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Public Service Commission

September 30, 2015

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Mike Cassel
Director, Regulatory and Governmental Affairs
Florida Public Utilities Company
1750 SW 14th Street, Suite 200
Fernandina Beach, FL 32034

Re: Docket No. 150162-EI, Staff's Report on FPUC's 2015 Depreciation Study

Mr. Cassel:

Enclosed is Staff's Report regarding FPUC's 2015 Depreciation Study filed in the above referenced docket. Please provide FPUC's response to the attached report on or by October 21, 2015. In your response, please identify areas of concurrences or differences, and any additional explanation the company believes is pertinent.

Should you have any questions, or need further information, please do not hesitate to contact me at (850) 413-6433.

Sincerely,

A handwritten signature in black ink, appearing to read "Devlin Higgins".

Devlin Higgins
Public Utilities Analyst

Attachment

cc: Office of Commission Clerk ✓
Office of Public Counsel
Beth Keating/Gunster Law Firm
Mark Cicchetti
Margo Leathers

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Florida Public Utilities Company
2015 Depreciation Study
Docket No. 150162-EI
Staff Report

This report represents staff's initial position. The report consists of three sections:

- A. **Information** – This section includes information necessary to understand staff's proposals.
- B. **Questions & Staff's Initial Proposals** – Questions include specific requests for additional information about Florida Public Utilities Company's (FPUC or company) depreciation study. Staff's initial proposals include proposals for which staff seeks FPUC's concurrence or exceptions.
- C. **Summary Tables** – These tables provide staff's initial position on inputs, rates, resulting depreciation expense, and theoretical reserves for all accounts. Attached tables are as follows:
 - Attachment A – Comparison of Rates and Components
 - Attachment B – Comparison of Expenses
 - Attachment C – Theoretical Reserve Analysis

A. Information

Commission Rounding Convention

Any staff adjustment will follow the rounding convention stated below. FPUC's filing included proposed remaining life depreciation rates that were rounded to the Florida Public Service Commission's (Commission) rounding convention, or to the tenth of a decimal. Thus, no rounding changes have been performed to FPUC's filing by staff in this regard.

Staff's rounding conventions are:

Remaining lives <u>over</u> 20 years:	rounded to the nearest whole year
Remaining lives <u>less</u> than 20 years:	rounded to one decimal place
Net salvage %:	rounded to the nearest whole number
Reserve %:	rounded to two decimal places
Depreciation rates:	rounded to one decimal place

Theoretical Reserve Calculation

Staff Calculates the theoretical reserve using the following formula (base 100): $(100 - (\text{Average Remaining Life Years} * \text{Whole Life Rate}) - \text{Net Salvage Rate with Interim Retirement}^1) = \text{Theoretical Reserve Percentage [TR\%]}$. Then simply $\text{TR\%} * \text{Investment} = \text{Theoretical Reserve Dollars}$.

Reserve Transfers

Based on its analysis of the differences between FPUC's proposals (as amended in Staff's First Data Request) and staff's initial proposals contained herein (Attachment C), staff believes it is appropriate to first allow for a response to this report before evaluating/performing any reserve allocations. Staff has calculated theoretical depreciation reserves based on its initial proposals, which are contained in Attachment C of this report. In the event FPUC accepts staff's depreciation parameter proposals, please provide any updated allocations the company desires with respect to the balances found on Attachment C. Staff's positions, with respect to remaining life depreciation rates, will reflect (as a fall-out) any reserve allocations that are ultimately effectuated.

¹ Not applicable to FPUC's plant investments.

B. Questions & Staff's Initial Proposals

Please respond to each question, adding any additional information that supports the Company's response. Please also identify any areas of disagreement with staff's initial proposals and the basis for such disagreement.

Transmission Plant

Account 350.1 – Land Rights

1. FPUC proposes to change the Average Service Life (ASL) from 65 years to 70 years for this account. The company proposes no change in curve shape or Net Salvage (NS). Staff notes that more than 69 percent of the plant in this account is over 40 years old with the remaining plant being over 50 years old; and the company has no plans to retire any of this plant. Staff also notes that the proposed increase in ASL is moderate, and the resulting ASL is still in line with other investor-owned electric utilities (IOUs) in the state. Thus, staff believes ASL of 70 years is appropriate for this account. This results in an Average Remaining Life (ARL) of 26 years.

