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June 26, 2020

VIA E-PORTAL

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

Re: Docket No. 20190156-EI - Petition for a limited proceeding to recover incremental storm restoration costs, capital costs, revenue reduction for permanently lost customers, and regulatory assets related to Hurricane Michael, by Florida Public Utilities Company.
Docket No. 20190174-EI - Petition for approval of 2019 depreciation study by Florida Public Utilities Company

Dear Mr. Teitzman:

Enclosed for electronic filing in the above-referenced dockets, please find the Rebuttal Testimony of Witness Patricia Lee, along with her Exhibits PSL-4 and PSL-5, which is being submitted on behalf of Florida Public Utilities Company.

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions or concerns.

Sincerely,



Beth Keating
Gunster, Yoakley & Stewart, P.A.
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(850) 521-1706

Enclosure

cc:/ Service List

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the Rebuttal Testimony and Exhibits PSL-4 through PSL-5 of FPUC's Witness Patricia Lee, have been served by Electronic Mail this 26th day of June, 2020, upon the following:

<p>Florida Public Utilities Company Mike Cassel 208 Wildlight Ave. Yulee, FL 32097 mcassel@fpuc.com</p>	<p>Ashley Weisenfeld Rachael Dziechciarz Bianca Lherisson Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399 aweisenf@psc.state.fl.us rdziehc@psc.state.fl.us blheriss@psc.state.fl.us</p>
	<p>Office of Public Counsel J.R. Kelly/Patricia Christensen/Mireille Fall-Fry c/o The Florida Legislature 111 West Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.jr@leg.state.fl.us christensen.patty@leg.state.fl.us fall-fry.mireille@leg.state.fl.us</p>

By: 
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Before the Florida Public Service Commission

Docket No. 20190156-EI: Petition for Limited Proceeding to Recover Incremental Storm Restoration Costs, Capital Costs, Revenue Reduction for Permanently Lost Customers, and Regulatory Assets related to Hurricane Michael for Florida Public Utilities Company

Docket No. 20190174-EI: Petition for approval of 2019 depreciation study by Florida Public Utilities Company

Prepared Rebuttal Testimony of Patricia Lee

Filed: June 26, 2020

I. POSITION, QUALIFICATIONS, AND PURPOSE

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. Have you previously filed testimony in this proceeding?

A. Yes.

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my testimony is to respond to certain assertions of the Office of Public Counsel's ("OPC") Witness David Garrett. Specifically, I will discuss:

- 1 • The average service life for various plant accounts proposed by Mr.
2 Garrett that differ from those in the Revised Depreciation Study I
3 sponsored as Exhibit PSL-1 filed on April 23, 2020 in my direct testimony.¹
4 • The average service lives of the Florida peer group.
5

6 **Q.** Are you sponsoring any rebuttal exhibits?

7 **A.** Yes, I am sponsoring two rebuttal exhibits. Exhibit PSL-4 was prepared
8 under my supervision, and to the best of my knowledge the information
9 contained therein is true and correct. Schedule 1 of Exhibit PSL-4 is a
10 comparison between Florida Public Utilities Company ("FPUC's") current
11 average service life, age as of January 1, 2020, mortality dispersion (Iowa
12 curve), net salvage, and remaining life factors for each account, those
13 OPC recommends based on Mr. Garrett's testimony and exhibits, and
14 those FPUC has recommended in its depreciation study. Schedule 2 of
15 Exhibit PSL-4 is a comparison between FPUC's currently prescribed
16 remaining life depreciation rates, the resulting depreciation rates from Mr.
17 Garrett's recommendations in his testimony, and FPUC's recommended
18 remaining life depreciation rates to be effective January 1, 2020.
19 Schedule 3 of Exhibit PSL-4 is a comparison of the annual depreciation
20 expenses between currently approved depreciation rates, OPC, and
21 FPUC recommendations. The Schedules of PSL-4 include a minor
22 correction to Exhibit PSL-1 submitted April 23, 2020 attached to my direct
23 testimony that was described in the Company's response to Staff's Fourth
24 Set of Interrogatories, No. 31. Specifically, the asterisk referencing and

¹ Amended and refiled on May 8, 2020.

1 related footnotes have been revised to mirror those in the October 25,
2 2019 submission. I am also providing Exhibit PSL-5, which is OPC
3 Witness Garrett's response to Interrogatory 15 from FPUC.
4

5 **II. SPECIFIC AREAS OF DISPUTE**

6 **A. Inconsistencies in Witness Garrett's Recommendations**

7 **Q.** Do you agree with any of Witness Garrett's stated critiques FPUC's
8 depreciation study?

