

P R O C E E D I N G S

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2 **CHAIRMAN GRAHAM:** Item number 6.

3 **MS. WU:** Good morning, Mr. Chairman and
4 Commissioners. Item 6 is Florida City Gas depreciation
5 study.

6 On March 11, 2014, FCG filed a depreciation
7 study pursuant to Rule 25-7.045. In the study the
8 company indicated its plant investment has been
9 increased by 28 percent since its last depreciation
10 study. Staff's review of the account activity and the
11 current capital recovery position also indicated a need
12 for revision to the currently prescribed depreciation
13 rates.

14 Staff's recommended new depreciation rates,
15 which have been agreed upon by the company, are
16 presented in the attachment of staff recommendation.
17 Staff is available for any questions you may have.

18 **CHAIRMAN GRAHAM:** Commissioners, any further
19 questions of staff on item number 6?

20 Commissioner Balbis.

21 **COMMISSIONER BALBIS:** Thank you, Mr. Chairman.
22 I just have a few questions for Mr. Maurey.

23 Obviously the increase in the depreciation
24 expense is going to affect their booked earnings. What
25 was the latest earnings surveillance report? What did

1 it show that FCG was earning?

2 **MR. MAUREY:** Florida City Gas's most recent
3 reported earnings for the end of June 2014 was
4 8.76 percent. That's below the current authorized range
5 of 10.25 to 12.25 for the company.

6 **COMMISSIONER BALBIS:** Okay. And then with
7 this change in their depreciation expense, what would be
8 the estimated earnings at that point?

9 **MR. MAUREY:** For a full year the amount of the
10 increase in depreciation expense equates to
11 approximately 36 basis points on ROE. So it would lower
12 their reported earnings for the period. The first six
13 months it would be half of that, approximately 8.53.
14 For the full year you're looking at about 8.4.

15 **COMMISSIONER BALBIS:** Okay. And then the --
16 one of the main drivers for the change in the
17 depreciation expense is the investments that were made
18 by the company?

19 **MR. MAUREY:** That's correct.

20 **COMMISSIONER BALBIS:** Okay. And then if in
21 the future when they come in for a rate case, that's
22 when we will review the prudence of those investments.

23 **MR. MAUREY:** That's correct.

24 **COMMISSIONER BALBIS:** Okay. All right. Thank
25 you, Mr. Chairman. That's all I had. And with that, I

1 move staff's recommendation.

2 **COMMISSIONER BRISÉ:** Second.

3 **CHAIRMAN GRAHAM:** It's been moved and
4 seconded, staff recommendation on item number 6. Seeing
5 no further discussion, all in favor, say aye.

6 (Vote taken.)

7 Any opposed? By your action, you've approved
8 the staff recommendation on item number 6.

9 (Agenda item concluded.)

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1 STATE OF FLORIDA)
 : CERTIFICATE OF REPORTER
2 COUNTY OF LEON)

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4 I, LINDA BOLES, CRR, RPR, Official Commission
5 Reporter, do hereby certify that the foregoing
6 proceeding was heard at the time and place herein
7 stated.

8 IT IS FURTHER CERTIFIED that I stenographically
9 reported the said proceedings; that the same has been
10 transcribed under my direct supervision; and that this
11 transcript constitutes a true transcription of my notes
12 of said proceedings.

13 I FURTHER CERTIFY that I am not a relative, employee,
14 attorney or counsel of any of the parties, nor am I a
15 relative or employee of any of the parties' attorney or
16 counsel connected with the action, nor am I financially
17 interested in the action.

18 DATED THIS 8th day of September, 2014.

19
20 *Linda Boles*

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22 _____
23 LINDA BOLES, CRR, RPR
24 FPSC Official Hearings Reporter
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