Account 352 – Structures and Improvements

2. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 352.

Account 353 – Station Equipment

3. FPUC proposes no change in the ASL of 40 years or the curve shape (S3). The asset age of the account is 13.4 years. Based on this combination of depreciation parameters, the ARL is 27 years (26.6 years before rounding) rather than 30-years as the company proposed. This account has experienced an average retirement rate of 1.72 percent and an average growth rate of 44.8 percent over the study period. Staff proposes an S2 curve with a 40-year ASL as better matching the account's activity. This results in an ARL of 27 years (26.9 years before rounding).
4. FPUC proposes to retain a 10 percent NS level. During review of the company's last Depreciation Study, staff noted that FPUC was the only IOU in Florida that had positive NS level for this account. Staff inquired why the company believes a positive level of NS is appropriate for this account. FPUC responded:

It is possible that salvage can be realized upon retirement; however, the Company does not have sufficient historical or current data to support a change from the Current Net Salvage (NS) rate embedded in the current depreciation rates. The current NS rate used is a positive 10 percent.

Staff notes that this account has experienced less than 2 percent retirement and an average of negative 21 percent NS during the current study period. Given the low

frequency of retirement activity, staff believes reliance on the industry average² is necessary. Staff proposes to reduce the NS level from 10 percent to 5 percent for this account. This moderate change reflects the current account activity and will bring FPUC closer to the industry average at the same time.

Account 354 – Towers & Fixtures

5. The company proposes no change in ASL, curve shape, or NS level for this account. There was no retirement or addition activity during the study period, which makes reliance on industry averages necessary. FPUC's proposed 55-year ASL and negative 15 percent NS are in the range of reasonableness compared to other IOUs in the state and are acceptable to staff.
6. FPUC proposes to retain an S5 curve shape that staff proposed during the review of FPUC's 2011 Depreciation Study. Given the current age of the asset, staff believes an S6 curve shape is a better fit. Staff's proposal simply reflects the passage of time from the last study. This results in a 14.5-year ARL.

Account 355 – Poles and Fixtures

7. FPUC proposes to retain an ASL of 40 years and an R4 curve shape. This account has experienced an average retirement rate of 0.16 percent, and an average growth rate of 2.2 percent over the study period. Staff concurs with a 40-year ASL as it's in line with other companies in the state. Given the asset's average age of 23.2 years, staff believes an R5 curve shape is more indicative of expected retirement dispersion. By using an R5 curve and an average asset age of 23.2 years, the resulting staff's proposed ARL is 16.9 years.
8. FPUC proposes a change in NS from negative 30 percent to negative 40 percent. This account has experienced an average NS of negative 261 percent over the study period. However, the company believes that this type activity, relating to a very small percentage of retirement activity, should not be taken as indicative of future retirement expectations for the entire account's investment. Staff notes that the proposed change represents a modest increase in expected removal costs upon the asset retirement; and it will bring

² Staff derived industry averages throughout this report are based or relied (underlying data of final rates) upon information shown on the following Commission Orders:

FPSC Order No. PSC-10-0131-FOF-EI, Docket No. 090079-EI, Petition for increase in rates by Progress Energy Florida, Inc., issued March 5, 2010; FPSC Order No. PSC-11-0089-S-EI, Docket Nos. 080677-EI and 090130-EI, Petition for increase in rates by Florida Power & Light Company and 2009 depreciation and dismantlement study by Florida Power & Light Company, issued February 1, 2011 (FPSC Order No. PSC-11-0089-S-EI settled all outstanding issues and appeals of FPSC Order No. 10-0153-FOF-EI, Docket Nos. 080677-EI and 090130-EI, Petition for increase in rates by Florida Power & Light Company and 2009 depreciation and dismantlement study by Florida Power & Light Company, issued March 17, 2010); FPSC Order No. PSC-12-0175-PAA-EI, Docket No. 110131-EI, Petition for approval of 2011 depreciation study and annual dismantlement accrual amount by Tampa Electric Company, issued April 3, 2012; FPSC Order No. PSC-13-0670-S-EI, Docket No. 130140-EI, Petition for rate increase by Gulf Power Company, issued December 19, 2013 (FPSC Order No. PSC-13-0670-S-EI continues depreciation rates prescribed by FPSC Order No. PSC-10-0458-PAA-EI, Docket No. 090319-EI, Depreciation and dismantlement study at December 31, 2009, by Gulf Power Company, issued July 19, 2010).

