mains. Plastic mains are used for pressures of 60 PSI and below. FCG has a program to replace mains running through less assessable parts of customer property (e.g., backyards) with mains located in more accessible areas. The January 1, 2025 investment and theoretical restated reserve balances are $237,376,057 and $41,659,498, respectively.

Regarding the life of plastic pipe, some studies project lives as long as 100 years, but they often do not factor in operational realities. Moreover, the studies do not consider external factors such as soil conditions, system operating pressures, maintenance procedures, street widening, system growth and forces of nature that will impact life expectations. Factoring these things in as well as the replacement of the early vintage plastic pipe and first-generation coated steel pipe, a 75-year average service life for the account remains reasonable.

The average service life and curve shape underlying the currently approved average remaining life are 75 years with an R2 Iowa Curve. The retirement rate for the 2004-2024 period averaged 0.20% with the most recent 2021-2024 period averaging 0.24%. This data indicates a higher mode curve than the underlying R2 curve. FCG proposes retaining the 75-year average service life but changing to an R2.5 curve shape as being in line with the historical miniscule retirements tempered with future retirement expectations of early vintages of plastic pipe and the replacement of mains running through less assessable parts of customer property (e.g., backyards) with mains located in more accessible areas. Using these parameters with a January 1, 2025 average age of 10.4 years results in a proposed average remaining life of 65 years.

Mains are typically retired in place. However, there are costs to retirements due to the need to excavate, cut, cap, and purge gas from the retired pipe. The currently approved net salvage is (33)%. The overall 2004-2024 average net salvage is (70)% with the most recent 2021-2024 period averaging (30)%. FCG proposes (30)% net salvage is in line with recent trends, easier accessibility to retired pipe, and expectations of other Florida gas companies. FCG's next depreciation study will examine future trends in this account.

ACCOUNT 3762: MAINS – STEEL

This account includes the cost of gas distribution steel mains. The January 1, 2025 investment and restated reserve balances are $143,280,076 and $58,888,111, respectively. FCG has a program to replace mains running through less assessable parts of customer property (e.g., backyards) with mains located in more accessible areas. All FCG steel mains are cathodically protected. When a steel main is retired, it is generally replaced with plastic unless the pressure requires steel. Mains are generally retired due to service connections, shallow pipe, or poor lining, as well as external factors such as damage, customer requested relocations, dig-ins, city or State relocations. The Company is replacing early vintage polymer pipe ("Orange Pipe") through the Safety, Access, and Facility Enhancement ("SAFE") Program due to safety concerns.

The average service life underlying the current approved average remaining life is 65 years with an R1.5 curve shape. The retirement rate for the 2004-2024 period 0.26% with the most recent 2021-2024 period averaging 0.49%. This lack of retirement activity makes statistical analysis results meaningless for life and salvage determinations. Other regulated Florida gas utilities have average service life expectancies in the range of 45 years to 65 years, averaging 54 years. Based on Company input and judgement, no change to the existing 65 years average service life is proposed. While historical retirements have been miniscule, recent years indicate an increase in retirement rates. Recognizing future expectations of retiring early vintage orange pipe due to safety concerns as well as the Company's program to replace mains running through less assessable parts of customer property (e.g., backyards) with mains located in more accessible areas, an R2.5 curve shape is proposed. Using the current average age of 21.5 years results in an average remaining life of 46 years.

Mains are typically retired in place. However, there are costs to retire due to the need to excavate, cut, cap, and purge gas from the retired pipe. 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 believes these costs should continue to decrease and proposes (40)% net salvage. Other gas companies in Florida have approved net salvage factors ranging from (30)% to (60)%, averaging (40)%. FCG proposes (40)% net salvage in line with recent trends, easier accessibility to retired pipe, and expectations of other Florida gas companies. FCG's next depreciation study will examine future trends in this account.

ACCOUNT 378: MEASURING AND REGULATING STATION EQUIPMENT - GENERAL

This account includes the installed cost of meters, gauges and other equipment used in measuring and regulating gas in connection with distribution system operation other than the measurement of gas deliveries to customers. The January 1, 2025 investment and theoretical restated reserve are $2,556,627 and $492,151, respectively, and represents only 0.4% of the total distribution plant investment.

FCG's regulator stations are above ground stations with most of the equipment typically outside. Stations that are located closer to the coast are more subject to corrosion and may be replaced at

earlier ages than stations located more inland. Many of the assets are similar to those in Account 379, Measuring and Regulating Station Equipment – City Gate, although they differ in size.

The current-approved average service life for general measuring and regulating equipment is 40 years with an R1.5 curve shape. The retirement rate during the 2021-2024 period averaged 0.11%. In fact, this account has experienced limited retirements historically. There has only been one retirement during the 2004-2024 period. This makes results of statistical analyses meaningless and reliance on projections of other Florida gas utilities warranted. The existing approved life is in line within industry expectations and FCG proposes no change. However, an S3 curve shape is proposed as a better fit with the historical miniscule retirements. Using the current average age of 7.5 years results in an average remaining life of 33 years.

There has been limited retirement and net salvage data for this account, but some cost of removal has been incurred mostly without any retirements. The existing approved net salvage is (10)%. The overall net salvage has averaged (369)% with the 2021-2024 averaging (175)%. Given that this data is based on a relatively small number of retirements, the Company does not believe it is indicative of future expectations. Net salvage estimates for other gas companies in the State range from (2)% to (20)% averaging (9)%. FCG proposes no change to the current-approved net salvage of (10)%. FCG's next depreciation study will examine future trends in this account.

ACCOUNT 3790: MEASURING AND REGULATING STATION EQUIPMENT – CITY GATE

This account is composed of city gate distribution measuring and regulating station-related piping, regulators, control, odorizers, and other equipment.[29] Assets in this account are at locations where FCG interconnects and takes gas from transmission pipelines. Most equipment is outdoors rather than in buildings. The January 1, 2025 investment and restated theoretical reserve balances are $17,746,190 and $5,075,410, respectively. The average service life underlying the currently approved average remaining life of 40.64 years is 50 years with an R2.5 curve shape. The average age of the surviving investment is 13.8 years.