9 **A.** No, I do not. I have highlighted all areas of disagreement between Mr.
10 Garrett and FPUC on Exhibit PSL-4, as further discussed herein.
11

12 **Q.** Has Witness Garrett presented his position and analysis on all areas with
13 which he apparently disagrees?

14 **A.** No, he has not. Here, I note that Witness Garrett states at the conclusion
15 of his testimony that his failure to raise any particular issue should not be
16 construed as implied agreement with FPUC's position on an issue.² The
17 reason I raise this is that Mr. Garrett's testimony is silent on my
18 recommended correction of the reserve imbalance associated with the
19 motor vehicle subaccounts and my recommended average service life for
20 Account 355.1, Poles & Fixtures - Concrete.
21

22 At first blush, it would appear that there is agreement with my
23 recommended reserve correction for the motor vehicle subaccounts given
24 that Witness Garrett's Exhibit DJG-5 indicates that both OPC's and

² Direct Testimony of David J. Garrett, page 47.

1 FPUC's proposed depreciation rates for these general plant accounts are
2 in agreement, with the exception of some minor rounding differences.
3 However, also in Exhibit DJG-5, at page 2 of 2, Witness Garrett indicates
4 disagreement with FPUC's proposed amortization of the reserve surplus
5 associated with Accounts 392.1, 392.2, and 392.3, which are the various
6 vehicle sub-accounts. In order to accurately show Mr. Garrett's position,
7 the reserve for each of those subaccounts must reflect the book reserve
8 rather than FPUC's corrected reserve as I have shown on my Exhibit PSL-
9 4. This being the case, Mr. Garrett's proposed depreciation rates for the
10 motor vehicle subaccounts as shown in Exhibit DJG-5 are incorrect.

11

12 Exhibit PSL-4 shows the corrected motor vehicle subaccount depreciation
13 rates for Mr. Garrett's Exhibit DJG-6 and results in a decrease in annual
14 depreciation expenses of \$1,152,237 as compared to Exhibit DJG-5 of a
15 \$814,243 decrease. Of more import is that without the reserve correction,
16 an abnormal depreciation rate for Account 392.1 of negative 10.6%
17 results. This is because the reserve at January 1, 2020 is over 100%.
18 Applying a negative depreciation rate to vehicles currently in service does
19 not make sense and even more troublesome is that this depreciation rate
20 will be applied to any new cars placed in service so new additions will
21 carry the burden of an over accrued reserve.

22

23 Here, I note that the Florida Public Service Commission ("FPSC") was
24 among the first state or federal regulatory bodies to recognize and

1 separately handle reserve imbalances with amortization.³ In the case of
2 FPUC's General Plant accounts, there are not enough account deficits to
3 offset the surpluses in the motor vehicle accounts. The surplus is an
4 indication that the depreciation expenses of the past were misstated that
5 should be corrected now to reduce the spread of misstatement into the
6 future.⁴

7
8 With regard to FPUC's proposed average service life for Account 355 .1,
9 Poles & Fixtures – Concrete, Witness Garrett also does not identify or
10 address any disagreement with FPUC. However, his Exhibit DJG-5, at
11 page 1 of 2, reflects a proposed remaining life rate of 2.25% as opposed
12 to the FPUC's proposed remaining life rate of 2.90%. Witness Garrett's
13 Exhibit DJG-6 further indicates he is proposing an average service life of
14 56 years as compared to FPUC's recommended average service life of 45
15 years for this account. Thus, it would appear that Witness Garrett
16 disagrees with FPUC's positions as it relates to Account 355.1. Given that
17 he did not explain his reasoning, I am unable to respond as it relates to
18 this apparent disagreement.

19
20 **Q.** Did FPUC pursue discovery regarding areas and accounts with which
21 OPC disagreed?

³ Order Approving Depreciation Rates," Order No. 12290, issued July 22, 1983, in Docket No. 820449-TP, In re: Petition of Southern Bell Telephone and Telegraph Company for a represcription of depreciation rates.

⁴ Although not a matter for the depreciation study, I note that it appears the rate base is also misstated and should be corrected in an appropriate rate proceeding.

1 **A.** Yes. FPUC issued discovery requests to OPC in April requesting that
2 OPC identify each account for which it disagreed with FPUC, any issues it
3 had with the reserve for any account shown on Schedule 1, and any
4 additional issues and disagreements with FPUC's Study, other than those
5 addressed in other interrogatory responses. In its May 13, 2020
6 responses, OPC stated that ". . . the requested information will be
7 provided in the testimony and exhibits of OPC witness David Garrett, to be
8 filed on May 15, 2020." Witness Garrett's testimony, filed just two days
9 later, did not, however, address all of the portions of FPUC's depreciation
10 study with which OPC apparently disagrees.