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FPUC more in line with the average NS of IOUs in the state. Staff concurs with the proposed change.

Account 355.1 – Poles and Fixtures - Concrete

9. FPUC proposes to retain a 45-year ASL and an R4 curve, but decrease the NS from negative 30 percent to negative 40 percent. The current average asset age in this account is 4.5 years. Staff concurs with FPUC's proposed combination of ASL and curve shape. This results in a 41-year ARL. With respect to NS, given no retirement activity recorded in this account during the study period, staff proposes to retain negative 30 percent NS which is still reasonable compared to other IOUs in the state.

Account 356 – Overhead Conductors and Devices

10. This account has experienced over 21 percent growth during the current study period and a retirement rate of 0.5 percent. The average asset age of the account is 13.9 years. FPUC proposes a change in ASL from 45 years to 50 years, and retaining the current S2 curve shape. Staff notes that the company's proposed change of ASL is moderate and reflects the account's activity. Staff concurs with the proposed ASL modification which is still within industry average for the state. The resulting ARL is 36 years.
11. This account has experienced a NS of negative 123 percent. FPUC proposes to reduce the account's NS from negative 10 percent to negative 20 percent. Other electric IOUs in the state are estimating a NS ranging from negative 20 percent, to negative 50 percent, with FPUC's estimate being the highest. Staff concurs with the company's proposed NS level which reflects the account's activity and will bring FPUC more in line with other electric IOUs in the state.

Account 359 – Roads and Trails

12. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 359.

Distribution Plant

Account 360.1 – Land Rights

13. FPUC proposes a moderate change in ASL from 56 years to 60 years. The average age of this account's assets is 29.5 years. The account has experienced no activity over the study period. The company indicated that there have been no additions to this account since 2006, and there are no near-term plans for retirement of any existing investment. Staff agrees with FPUC's proposed ASL which is in line with other electric IOUs in the state. The resulting ARL is 31 years.

Account 361 – Structures and Improvements

14. FPUC proposes to increase the ASL from 55 years to 60 years, retain an SQ curve, and a NS of negative 5 percent. This account has experienced over 81 percent growth during the study period with no retirement activity. Currently, the company has no firm plans for any near-term retirements. As with other accounts that lack near-term retirement activity, reliance on industry expectations is necessary for life and salvage projections. Staff concurs with FPUC's proposed ASL and NS levels. A 60-year ASL will bring FPUC more in line with other electric IOUs in the state, and a NS of negative 5 percent is closer to the industry average.

Account 362 – Station Equipment

15. FPUC proposes to increase the ASL from 40 years to 45 years, retain an S3 curve, and a NS level of negative 10 percent. This account has experienced over 21 percent growth over the study period, with the retirement rate being less than 0.3 percent. Other companies in the state are estimating ASLs ranging from 38 to 60 years, with FPUC being the lowest. Staff concurs with FPUC's proposed change in ASL, which is moderate and will bring the company more in line with the other companies in the state. The resulting ARL is 34 years.

Account 364 – Poles, Towers, and Fixtures

16. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 364.

Account 365 – Overhead Conductors and Devices

17. FPUC proposes a moderate increase in ASL from 37 years to 40 years, changing the curve shape from R5 to R4, and retaining a NS level of negative 35 percent. This account experienced a growth rate of 21 percent during the study period, with the retirement rate being less than 0.4 percent. Staff agrees with the FPUC's proposed 40-year ASL which reflects the account's activity and is in the range of reasonableness when compared to other electric companies in the state. Staff proposes to retain an R5 curve shape due to the combination of depreciation parameters (40-year ASL, 19.3-year of average asset age, and retirement rate of 0.3 percent) being a better fit. The resulting ARL is 21 years (20.7

years before rounding), which is the same as FPUC proposed ARL (21.1 before rounding) determined by using an R4 curve shape.