FCG continues capital improvements rebuilding and renewing existing gate stations. New gate stations should be expected to last longer than the older ones.

The account has experienced limited retirements making the results of statistical analyses meaningless. In fact, during the 2004-2024 period, retirements were incurred in only four years, the largest occurring in 2024. This data makes reliance on industry expectations necessary. Average service life expectations of other gas utilities in the State range from 32 years to 52 years, averaging 40 years. The existing 50-year average service life is within the range of reasonableness. Based on Company input, the type of assets in this account, and judgement, the Study proposes no change to the existing 50-year average service life. A higher mode curve to an R3 is proposed recognizing minimal retirements. The resulting average remaining life is 37 years.

[29] A city gate is the entry point for gas being taken from a transmission system to a distribution system. FCG has more than 25 city gates.

The existing approved net salvage for city gate measuring and regulating equipment is (10)%. The high negative net salvage incurred during the 2021-2024 period results from very few retirements and not considered indicative of the future. The Company believes the net salvage for city gate and general station equipment should be similar. Other Florida gas utilities have prescribed net salvage factors ranging from (2)% to (20)%, averaging (9)%. At this time, FCG proposes no change to the existing (10)% net salvage. FCG's next depreciation study will examine future trends in this account.

ACCOUNT 380: SERVICES

FCG currently has 48,943 steel services and 85,724 plastic services. Distribution service lines from the main to the customer's premises. The services investments comprise over 60% of the distribution investments and over 50% of the total plant investments.

ACCOUNT 3801: SERVICES – PLASTIC

Plastic services are more commonly installed than steel services today. Investment and restated theoretical reserve balances as of January 1, 2025 are $128,613,988 and $25,915,719, respectively. The average service life underlying the currently approved average remaining life is 55 years with an R1.5 curve shape.

When a steel service is retired, the replacement is plastic unless pressure requirements dictate steel. When a plastic service is retired, the replacement is plastic. Most plastic retirements are for relocation or inactivity. Some early generation plastic pipe (Aldyl-A pipe) is being replaced with new generation pipe due to safety concerns. FCG has a program to replace mains and services running through less assessable parts of customer property (e.g., backyards) with mains and services located in more accessible areas.

Plastic services are likely to experience life expectancies longer than 50 years. The retirement rate for the account during the 2021-2024 period has averaged less than 1%. In fact, the retirement rate for the 2004-2024 also averaged less than 1%. This activity makes results of statistical analysis for life and salvage factors meaningless. Other gas companies in Florida have estimated average service lives ranging from 40 years to 55 years, averaging 48 years.

Based on the type of assets in this account, and judgement, this Study proposes no change the existing 55-year average service life. However, FCG proposes an R1.5 curve shape as being in line with the expected retirement experience of the account. Using an average age of 10.5 years, results in an average remaining life of 47 years.

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. Other Florida gas utilities have net salvage factors ranging from (30)% to (75)%, averaging (41)%. At this time, the Company proposes a decrease to (40)% net salvage given easier accessibility to the retired

service as well as projections from other Florida gas utilities. The next depreciation study will examine future trends in this account.

SERVICES 380.2: SERVICES – STEEL

This account includes the cost of steel distribution service lines, which run from the distribution main to the customer's premises. The January 1, 2025 investment and reserve are $16,378,776 and $15,969,307, respectively. The average service life underlying the existing approved average remaining life is 52 years with an R0.5 curve shape. The current average age of the surviving investment is 34.5 years.

Services are often replaced when mains are replaced. Steel services are added only if pressure requirements dictate (any system running over 100 psig). As is the case with many of FCG's long-lived accounts, there is insufficient data for meaningful statistical analyses results. Prior to 2013, the FPSC required services inactive for 5 years to be removed. Since 2013, the requirement changed from 5 to 10 years inactive but FCG had to catch up on all earlier removal obligations. Some riser connections were replaced due to corrosion but are less now that service lines are wrapped. Programs such as the replacement of mains running through less accessible parts of customer property (e.g., backyards) will often result in retirements of services as well. Retirements also occur due to identified risk factors (such as service connections, shallow pipe or poor lining) as well as external factors such as damage or customer requested relocations. FCG has no plans for the retirement of its steel service lines.

The retirement rate during the 2021-2024 period averaged 0.06%. In fact, the retirement rate during the 2004-2024 period also averaged less than 1%. This data makes the results of statistical analyses meaningless and reliance on industry parameters necessary. Average service life estimates for other gas companies in Florida range from 48 years to 60 years, averaging 54 years. Based on input from the Company, the type of assets in this account, and judgment, this Study proposes a slight increase in average service life to 60 years. An R1.5 curve is also proposed as being more indicative of future retirements. The resulting average remaining life using the current average age of 34.5 years is 34 years.

Net salvage consists of any salvage and removal cost associated with the retirement of steel services. The currently approved net salvage is (125)%. The overall net salvage 2004-2024 is (365)% with the most recent 2021-2024 period being more than (3,000)%. Other gas companies estimate net salvage ranging from (30)% to (130)%, averaging (85)%. The miniscule retirement activity makes reliance on historical removal costs meaningless for future projections. At this time, FCG proposes no change to the current approved net salvage of (125)% although given easier accessibility to the retired service should have a lowering impact on removal costs. The next depreciation study will examine future trends.

ACCOUNT 3810: METERS

This account includes the cost of residential and commercial meters or devices and appurtenances thereto, for use in measuring gas delivered to users whether actually in service or held in reserve and the material cost of other meters in revolving stock. Meters are often replaced when the encoder transmitters equipment ("ERTs") meter modules are replaced. The January 1, 2005 investment and theoretical restated reserve are $24,399,075 and $9,352,165, respectively. The average service life underlying the currently prescribed average remaining life is 19 years with an R2 mortality dispersion.

