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July 2, 2019

BY E-PORTAL

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

Re: 20190056-GU - Petition for approval of 2019 consolidated depreciation study by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation.

Dear Mr. Teitzman:

Attached, please find Florida Public Utilities (All Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation's response to Commission Staff's Report issued in the referenced docket on June 11.

As always, thank you for your assistance. Please do not hesitate to contact me if you have any questions whatsoever.

Sincerely,



Beth Keating
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MEK

Enclosures

Cc:// Suzanne Brownless, Office of the General Counsel (email)

July 2, 2019 – Florida Public Utilities Consolidated Company and the Florida Division of Chesapeake’s Response to Staff Report

Florida Public Utilities Company (All Gas Divisions) and the Florida Division of Chesapeake Utilities Corporation (herein, jointly, “Companies”) agree with the Staff’s initial positions on life, mortality curve, and net salvage for each account. We have also included additional responses and comments to the questions raised in the Staff’s Report, Docket No. 20190056-GU, dated June 11, 2019.

Data Request:

1. Please refer to the 2019 Study, Exhibit I, for the following request. Please discuss why the Company is not seeking a change in the approved NS rate for Account 390 Structures & Improvements.

Companies’ Response:

The net salvage for Account 390, Structures and Improvements, ranged from 43% to 82% during the 2014-2018 period, averaging 51%. The unusually high net salvage occurred in 2014 and 2016 as a result of the sale of two of FPUC’s four office buildings - Winter Haven and Indiantown. These buildings are no longer needed with the FPUC gas company consolidation. The retirement rate has averaged 5.4% over the past five years.

The Companies believe it is premature to increase the net salvage factor for this account given the small retirement rate and that retirements only occurred in 2014 and 2016 during the past five years. Moreover, other items in this account such as air conditioning systems, water supply systems, roof, paving, and fire protection having a replacement cost over \$10,000 are likely to retire at various times over the life of the building and incur removal costs. These removal costs will certainly serve to reduce the gross salvage realized from a building sale and possibly offset the gross salvage all together. At this time, the Companies believe this account should be monitored for future developments.

2. Please refer to FPUC's response to Staffs First Data Request, Nos. 8, 13, 15, 17, 23, 26, and 30. In these responses, FPUC indicated that "[a]t this time the Company has not been able to obtain any additional information regarding the lack of retirement activity and is unable to definitively determine the cause of this discrepancy" associated with the Cost of Removal (COR) and salvage shown in Table 1 below. Knowing that the Company "continues its endeavor in developing and implementing standard practices and procedures governing retirements and removal costs," should the Company discover the cause of the discussed discrepancies and makes corresponding corrections in the course of implementing the said practices and procedures, please report the outcomes in FPUC's Depreciation Study and/or ADSR to be filed in the future.

Table 1: Non-retirement-associated COR and salvage activities

Acct No.	Description	Year	COR Amount	Gross Salvage Amount	DR No.
379.0	Measuring & Regu. Equip. - City Gate	2014	(\$13,211)		8b
		2015	(\$4,175)		8c
378.0	Measuring & Regu. Equip. - General	2013	(\$8,599)		13
		2014	(\$4,299)		15
		2017	(\$23,565)		26
		2018	(\$13,373)		30
				\$5,509	30
382.0	Meter - Installations	2014	(\$103,142)		17
		2016	(\$64,280)		23

Companies' Response:

As the Companies implement standard retirement and removal practices and procedures, any discovered causes for discrepancies discussed in response to Staff's First Data Request, Nos. 8, 13, 15, 17, 23, 26, and 30 as well as any necessary corresponding corrections will be reported in the Companies' next Depreciation Study and/or Annual Depreciation Status Report.

3. Please refer to FPUC's response to Staff's First Data Request, Nos. 22a and 22b. In its DR responses, FPUC indicated that "entries will be made in the 2019 GL to correct accounts" regarding the CORs shown in Table 2 below. Please notify the Commission that these correcting entries have been made, as part of FPUC's 2019 ADSR.

Table 2: Correction of COR entries to be made in the 2019 GL

Acct No.	Description	Year	COR Amount	DR No.
389.0	Land and Land Rights	2015	\$1,318	22a
390.0	Structures and Improvements	2015	(\$1,318)	22b

Companies' Response:

The Companies will note in their 2019 Annual Depreciation Status Report the correcting entries regarding removal costs detailed in response to Staff's First Data Request, Nos. 22a and 22b.

4. Please refer to FPUC's response to Staff's First Data Request, No. 35. In its DR response, FPUC indicated that "entries will be made in the 2019 general ledger (GL) to correct accounts" regarding the plant balances shown in Table 3 below. Please notify the Commission that these correcting entries have been made, as part of FPUC's 2019 ADSR.

Table 3: DR NO. 35-related correction of year ending balance to be made in the 2019 GL

Acct No.	Name	Exh. G 2018 Ending Balance	Exhs. AA, CC & DD 1/1/19 Investment	Difference
376.1	Mains - Plastic	\$93,906,023	\$93,902,357	\$3,666
376.2	Mains - Steel	\$60,145,894	\$60,146,931	(\$1,037)
379.0	Measuring & Regulating Equip. - City G:	\$13,017,664	\$13,020,294	(\$2,630)
381.1	Meters - AMR Equip.	\$2,216,411	\$2,232,914	(\$16,503)
382.1	Meter - Installation - MTU/DUC	\$593,040	\$596,662	(\$3,622)

Company's Response:

The Companies will note in their 2019 Annual Depreciation Status Report the correcting entries to the GL regarding plant balances detailed in response to Staff's First Data Request, No. 35.

5. Please refer to FPUC's response to Staff's First Data Request, No. 37. In its DR response, FPUC indicated that "entries will be made in the 2019 GL to correct accounts" regarding the inconsistencies shown in Table 4 below. Please notify the Commission that these correcting entries have been made, as part of FPUC's 2019 ADSR.

Table 4: DR NO. 37-related correction of entries to be made in the 2019 GL

Schedule	Column	Account	Value reported on p. 50/86	Value reported on p. 51/86	Difference
Reserve	Accruals	380.1	\$1,111,798	\$1,198,324	(\$86,526)
Reserve	COR	380.1	(\$577,358)	(\$522,678)	(\$54,680)
Reserve	Adjustments	376.1	\$586	\$555	\$31
Reserve	Adjustments	376.2	(\$181)	(\$143)	(\$38)
Reserve	Adjustments	379.0	(\$596)	(\$206)	(\$390)

Company's Response:

The Companies will confirm in their 2019 Annual Depreciation Status Report the correcting entries to the GL regarding inconsistencies detailed in response to Staff's First Data Request, No. 37.