18. With respect to NS, staff believes FPUC's proposed negative 35 percent continues to be in the range of reasonableness compared to other electric IOUs in the state and is acceptable.

Account 366 – Underground Conduit

19. This account has experienced a less than 0.1 percent average retirement rate during the study period. FPUC proposes to retain the currently prescribed R5 curve shape with an ASL of 60 years. The 60-year ASL is within the industry range and is acceptable to staff. Given the average asset age is 10.4 years, the resulting ARL is 50 years for this account.
20. This account has experienced an approximate negative 60 percent average NS level over the study period. The company proposes to change the account's NS rate from zero to negative 5 percent. Staff concurs with FPUC's proposal, which is moderate, reflecting the activities in the account, and still within the range of the industry average.

Account 367 – Underground Conductors and Devices

21. The retirement rate of this account over the study period is 0.4 percent. FPUC proposes to retain the current ASL of 35 years and an R3 curve shape. Staff concurs with a 35-year ASL, which continues to be in the range of reasonableness compared to other electric companies in the state. Staff, however, proposes to change the curve shape to R4, because a 35-year ASL with an R4 curve better matches the activity of the account, which has an average asset age of 12.2 years. The resulting ARL is 23 years (22.9 before rounding), which is the same as the company's proposed ARL (23.4-year before rounding) when calculated using an R3 curve.
22. FPUC proposes to change this account's NS level from zero to negative 5 percent. Staff notes that this account has experienced nearly 50 percent removal costs during the study period. Staff concurs with FPUC's proposal, which is moderate, reflecting the activities in the account, and still within the range of the industry averages.

Account 368 – Line Transformers

23. FPUC proposes to slightly increase the ASL from 29 to 30 years. This account has experienced a less than 0.5 percent retirement rate, and over a 9 percent growth rate. This proposal reflects the account's activity and is in the range of reasonableness compared to other companies. FPUC's proposal is acceptable to staff. In FPUC's 2011 Depreciation Study review, staff proposed the continued use of an S6 curve. In FPUC's 2015 Depreciation Study, the company proposes to change the curve shape from S6 to S4. Given the current average asset age, ASL, and the retirement activity, staff agrees that a 30-year ASL with an S4 curve better matches the account's activity. The resulting ARL is 12.4 years.

24. FPUC proposes to retain a NS level of negative 20 percent. FPUC recognizes that the average negative NS the account has experienced is much higher than 20 percent over the study period, but believes it is not indicative of future retirement. Given the account has only experienced limited retirement activity over the study period, staff believes pure statistical analyses are not reliable for determining salvage levels and reliance on industry data becomes necessary. Staff does not propose any changes to the NS level because FPUC's proposed NS of negative 20 is still in line with other electric companies in the state.

Account 369 – Services

25. This account has experienced a 5.8 percent growth rate, and less than a 0.2 percent retirement rate over the study period. FPUC proposes to increase the ASL for this account from 34 years to 37 years. This increase brings the ASL closer to the average of other electric companies in the state. FPUC proposes to retain an R3 curve. Staff proposes to change the curve from R3 to R5, due to the current average asset age and retirement activity. Staff believes a 37-year ASL with R5 curve is more indicative of expected retirement dispersion. The resulting ARL is 19.9 years, which is staff's proposal.
26. The company's proposed negative 35 percent NS level continues to be in the range of reasonableness compared to other companies in the state. Staff does not propose any modification at this time.

Account 370 – Meters

27. FPUC proposed no change to the ASL and curve shape. Based on a review of this account's retirement activity and also depreciation parameters prescribed to other electric companies in the state, staff believes that FPUC's proposed 30-year ASL and R5 curve combination continues to be reasonable. The resulting ARL is 11.9 years.
28. FPUC proposes to change the NS level from negative 5 percent to negative 10 percent. The company believes negative 10 percent is more in line with expected activity. Staff notes that the actual NS level this account has experienced over the study period is negative 13.2 percent. The NS level is negative for other companies in the state. Staff concurs with the company's proposed NS level of negative 10 percent.