The accounting treatment for meters is cradle to grave; that is, a meter is capitalized upon purchase and not retired until it is junked. Moving the meter from premise to premise does not result in a retirement. When a meter can no longer be repaired it is junked. Operations report that when a meter is removed from a premise, it is not necessarily retired, but tested and put back into service in accord with the meter sampling program. If the premise is vacant for two years, the meter is required to be removed and the riser is plugged. Other gas companies in the State estimate service lives ranging from 20 years to 28 years, averaging 25 years. 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. Based on input from Company personnel, the type of assets, and judgement, a slight increase in average service life to 20 years and no change to the existing R2 curve is proposed. Using an average age of 8.7 years results in a proposed average remaining life is 12.7 years.

The currently approved net salvage for this account is 3%. While there is limited net salvage data, the overall net salvage 2004-2024) is (4)% with the most recent 2021-2024 years averaging (13)%. This Study proposes (5)% net salvage consistent with the historical data and judgement. The next Study will examine future trends in this account.

ACCOUNT 381.1: METERS - ERT

This account includes the cost of ERT meter modules. The investment and theoretical restated reserve as of January 1, 2025 are $4,266,834 and $640,025, respectively. ERTs were installed in the 2009 timeframe. The average service life underlying the existing approved average remaining life is 19 years with an R2 curve shape.

When an ERT fails, both the ERT and meter are often retired and replaced. From an operations perspective, ERTs may last up to 20 years with heat being a force of retirement. A 20-year average service life is common for these types of assets, although some utilities have had to replace meter modules sooner due to either new technologies or failures. This Study proposes a 20-year average service life for ERTs. Using an average age of 3.4 years with a 20-year average service life results in a proposed average remaining life of 17 years.

The currently prescribed net salvage estimate for this account is 3%. There is limited net salvage data to analyze with only 3 years of the 2017-2024 period reporting any removal costs from retirements. Both historically and the most recent 4 years have averaged (1)% net salvage. This Study proposes a net salvage of 0%. The next study will examine future trends.

ACCOUNT 3820: METER INSTALLATIONS

This account includes the costs associated with the installation and servicing of meters for both residential and commercial. Meter installations are not necessarily retired when meters are retired, although in some circumstances the meter installation may be replaced with the meter (such as if there is corrosion). The investment and theoretical restated reserve as of January 1, 2025 are $6,362,150 and $1,307,422, respectively.

The accounting treatment when a meter, meter loop, or a family of meters are junked or replaced, is a retirement of installation costs. If a meter is replaced, the installation cost of the replacement is capitalized as a new installation. When the year of installation is unknown, the First-In,First-Out[30] ("FIFO") method is used to process the retirement. For every meter set retirement, one unit cost of meter installation and regulator installation is retired. Service retirements may also result in the retirements of meter installations.

The average service life underlying the currently approved average remaining life is 44 years with an R1 curve. The January 1, 2025 average age is 12.7 years. Other Florida gas companies estimate average service lives in the range of 34 years to 45 years, averaging 41 years. The retirement rate during the 2021-2024 period averaged 14.97% with the 2004-2024 averaging 4.27%. Based on historical data, communications with Company personnel, and judgement, this study proposes no change to the existing average service life or curve shape at this time. The resulting average remaining life is 35 years.

The currently approved net salvage for this account is (25)%. The historical data indicates (3)% net salvage with the most recent 4 years being zero. Other gas companies have net salvage estimates in the range of (5)% to (35)%, averaging (23)%. This Study proposes zero net salvage in line with the experience of the account. The next Study will examine future trends in this account.

ACCOUNT 3821: METER INSTALLATIONS – ERT

This account includes the costs associated with the installation of ERTs for both residential and commercial meters. The investment and restated reserve as of January 1, 2025 are $258,204 and $6,171, respectively.

This account has a negative book reserve balance at January 1, 2025 due to an unusually large retirement in 2021 at 6.5 years of age. Over 40% of those retirements were from the 2020 vintage with 70% from the 2009 and 2020 vintages. The Company has proposed a reserve transfer from Account 3762, Steel Mains, to eliminate the negative book reserve balance of ($1,172,264). The book reserves for both accounts have been restated to reflect the theoretical reserve balances.[31]

[30] Utilizing FIFO, asset retirements are recorded to the earliest vintages.
[31] See Workbook Sch E-3 for proposed reserve transfer details.

The accounting treatment when a meter, meter loop, or a family of meters are junked or replaced, is a retirement of installation costs. If a meter is replaced, the installation cost of the replacement is capitalized as a new installation. When the year of installation is unknown, the FIFO method is used to process the retirement. For every meter set retirement, one unit cost of meter installation and regulator installation is retired.

The average service life underlying the existing average remaining life is 44 years with an R1 curve, the same as for meter installations. There is limited data for meaningful statistical analysis. Based on communications with Company personnel and judgement, FCG proposes no change to service life or curve parameters. Using an average age of 0.8 years results in an average remaining life of 43 years.

The currently approved net salvage for this account is (25)%. There is limited data for the net salvage analysis. At this time, FCG proposes zero net salvage, the same as for Account 3820. The next Study will examine future trends in this account.

ACCOUNT 3830: HOUSE REGULATORS

This account includes the cost of house regulators. Each customer location typically has a house regulator as FCG does not have a low-pressure system. The January 1, 2025 investment and theoretical restated reserve are $7,527,623 and $1,615,428, respectively. The average service life underlying the current approved average remaining life is 42 years with an S1 curve. The average age of the surviving investment is 11.0 years.

The average retirement rate for the 2021-2024 period is 8.23%. For the 2004-2024 period, the retirement rate averaged 4.31%. The 2022 Depreciation Study[32] noted indications of a longer average service life. Other gas companies in the State estimate service lives for house regulators ranging from 30 years to 42 years, averaging 36 years. Based on the historical data, communications with Company personnel, and judgement, FCG proposes no change to the existing 42-year average service life but a change in the curve shape to an S0. The change in curve shape is more in line with the current and expected retirement pattern of the account. The resulting average remaining life is 33 years.

The currently approved net salvage factor is zero. The overall 2004-2024 net salvage is 0% with the most recent 2021-2024 years also averaging 0%. The proposal is to continue to use the current approved zero net salvage. The next Study will examine future trends in this account.

ACCOUNT 3840: HOUSE REGULATOR INSTALLATIONS

This account includes the costs of installation and servicing of house regulators for both residential and commercial. The January 1, 2025 investment and theoretical restated reserve are $2,065,464

[32] The 2022 Depreciation Study was that prepared by Gannett Fleming Valuation and Rate Consultants, LLC in Docket No. 20220069.

and $613,649, respectively. The average service life underlying the currently approved average remaining life is 47 years with an R1 curve shape. The current average age of the surviving investment is 19.9 years.

Retirements have been erratic at best with many years having no recorded retirements. The largest retirement during the 2021-2024 period occurred in 2021. This data does not lend meaningful statistical analysis results. Other gas companies in the State estimate the life of house regulator installations in the range of 34 years to 47 years, averaging 42 years. At this time, FCG proposes no change to the existing 47-year average service life or R1 curve shape. The R1 curve is in line with recent retirement experience.

There has been limited data for net salvage. Of the 21 years of data available, retirements occurred in only 8 years, 4 of which were in the 2021-2024 period. No net salvage was realized in any year. The currently approved net salvage factor is zero. The Company believes continuation of this net salvage factor is appropriate. The next Study will examine future trends in this account.

ACCOUNT 3850: INDUSTRIAL MEASURING AND REGULATING STATION EQUIPMENT

The investment in this account includes the costs of industrial measuring and regulating station equipment. The account includes meter sets for larger customers and many of the assets are similar to those in Account 378, Measuring and Regulating Station Equipment. The January 1, 2025 investment and theoretical restated reserve are $3,740,797 and $2,169,662, respectively.

The average service life underlying the current approved average remaining life is 37 years with an R3 curve. It is reasonable to expect similar life characteristics for this account as for Account 378. During the 2021-2024 period, only 2021 incurred any retirements. In fact, over the past 20 years, only one other year incurred small retirements. The retirement rate averaged less than 1%. It is reasonable to expect similar life characteristics for this account as for Account 378. Considering the overall lack of retirements, and continued expectations of similar life characteristics to Account 3780, FCG proposes a slight increase in average service life to 40 years and S3 mortality curve based on history and judgement. Using an average age of 24.3 years and an S3 curve results in an average remaining life of 16.8 years.

The currently approved net salvage factor is (2)%. There is limited account net salvage data, historically averaging 0%. Other gas companies in the State estimate net salvage for this investment in the range of (5)% to zero, averaging (1)%. Most gas companies estimate 0% net salvage. At this time, the Company proposes 0% net salvage. The next Study will examine future trends in this account.

ACCOUNT 3870: OTHER EQUIPMENT

This account includes equipment not included in other distribution accounts such as leak detector, pipe locators, pipe locators, odor meters, pressure gauges, and voltmeters. The investment and theoretical restated reserve as of January 1, 2025 are $2,783,990 and $554,571, respectively. The

average service life underlying the current approved average remaining life is 24 years with an L2 curve. The average age of the surviving investment is 7.0 years.

Over the past 21 years, retirements only occurred in two years, 2017 and 2024. One year shows removal cost without any associated retirements. The sparse retirements are insufficient to provide meaningful statistical analyses results. Other gas utilities in the State have service life projections in the range of 14 years to 30 years, averaging 24 years. The 2022 Depreciation Study[33] proposed a 35-year service life and R3 survivor curve as being a good fit of the historical data 1962-2020. With three additional years of data, the Company believes the 35-year service life and R3 curve remains reasonable and is proposed at this time. The resulting average remaining life is 28 years.

There has been limited net salvage data. The current approved net salvage factor is zero. The recommendation is to continue this net salvage parameter.

GENERAL PLANT

GENERAL PLANT AMORTIZATION

As part of FCG's 2017 Depreciation Study[34], adoption of vintage group accounting for certain general plant accounts was proposed and subsequently approved by Order No. PSC-2018-0190-FOF-GU.

With the vintage amortization policy, the tracking of location and retirement of the subject assets is no longer needed. Assets older than the average service life are retired and then the remaining investment in each account are amortized using the amortization rates shown on, Sch D of the attached workbook. As assets reach the average service of each account, the associated original cost is retired from the books and records annually.

Based on discussions with Company personnel, CUC seeks to adopt uniform amortization periods for these accounts across all natural gas distribution business units. If approved, FCG would adopt the same amortization periods as CUC's other natural gas business units. These amortization periods are based on judgement and were approved in the latest depreciation studies for CUC Florida Public Utilities Company's consolidated natural gas division[35] and CUC-Maryland[36]. They have also been proposed in the CUC-Delaware 2024 depreciation study.