Account 371 – Installation on Customers' Premises

29. FPUC proposes to increase the ASL from 16 to 20 years, and retain an S3 curve. This account has experienced a 17 percent growth rate and a 0.7 percent retirement rate over the study period. Staff concurs with the company's proposals. These modifications reflect the account's period activity and will bring FPUC closer to the industry average in the state. The resulting ARL is 9.6 years.
30. FPUC proposes to retain a NS level of 15 percent. Staff notes this account has experienced greater than negative 39 percent removal cost and zero salvage each year

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during the study period. Staff also notes that FPUC is the only IOU electric utility in Florida that has a positive NS for this account. The state's industry average of NS is negative 3.3 percent. Staff inquired whether the high level of negative NS (due to removal costs) during the last four years is indicative of future expectations for this account. In its response to Staff's First Data Request, the company responded:

The investment in this account is primarily commercial lighting equipment located on a customer's premise. The in-plant cost relates to the cost of the equipment and installation thereof on the customer's side of the meter. The retirement rate has averaged less than 1 percent making statistical analysis results meaningless for determining life or salvage factors.

Staff agrees that lack of retirement activity makes statistical analysis meaningless for determining life and/or salvage factors. Reliance on industry averages is therefore necessary. Staff proposes to reduce the NS level of this account from 15 to 10 percent. This results in FPUC's NS level being closer to the industry average and at the same time reflects the account's current cost of removal activity.

Account 373 – Street Lighting & Signal Systems

31. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 373.

General Plant – Amortizable

32. For the purposes of the following request, please refer to FPUC's Responses to Staff's First Data Request, No. 56, and Revised Schedule J, page 1 of 2. Please identify the company's proposed account numbering for both Office Machines and Computer Equipment.
33. Below are staff's proposals for general plant amortizable accounts, which constitute a continuation of FPUC's previously authorized³ amortization periods. Please note staff has numbered Accounts Office Machines and Computer Equipment as found in FPUC's 2012 Depreciation Rate Order⁴ and on FPUC's Responses to Commission Staff's First Data Request, Revised Schedule J, page 1 of 2.

Acct. #	Account Name	Amortization Period
391	Office Furniture & Equipment	7-Year Amortization
391.1	Office Furniture	7-Year Amortization
391.2	Office Machines	7-Year Amortization
391.3	Computer Equipment	5-Year Amortization
391.4	Software	5-Year Amortization
393	Stores Equipment	7-Year Amortization
394	Tools/Shop Equipment	7-Year Amortization
395	Lab Equipment	7-Year Amortization
397	Communications Equipment	5-Year Amortization
397.3	Communications Equipment Post 98	5-Year Amortization
398	Miscellaneous Equipment	7-Year Amortization

³ FPSC Order No. PSC-12-0065-PAA-EI, Docket No. 110207-EI, 2011 depreciation study by Florida Public Utilities Company, issued February 13, 2012, pp. 6-8.

⁴ Ibid, p. 6.

General Plant - Depreciable

Account 390 – Structures & Improvements

34. Account 390 experienced an approximate 196 percent growth rate over the four-year study period from 2011-2014. Staff understands that the majority of this increase stems from the addition of costs associated with a new company office building located in Fernandina Beach to this account's investment balance. Staff also understands this addition/growth to be an unusual event, and that going forward, the company expects this account will return to its historical growth pattern. For this reason, staff agrees with the company's proposed depreciation parameters, which are listed on Attachment A.

Account 392.1 – Transportation - Cars

35. The four-year (2011-2014) average NS for this Account, derived from information shown on Schedule J, page 2 of 2, is approximately 12 percent. The company's proposal for calculating rates is 15 percent, which constitutes a continuation of the currently-approved future NS level. The company was asked why it is proposing to maintain this account's future NS rate at 15 percent rather than aligning it more closely to the account's recent historical four-year experience. FPUC responded by claiming other companies in the state are applying a 15 percent future NS to this account and that it does not believe recent experience should be taken in isolation when estimating an appropriate level. From information shown on Schedule J, page 2 of 2, of the company's 2011 Depreciation Study, staff has identified this account's prior (2007-2010) actual NS to be 2.62 percent. Staff derived a period 2007-2014 NS equaling 6.99 percent, or approximately half of the company's proposed future NS. While certain other companies in the state estimate a 15 percent NS level, staff notes the industry range is "no specifically ordered rate" to 15 percent.⁵

Staff also notes that on a percentage basis, the investment in this account has experienced a high degree of activity over the study period. The period additions and retirements activity led to a young average age of the investments, while also providing recent salvage data. The actual NS level over the study period does appear to be moving closer to the company's proposal. Staff agrees with the company's proposal on the basis that this account's actual NS is trending higher.

⁵ FPSC Order No. PSC-10-0131-FOF-EI, Docket No. 090079-EI, Petition for increase in rates by Progress Energy Florida, Inc., issued March 5, 2010; FPSC Order No. PSC-11-0089-S-EI, Docket Nos. 080677-EI and 090130-EI, Petition for increase in rates by Florida Power & Light Company and 2009 depreciation and dismantlement study by Florida Power & Light Company, issued February 1, 2011 (FPSC Order No. PSC-11-0089-S-EI settled all outstanding issues and appeals of FPSC Order No. 10-0153-FOF-EI, Docket Nos. 080677-EI and 090130-EI, Petition for increase in rates by Florida Power & Light Company and 2009 depreciation and dismantlement study by Florida Power & Light Company, issued March 17, 2010); FPSC Order No. PSC-12-0300-PAA-EI, Docket No. 120059-EI, Petition for depreciation class and rate for automobiles, by Gulf Power Company, issued June 11, 2012.

Account 392.2 – Transportation - Light Truck & Vans

36. The four-year (2011-2014) average NS for this Account, derived from information shown on Schedule J, page 2 of 2, is approximately 16 percent. The company's proposal for calculating future rates is 12 percent, which constitutes a continuation of the currently-approved future NS level. The company was asked why it is proposing to maintain this account's future NS rate at 12 percent rather than aligning it more closely to the recent historical four-year experience. FPUC responded by claiming other companies in the state are applying a 12 percent future NS rate to this account and that it does not believe recent experience should be taken in isolation when estimating an appropriate level. From information shown on Schedule J, page 2 of 2, of the company's 2011 Depreciation Study, staff has identified this account's prior (2007-2010) actual NS to be 6.64 percent. Staff also derived a period 2007-2014 actual NS percentage equaling 13.64 percent, which is closer to the company's proposed 12 percent future NS level. Staff believes a longer analysis period lends credence to the company's position of not focusing solely the recent four-year (2011-2014) experience in determining the appropriate NS level. Staff agrees with the company's proposed 12 percent future NS level for Transportation Account 392.2, Light Truck & Vans.

Account 392.3 – Transportation - Heavy Trucks

37. The four-year (2011-2014) average NS for this Account, derived from information shown on Schedule J, page 2 of 2, is approximately 5 percent. The company's proposal for calculating future rates is 10 percent, which constitutes a continuation of the currently-approved future NS level. The company was asked why it is proposing to maintain this account's future NS rate at 12 percent rather than aligning it more closely to the recent historical four-year experience. FPUC responded by claiming other companies in the state are applying a 10 percent future NS rate to this account and that it does not believe recent experience should be taken in isolation when estimating an appropriate level. From information shown on Schedule J, page 2 of 2, of the company's 2011 Depreciation Study, staff has identified this account's prior (2007-2010) actual NS to be 2.43 percent. Staff also derived a period 2007-2014 NS percentage equaling 3.80 percent, which is a lower level than the current period NS of 5 percent. However, staff notes the period 2011-2014 actual NS level is trending higher than the 2007-2010 period, and it is closer to FPUC's proposed level. Staff agrees with the company's proposal on this basis.

Account 392.4 – Transportation - Trailers

38. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 392.4.

Account 396 – Power Operated Equipment

39. After reviewing the information provided by the company in this docket, staff agrees with FPUC's proposals for Account 396.