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[33] The 2022 Depreciation Study was that prepared by Gannett Fleming Valuation and Rate Consultants, LLC in Docket No. 20220069.
[34] Docket No. 20170179-GU
[35] See Order No. PSC-2023-0103-FOF-GU, issued March 15, 2023, in Docket No. 20220067-GU, *In re: Petition for rate increase by Florida Public Utilities Company, Florida Division of Chesapeake Utilities Corporation, Florida Public Utilities Company - Fort Meade, and Florida Public Utilities Company – Indiantown Division.*
[36] See Order No. 91242, issued July 24, 2024, in Case No. 9721, *Chesapeake Utilities Corporation, Sandpiper Energy, Inc. and Elkton Gas Company's Joint Petition for Approval of Changes in their Depreciation Rates.*

Accordingly, the assets greater than the average service life of each affected account as of January 1, 2025, were identified and retired. A total of $13,189 is identified as exceeding the average service lives for the affected accounts and designated for retirement. Additionally, the book reserve for each account subject to vintage group amortization was compared to its theoretically correct level to determine any reserve imbalance. The resulting reserve surplus identified was $43,469 and a 2-year amortization period is proposed for recovery.

ACCOUNT 3900: STRUCTURES AND IMPROVEMENTS

This account includes costs associated with general structures and improvements used in connection with general plant. This includes the cost of all buildings, including roofing, plumbing, air conditioning systems, electrical and yard improvements. FCG has service centers in Brevard, Port St. Lucie, and Miami-Dade Counties. A new office building was added in 2024 in Port St. Lucie. The investment and theoretical restated reserve as of January 1, 2025 are $13,115,013 and $2,295,127, respectively.

The average service life underlying the current approved average remaining life is 25 years with an L0 curve shape.[37] The analysis in the 2022 Depreciation Study[38] proposed a service life of 30 years with an S0.5 curve shape.

There have been no retirements since the last depreciation study. In fact, the account has experienced retirements in only three years over the 2004-2024 period. The retirement rate for the 2004-2024 period averaged 2.23% with the most recent five years incurring no retirements. This data makes reliance on industry projections necessary. Other Florida gas utilities project average service lives ranging from 25 years to 40 years, with most at 40 years. This Study proposes an increase in average service life to 40 years as being more in line with other Florida gas company expectations. Using an average age of 7.5 years results in an average remaining life of 33 years. The retirement rate for the 2004- 2024 period averaged 2.23% with the most recent five years incurring no retirements. Based on judgement and discussions with Company personnel, a 40-year average service life and S0.5 curve are proposed. Using these parameters results in a remaining life of 33 years.

The currently approved net salvage factor is zero. The overall average net salvage, 2004-2024, is (5)% with the most recent 2021-2024 averaging 0%. There are years reflecting retirements with no net salvage and years showing removal costs with no retirements. Other gas companies in the State have prescribed net salvage factors ranging from zero to 10%, averaging 3%. Items in this account such as air conditioning systems, water supply systems, roof, paving, and fire protection systems having a replacement cost over $10,000 are likely to incur removal costs upon retirement in the future reducing the gross salvage realized from a building sale and conceivably offsetting

[37] See Order No. PSC-2023-0177-FOF-GU.
[38] The 2022 Depreciation Study was that prepared by Gannett Fleming Valuation and Rate Consultants, LLC in Docket No. 20220069.

gross salvage all together. At this time, the Company proposes 0% net salvage for this account. The next depreciation study will examine future trends and developments.

ACCOUNT 392X: TRANSPORTATION EQUIPMENT

FCG proposes restatement of its transportation assets based on CUC's other natural gas business units currently approved subaccounts as shown on Schedule I of the attached workbook. The retirement of motor vehicles for each CUC business unit is based on age, mileage, and maintenance costs. The newly proposed subaccounts are:

ACCOUNT 3921: TRANSPORTATION EQUIPMENT – CARS

This account includes the cost of 10 automobiles. The January 1, 2025 investment and theoretical restated reserve are $324,144 and $201,779, respectively. The average service life underlying the current approved average remaining life is 9 years with an L2.5 curve shape. The average age of the surviving investment is 10.6 years. This data suggests a longer average service life is warranted.

While passenger cars tend to have a 5-7 years life, recognizing the current age, FCG's cars appear to be experiencing a longer life. This Study proposes a 12-year average service life recognizing the age of these vehicles and in line with the Company retirement policy of motor vehicles. An S2 curve is proposed as being more indicative of future expectations. The resulting average remaining life is 3.7 years.

The currently prescribed net salvage factor is 11%. It is likely that vehicles retiring at an older age will not realize as much salvage. Based on judgement, a 10% net salvage is proposed. The next depreciation study will examine future trends and developments in this account.

ACCOUNT 3922: TRANSPORTATION EQUIPMENT – LIGHT AND MEDIUM TRUCKS, SUVS AND VANS

The investment and theoretical restated reserve on January 1, 2025 associated with this account are $8,392,837 and $2,516,173, respectively. The average service life underlying the currently approved average remaining life is 10 years with an L3 curve.

Based on historical data and judgement, the Company proposes an increase in average service life to 12 years and an S2 curve. Used with an average age of 4.7 years results in an average remaining life of 7.5 years.

The currently prescribed net salvage factor is 11%. The net salvage realized during the 2021-2024 period averaged 37%. Based on history and judgement, this Study proposes an average net salvage of 20%. The next depreciation study will examine future trends and developments in this account.

ACCOUNT 3923: TRANSPORTATION EQUIPMENT – HEAVY TRUCKS

The January 1, 2025 investment and theoretical restated reserve for Heavy Trucks are $1,040,846 and $554,979, respectively. The average service life underlying the currently approved average remaining life is 12 years with an L2 curve. The average age of the surviving investment is 8.7 years.

The Commission approved use of a 13-year average service life and an L3 mortality dispersion for this account as result of FCG's 2017 Depreciation Study.[39] The 2022 Depreciation Study[40] proposed no change to these parameters.

This Study proposes a 13-year average service life with an L3 curve that is more in line with CUC's motor vehicle retirement policy and other CUC business units. The resulting average remaining life is 5.3years.

The current approved net salvage factor for heavy trucks is 4%. Net salvage has averaged 0% during the 2021-2024 period. However, some salvage should be expected from the retirement of heavy trucks. Based on judgement, the Company proposes 10% net salvage.

ACCOUNT 3924: TRANSPORTATION EQUIPMENT – TRAILERS

The investment and theoretical restated reserve on January 1, 2025 are $174,493 and $88,991, respectively. The average service life underlying the current approved average remaining life is 12 years with an L2 curve. The age of the surviving investment is 13.8 years.

FCG proposes an increase in average service life to 20 years in light of the current age of the vehicles. The L2 curve remains reasonable and no change is proposed. The resulting average remaining life is 9.8 years.

The currently approved net salvage factor is 4%. There have been no retirements or salvage activity during the 2021-2024 period. At this time, FCG proposes 0% net salvage.

ACCOUNT 3941: NATURAL GAS VEHICLE EQUIPMENT

This account consists of various tools and shop equipment used for natural gas charging stations. The January 1, 2025 investment and theoretical restated reserve are $1,564,203 and $ 664,786, respectively. The existing average service life of 20 years with an S4 mortality dispersion and 0% net salvage based on expectations from a subsidiary company, Elizabethtown Gas.

The current investment was placed in service in 2016 with no activity since. This data does not provide meaningful statistical analysis results. FCG proposes no change to the existing average

[39] See Order No. PSC-2018-0190-GU, issued April 20, 2018, in Docket No. 20170179, *In re: Petition for rate increase by Florida City Gas,* p.36.
[40] The 2022 Depreciation Study was that prepared by Gannett Fleming Valuation and Rate Consultants, LLC in Docket No. 20220069.

service life, curve shape, or net salvage at this time. The resulting average remaining life is 11.5 years.

ACCOUNT 3960: POWER OPERATED EQUIPMENT

This account includes the cost of non-road power operated equipment such as bulldozers, forklifts, pile drivers, and tractors used in construction or repair work exclusive of equipment includible in other accounts. The January 1, 2025 investment and theoretical restated reserve are $278,349 and $98,536, respectively.

This account was not prescribed a revised depreciation rate per Order No. PSC-2023-0177-FOF-GU. Therefore, the existing depreciation rate and life and salvage parameters are those approved in the Company's 2017 Depreciation Study.[41] The average service life underlying the approved average remaining life is 15 years with an SQ curve.

The retirement rate during the period 2021-2024 averaged 3.80% and 2.51% during the period 2004-2024. The average age of the January 1, 2025 surviving investment is 6.6 years. Assets in the account vary from forklifts with a 20-year life expectancy to backhoes with a 12 to 13-year life expectancy. Discussions with FCG personnel indicate the existing 15-year average service life remains appropriate for the assets. Based on the mix of the account assets, the Company proposes retaining of the existing 15-year average service life. With only two years reporting retirements, the results of statistical analysis are meaningless. Even though retirement activity has been sporadic, an L2 curve is proposed as being more in line with expected retirement activity. The resulting average remaining life is 9.1 years.

The existing prescribed net salvage factor is 10%. Gross salvage can be realized from the retirement of power operated equipment with minimal if any removal cost. Based on judgment, this Study proposes no change to the existing 10% net salvage factor.

[41] See Order No. PSC-2018-0190-GU, issued April 20, 2018, in Docket No. 20170179, *In re: Petition for rate increase by Florida City Gas*, p.36.