D. Summary Tables

Attachment A

Comparison of Rates and Components									
Account Number	Account Title	Currently Approved ⁶			Staff Recommended				
		Average Remaining Life (yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Average Remaining Life (yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)	
TRANSMISSION PLANT									
350.1	Land Rights	25.0	0	2.3	26.0	79.53	0	0.8	
352	Structures and Improvements	29.0	0	1.8	50.0	8.86	0	1.8	
353	Station Equipment	23.0	10	2.4	27.0	25.30	5	2.6	
354	Towers and Fixtures	17.6	(15)	2.1	14.5	84.65	(15)	2.1	
355	Poles and Fixtures	19.3	(30)	3.4	16.9	68.04	(40)	4.3	
355.1	Poles and Fixtures - Concrete	40.0	(30)	2.9	41.0	12.61	(30)	2.9	
356	Overhead Conductors and Devices	31.0	(10)	2.4	36.0	29.35	(20)	2.5	
359	Roads and Trails	15.5	0	1.5	12.5	81.03	0	1.5	
DISTRIBUTION PLANT									
360.1	Land Rights	30.0	0	1.8	31.0	51.83	0	1.6	
361	Structures and Improvements	46.0	(5)	1.9	47.0	23.65	(5)	1.7	
362	Station Equipment	30.0	(10)	2.8	34.0	30.29	(10)	2.3	
364	Poles, Towers, and Fixtures	23.0	(45)	4.1	24.0	47.77	(45)	4.1	
365	Overhead Conductors & Devices	17.2	(35)	4.1	21.0	63.79	(35)	3.4	
366	Underground Conduit	49.0	0	1.6	50.0	17.16	(5)	1.8	
367	Underground Conductors & Devices	23.0	0	2.9	24.0	32.11	(5)	3.0	
368	Line Transformers	12.0	(20)	4.3	12.4	70.92	(20)	4.0	
369	Services	20.0	(35)	4.0	19.9	64.40	(35)	3.5	
370	Meters	13.2	(5)	3.7	11.9	58.39	(10)	4.3	
371	Installation on Customers' Premises	7.2	15	5.7	9.6	51.69	10	4.0	
373	Street Lighting & Signal Systems	8.9	(10)	5.0	7.6	72.94	(10)	4.9	
GENERAL PLANT									
390	Structures & Improvements	31.0	0	2.0	41.0	16.67	0	2.0	
391	Office Furniture & Equipment	7-Year Amortization			7-Year Amortization				
391.1	Office Furniture	7-Year Amortization			7-Year Amortization				
391.2	Office Machines	7-Year Amortization			7-Year Amortization				
391.3	Computer Equipment	5-Year Amortization			5-Year Amortization				
391.4	Software	5-Year Amortization			5-Year Amortization				
392.1	Transportation - Cars	0.0	15	12.1	6.0	13.41	15	11.9	
392.2	Transportation - Light Trucks & Vans	2.9	12	9.8	4.9	49.90	12	7.8	
392.3	Transportation - Heavy Trucks	7.0	10	6.6	6.4	45.29	10	7.0	
392.4	Transportation - Trailers	13.9	5	3.8	13.8	44.38	5	3.7	

⁶ FPSC Order No. PSC-12-0065-PAA-EI, Docket No. 110207-EI, 2011 depreciation study by Florida Public Utilities Company, issued February 13, 2012.

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393	Stores Equipment	7-Year Amortization			7-Year Amortization			
394	Tools/Shop Equipment	7-Year Amortization			7-Year Amortization			
395	Lab Equipment	7-Year Amortization			7-Year Amortization			
396	Power Operated Equipment	5.5	0	2.8	8.4	63.23	0	4.4
397	Communications Equipment	5-Year Amortization			5-Year Amortization			
397.3	Communications Equipment Post 98	5-Year Amortization			5-Year Amortization			
398	Miscellaneous Equipment	7-Year Amortization			7-Year Amortization			