IOWA CURVE ELG / VINTAGE GROUP PROJECTION LIFE TABLE
AVERAGE SERVICE LIFE AND REMAINING LIFE BY AGE FOR CURVE TYPE = S3

	SERVICE LIFE											
	<— PROJECTION LIFE 29.0 —>				<— PROJECTION LIFE 30.0 —>				<— PROJECTION LIFE 31.0 —>			
AGE	SURVIVOR CURVE	SER-VICE LIFE	ELG REMAIN LIFE	VG REMAIN LIFE	SURVIVOR CURVE	SER-VICE LIFE	ELG REMAIN LIFE	VG REMAIN LIFE	SURVIVOR CURVE	SER-VICE LIFE	ELG REMAIN LIFE	VG REMAIN LIFE
0.0	1.00000	27.04	27.04	29.00	1.00000	27.97	27.97	30.00	1.00000	28.90	28.90	31.00
0.5	1.00000	27.04	26.54	28.50	1.00000	27.97	27.47	29.50	1.00000	28.90	28.40	30.50
1.5	1.00000	27.04	25.54	27.50	1.00000	27.97	26.47	28.50	1.00000	28.90	27.40	29.50
2.5	1.00000	27.04	24.54	26.50	1.00000	27.97	25.47	27.50	1.00000	28.90	26.40	28.50
3.5	1.00000	27.04	23.54	25.50	1.00000	27.97	24.47	26.50	1.00000	28.90	25.40	27.50
4.5	0.99999	27.04	22.54	24.50	1.00000	27.97	23.47	25.50	1.00000	28.90	24.40	26.50
5.5	0.99997	27.04	21.54	23.50	0.99998	27.97	22.47	24.50	0.99998	28.90	23.40	25.50
6.5	0.99991	27.05	20.55	22.50	0.99993	27.98	21.48	23.50	0.99995	28.91	22.41	24.50
7.5	0.99977	27.06	19.56	21.51	0.99982	27.99	20.49	22.50	0.99985	28.92	21.42	23.50
8.5	0.99944	27.08	18.58	20.51	0.99956	28.00	19.50	21.51	0.99965	28.93	20.43	22.51
9.5	0.99880	27.11	17.61	19.52	0.99905	28.03	18.53	20.52	0.99924	28.96	19.46	21.52
10.5	0.99767	27.17	16.67	18.55	0.99814	28.08	17.58	19.54	0.99851	29.00	18.50	20.53
11.5	0.99578	27.24	15.74	17.58	0.99661	28.15	16.65	18.57	0.99727	29.06	17.56	19.56
12.5	0.99282	27.34	14.84	16.63	0.99420	28.24	15.74	17.61	0.99530	29.14	16.64	18.60
13.5	0.98839	27.48	13.98	15.70	0.99061	28.36	14.86	16.67	0.99233	29.25	15.75	17.65
14.5	0.98212	27.65	13.15	14.80	0.98540	28.51	14.01	15.76	0.98806	29.39	14.89	16.72
15.5	0.97344	27.86	12.36	13.93	0.97824	28.70	13.20	14.87	0.98212	29.56	14.06	15.82
16.5	0.96200	28.11	11.61	13.09	0.96869	28.93	12.43	14.01	0.97409	29.77	13.27	14.95
17.5	0.94723	28.40	10.90	12.28	0.95626	29.20	11.70	13.19	0.96363	30.01	12.51	14.10
18.5	0.92880	28.73	10.23	11.52	0.94062	29.50	11.00	12.40	0.95036	30.29	11.79	13.29
19.5	0.90631	29.10	9.60	10.79	0.92143	29.85	10.35	11.65	0.93394	30.61	11.11	12.52
20.5	0.87954	29.50	9.00	10.11	0.89830	30.23	9.73	10.93	0.91404	30.97	10.47	11.78
21.5	0.84839	29.95	8.45	9.46	0.87116	30.65	9.15	10.26	0.89042	31.37	9.87	11.08
22.5	0.81280	30.43	7.93	8.85	0.83993	31.10	8.60	9.62	0.86299	31.80	9.30	10.42
23.5	0.77305	30.95	7.45	8.28	0.80454	31.59	8.09	9.02	0.83171	32.26	8.76	9.79
24.5	0.72933	31.49	6.99	7.75	0.76529	32.11	7.61	8.46	0.79665	32.76	8.26	9.20
25.5	0.68224	32.07	6.57	7.25	0.72251	32.66	7.16	7.93	0.75795	33.28	7.78	8.64
26.5	0.63228	32.67	6.17	6.78	0.67653	33.24	6.74	7.44	0.71598	33.84	7.34	8.12
27.5	0.58024	33.30	5.80	6.34	0.62802	33.85	6.35	6.97	0.67117	34.42	6.92	7.63
28.5	0.52689	33.95	5.45	5.93	0.57761	34.48	5.98	6.54	0.62402	35.03	6.53	7.17
29.5	0.47311	34.62	5.12	5.55	0.52600	35.13	5.63	6.13	0.57512	35.66	6.16	6.73
30.5	0.41976	35.31	4.81	5.19	0.47400	35.80	5.30	5.75	0.52516	36.31	5.81	6.33
31.5	0.36772	36.02	4.52	4.86	0.42239	36.49	4.99	5.39	0.47484	36.98	5.48	5.95
32.5	0.31776	36.74	4.24	4.54	0.37198	37.20	4.70	5.05	0.42488	37.67	5.17	5.59
33.5	0.27067	37.48	3.98	4.25	0.32347	37.92	4.42	4.73	0.37598	38.38	4.88	5.25
34.5	0.22695	38.23	3.73	3.97	0.27749	38.66	4.16	4.44	0.32883	39.10	4.60	4.93
35.5	0.18720	39.00	3.50	3.70	0.23471	39.41	3.91	4.15	0.28402	39.83	4.33	4.63
36.5	0.15161	39.78	3.28	3.45	0.19546	40.17	3.67	3.89	0.24205	40.58	4.08	4.34
37.5	0.12046	40.57	3.07	3.22	0.16007	40.95	3.45	3.64	0.20335	41.34	3.84	4.07
38.5	0.09369	41.36	2.86	3.00	0.12884	41.73	3.23	3.40	0.16829	42.11	3.61	3.82
39.5	0.07120	42.17	2.67	2.78	0.10170	42.52	3.02	3.17	0.13701	42.90	3.40	3.57
40.5	0.05277	42.98	2.48	2.58	0.07857	43.33	2.83	2.96	0.10958	43.69	3.19	3.34
41.5	0.03800	43.81	2.31	2.39	0.05938	44.14	2.64	2.75	0.08596	44.49	2.99	3.13
42.5	0.02656	44.64	2.14	2.21	0.04374	44.96	2.46	2.55	0.06606	45.30	2.80	2.93
43.5	0.01788	45.48	1.98	2.03	0.03131	45.79	2.29	2.37	0.04964			
44.5	0.01161	46.32	1.82	1.86	0.02176	46.62	2.12	2.19	0.03637			
45.5	0.00718	47.17	1.67	1.71	0.01460	47.46	1.96	2.01	0.02591			
46.5	0.00422	48.02	1.52	1.55	0.00939	48.31	1.81	1.85	0.01788			
47.5	0.00233	48.88	1.38	1.41	0.00580	49.16	1.66	1.69	0.01194			
48.5	0.00120	49.74	1.24	1.26	0.00339	50.01	1.51	1.54	0.00767			
49.5	0.00056	50.61	1.11	1.13	0.00186	50.88	1.38	1.40	0.00470			

.30	2.60	2.72
.11	2.61	2.72
.94	2.44	2.53
.77	2.27	2.34
.61	2.11	2.17
.45	1.95	2.00
.29	1.79	1.84
.15	1.65	1.68

FLORIDA GAS COMPANIES AVERAGE SERVICE LIVES AND CURVE SHAPES UNDERLYING PRESCRIBED AVERAGE REMAINING LIVES

		Order No. PSC-2023-0215-PAA-GU St Joe		Order No. PSC-2023-0388-FOF-GU Peoples Gas		Order No. PSC-2023-0103-FOF-GU FPUC		Order No. PSC-2022-0153-PAA-GU Sebring Gas		Florida Average	FCG Current*		FCG 2025 Study	
		ASL	Iowa Curve	ASL	Iowa Curve	ASL	Iowa Curve	ASL	Iowa Curve	ASL	ASL	Iowa Curve	ASL	Iowa Curve
DISTRIBUTION PLANT														
3743	Land Rights/Right of Way			75	SQ	75	SQ			75			75	SQ
375	Structures & Improvements	40	S3	33	L0	40	S4			35	33	L0	35	R4
3761	Mains - Plastic	40	S3	75	R2	75	S3	45	S3	59	75	R2	75	R4
3762	Mains - Steel	40	S3	65	R1.5	65	S3	45	S3	54	65	R1.5	65	R4
376G	Mains - GRIP					75	S3							
377	Compressor Equipment			35	R2									
378	Measuring and Regulating Equip. - General	35	R3	40	R1.5	40	R3	33	R3	37	40	R1.5	40	S3
379	Measuring and Regulating Equipt. - City Gate	35	S3	52	R2	40	R3	32	R3	40	50	R2.5	50	R3
3801	Services - Plastic	42	S3	55	R2.5	55	S3	40	S2	48	55	R1.5	55	R1.5
3802	Services - Other	55	SQ	52	R0.5	60	S2	48	S1	54	52	R0.5	60	R1.5
380G	Services - GRIP					55	S3							
381	Meters	25	R4	20	R2	28	R3	25	R4	25	19	R2	20	R2
3811	Meters - AMR Equipment					28	R3							
	Meters - ERT										19	R2	20	R2
382	Meter Installations	40	S2	45	R1.5	45	S2	34	S2	41	44	R1	44	R1
3821	Meter Installations - MTU/DCU					45	S2							
	Meter Installations - ERTs										44	R1	44	R1
383	House Regulators	30	R4	42	S1.5	40	R4	30	R4	36	42	S1	42	S0
384	House Regulator Installations	40	S3	47	R1.5	45	S3	34	S2	42	47	R1	47	R1
385	Indus. Meas. & Reg. Station Equip	30	S4	39	R2.5	38	R3			36	37	R3	40	S3
387	Other Equipment	14		27	L1.5	30	S3	25	S4	24	24	L2	35	R3
GENERAL PLANT														
390	Structures & Improvemts.	40	R3	25	L0	40	R3	40	R3	36	25	L0	40	S0.5
392	Transportation													
3921	Transportation - Cars	7	S2	8	L2.5	12	S2			8	9	L2.5	12	S2
3922	Transportation - Light Trucks & Vans			10	L3	12	S2	8	S2	9	10	L3	12	S2
3923	Transportation - Heavy Trucks			13	L2	11				13	12	L2	13	L3
3924	Transportation - Other			30	R1.5	27	S4			27	12	L2	20	L2
394.1	Natural Gas Vehicle Equipment										20	S4	20	S4
396	Power Operated Equipment	15	S4	18	L1.5	20	S2	15	S4	16	15	SQ	15	L2

* Order PSC-2023-0177-FOF-GU.

Note: Accounts 391, 391.2, 391.3, 391.4, 393, 394, 395, 397, and 398 are amortizable for FCG.

FLORIDA GAS COMPANIES CURRENT PRESCRIBED NET SALVAGE FACTORS

		Order No. PSC-2023-0215-PAA-GU St Joe	Order No. PSC-2023-0388-FOF-GU Peoples Gas	Order No. PSC-2023-0103-FOF-GU FPUC	Order No. PSC-2022-0153-PAA-GU Sebring Gas	Peer Average	FCG Current *	FCG 2025 Study
		Prescribed Net Salvage	Prescribed Net Salvage	Prescribed Net Salvage	Prescribed Net Salvage			
DISTRIBUTION PLANT								
3743	Land Rights/Right of Way		0	0		0	0	0
375	Structures & Improvements	(5)	0	0		(1)	0	0
3761	Mains - Plastic	(30)	(40)	(25)	(30)	(31)	(33)	(30)
3762	Mains - Steel	(30)	(60)	(40)	(30)	(40)	(50)	(40)
376G	Mains - GRIP	(30)	(40)	(25)	(30)	(31)	(33)	
377	Compressor Equipment		(5)					
378	Measuring and Regulating Equip. - General	(5)	(20)	(10)	(2)	(9)	(10)	(10)
379	Measuring and Regulating Equipt. - City Gate	(5)	(20)	(10)	(2)	(9)	(10)	(10)
3801	Services - Plastic	(30)	(75)	(30)	(30)	(41)	(68)	(40)
3802	Services - Other	(50)	(130)	(130)	(30)	(85)	(125)	(125)
380G	Services - GRIP	(30)	(75)	(30)	(30)	(41)	(68)	0
381	Meters	0	0	0	0	0	3	(5)
3811	Meters - AMR Equipment			0		0		
3812	ERT						3	0
382	Meter Installations	(35)	(30)	(20)	(5)	(23)	(25)	0
3821	Meter Installations - MTU/DCU			20		5		
	ERT						(25)	0
383	House Regulators	0	0	0	0	0	0	0
384	House Regulator Installations	(45)	(30)	(20)	(3)	(25)	(25)	0
385	Indus. Meas. & Reg. Station Equip	(5)	0	0		(1)	(2)	0
387	Other Equipment	0	0	0	0	0	0	0
GENERAL PLANT								
390	Structures & Improvemts.	0	0	10	0	3	0	0
392	Transportation							
3921	Transportation - Cars	10	11	10		8	11	10
3922	Transportation - Light Trucks & Vans		11	20	10	10	11	20
3923	Transportation - Heavy Trucks		7	10		4	4	10
3924	Transportation - Other		20	0		5	4	0
3941	Natural Gas Equipment						0	0
396	Power Operated Equipment	5	10	5	0	5	0	10

* Order PSC-2023-0177-FOF-GU.

Note: Accounts 391, 391.2, 391.3, 391.4, 393, 394, 395, 397, and 398 are amortizable for FCG.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 3rd day of October, 2025.

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By: _____

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