Comparison of Expenses						
Account Number	Account Title	Current		Staff Proposed		
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	Change In Expense (\$)
TRANSMISSION PLANT						
350.1	Land Rights	2.3	548	0.8	191	(358)
352	Structures and Improvements	1.8	3,560	1.8	3,560	0
353	Station Equipment	2.4	89,965	2.6	97,462	7,497
354	Towers and Fixtures	2.1	4,721	2.1	4,721	0
355	Poles and Fixtures	3.4	53,662	4.3	67,867	14,205
355.1	Poles and Fixtures - Concrete	2.9	77,032	2.9	77,032	0
356	Overhead Conductors and Devices	2.4	60,906	2.5	63,443	2,538
359	Roads and Trails	1.5	102	1.5	102	0
TOTAL TRANSMISSION PLANT			290,495		314,377	23,882
DISTRIBUTION PLANT						
360.1	Land Rights	1.8	1,026	1.6	912	(114)
361	Structures and Improvements	1.9	3,307	1.7	2,959	(348)
362	Station Equipment	2.8	247,926	2.3	203,654	(44,273)
364	Poles, Towers, and Fixtures	4.1	584,109	4.1	584,109	0
365	Overhead Conductors & Devices	4.1	537,261	3.4	445,533	(91,727)
366	Underground Conduit	1.6	88,818	1.8	99,920	11,102
367	Underground Conductors & Devices	2.9	236,535	3.0	244,691	8,156
368	Line Transformers	4.3	724,774	4.0	674,209	(50,566)
369	Services	4.0	407,483	3.5	356,548	(50,935)
370	Meters	3.7	144,806	4.3	168,288	23,482
371	Installation on Customers' Premises	5.7	173,473	4.0	121,736	(51,738)
373	Street Lighting & Signal Systems	5.0	72,306	4.9	70,860	(1,446)
TOTAL DISTRIBUTION PLANT			3,221,824		2,973,418	(248,406)
GENERAL PLANT						
390	Structures & Improvements	2.0	89,801	2.0	89,801	0
392.1	Transportation - Cars	12.1	6,089	11.9	5,989	(101)
392.2	Transportation - Light Trucks & Vans	9.8	94,153	7.8	74,938	(19,215)
392.3	Transportation - Heavy Trucks	6.6	233,285	7.0	247,423	14,138
392.4	Transportation - Trailers	3.8	5,475	3.7	5,331	(144)
396	Power Operated Equipment	2.8	8,483	4.4	13,331	4,848
TOTAL GENERAL PLANT			437,288		436,814	(474)
TOTAL PLANT			3,949,607		3,724,609	(224,998)

Theoretical Reserve Analysis				
Account Number	Account Title	Reserve 1/1/2015 (\$)	Theoretical Reserve (\$)	Reserve Imbalance (\$)
TRANSMISSION PLANT				
350.1	Land Rights	18,962	15,163	3,799
352	Structures and Improvements	17,516	19,776	(2,260)
353	Station Equipment	948,485	1,233,263	(284,778)
354	Towers and Fixtures	190,300	190,070	230
355	Poles and Fixtures	1,073,934	1,276,052	(202,118)
355.1	Poles and Fixtures - Concrete	334,834	77,032	257,802
356	Overhead Conductors and Devices	744,898	852,680	(107,782)
359	Roads and Trails	5,500	5,515	(15)
TOTAL TRANSMISSION PLANT		3,334,429	3,669,551	(335,122)
DISTRIBUTION PLANT				
360.1	Land Rights	29,540	26,959	2,581
361	Structures and Improvements	41,158	35,502	5,656
362	Station Equipment	2,682,209	2,514,680	167,529
364	Poles, Towers, and Fixtures	6,805,379	7,664,645	(859,266)
365	Overhead Conductors & Devices	8,358,899	8,334,096	24,803
366	Underground Conduit	952,686	832,669	120,017
367	Underground Conductors & Devices	2,619,264	2,691,602	(72,338)
368	Line Transformers	11,953,804	11,866,072	87,732
369	Services	6,560,065	6,454,535	105,530
370	Meters	2,285,299	2,581,858	(296,559)
371	Installation on Customers' Premises	1,573,237	1,482,739	90,498
373	Street Lighting & Signal Systems	1,054,774	1,041,213	13,561
TOTAL DISTRIBUTION PLANT		44,916,314	45,526,570	(610,257)
GENERAL PLANT				
390	Structures & Improvements	748,472	808,211	(59,739)
392.1	Transportation - Cars	6,747	6,240	507
392.2	Transportation - Light Trucks & Vans	479,394	384,107	95,287
392.3	Transportation - Heavy Trucks	1,600,669	1,620,269	(19,600)
392.4	Transportation - Trailers	63,950	61,322	2,628
396	Power Operated Equipment	191,566	201,179	(9,613)
TOTAL GENERAL PLANT		3,090,798	3,081,328	9,470
TOTAL PLANT		51,341,541	52,277,449	(935,908)