11

12 When what appears to be OPC's position is correctly applied, as reflected
13 on PSL-4, Schedule 3, this results in a decrease in annual depreciation
14 expenses by about \$1,152,237, an additional decrease of \$337,994 from
15 that shown in Mr. Garrett's testimony on his Exhibit DJG-2. FPUC's
16 proposed rates and amortization result in a decrease in annual
17 depreciation expenses by about \$379,707. The difference alone in the
18 parties' positions is \$772,530, over twice what FPUC is recommending.

19

20 **B. Service Lives and Peer Groups**

21 **Q.** Which positions regarding service lives and peer groups will you address
22 in this section of your rebuttal testimony?

23 **A.** In this section of my rebuttal testimony, I will address:

- 24 • Witness Garrett's assertion that reliance on service lives of other Florida
25 electric companies has created an echo-chamber effect.

- 1 • The average service lives proposed by Witness Garrett.

2

3 **Q.** What accounts are being challenged by Witness Garrett?

4 **A.** In his testimony, Witness Garrett disputes FPUC's recommended average
5 service life for eight accounts, two in transmission and six in distribution.⁵

6 However, as mentioned previously, his Exhibit DJG-5 indicates he
7 challenges an additional transmission account, Account 355.1, Poles &
8 Fixtures – Concrete. Table 1, shown below, is a summary of the plant
9 accounts in disagreement: Existing, FPUC Proposed, and OPC Proposed
10 average service life parameters.

Table 1

Summary of Proposed Life Parameters by Account

Plant Account		Current	FPUC	OPC
		Approved	Proposed	Proposed
		ASL	ASL	ASL
		(yrs.)	(yrs.)	(yrs.)
Transmission				
353	Station Equipment	40	45	53
355	Poles & Fixtures	40	40	50
355.1	Poles & Fixtures - Concrete	45	45	56
Distribution				
362	Station Equipment	45	50	55
364	Poles, Towers, & Fixtures	38	38	44
366	Undgd. Conduit	60	60	64
367	Undg. Conductors	35	35	47
368	Line Transformers	30	30	36
369	Services	37	40	48

ASL=Average Service Life

⁵ Direct Testimony of David J. Garrett, pages 23, 26, 30, 33, 37, 40, 43, and 46.

1 While Witness Garrett's testimony addresses only 8 out of FPUC's 26
2 accounts, the two transmission accounts for which he disagrees with
3 FPUC's average service life recommendations comprise 48% of the
4 transmission plant investment and the 6 distribution accounts comprise
5 74% of the distribution account investment.

6

7 **Q.** Were there differences in Witness Garrett's approach to this analysis and
8 your approach?

9 **A.** Yes. Witness Garrett contends that FPUC has provided insufficient
10 evidence supporting its life proposals by relying on the range of
11 Commission-prescribed lives of other Florida companies. Yet, he also
12 relies on peer groups for his life proposals.⁶ The difference is that Witness
13 Garrett considered two other peer groups in addition to the Florida Peer
14 Group upon which FPUC relied: a Coastal Peer Group and a Midwest
15 Peer Group. Also, FPUC considered the ranges of lives within its
16 preferred peer group and where changes to existing service lives were
17 proposed, service lives were moved closer to the average. On the other
18 hand, Mr. Garrett's proposals are all based on his weighted average of all
19 three peer groups.

20

21 **Q.** Do you agree with Mr. Garrett's assessment of the Florida Peer Group?

22 **A.** No, I do not. Mr. Garrett criticizes the Florida peer group on an
23 assumption that the average service lives of these utilities were not based
24 on company-specific actuarial data but rather based on averages of

⁶ Direct Testimony David J. Garrett, page 8.

1 averages, which he characterizes as an “echo-chamber”. I strongly
2 disagree.

3

4 First, I believe his characterization as an “echo chamber” is inaccurate.

5 One popular definition of echo-chamber is “an environment where a

6 person only encounters information or opinions that reflect and reinforce

7 their own.”⁷ Such is not the case as it pertains to the depreciation studies

8 and service lives of the Florida IOU peer group. To the contrary, as

9 discussed in more detail later in this testimony, I reviewed the depreciation

10 studies of the Florida peer group utilities and found these were each

11 based on company-specific data and the lives were either the result of

12 aged data in which actuarial analysis was performed or unaged data in

13 which Simulated Plant Record (“SPR”) was performed. Whether approved

14 following a hearing or as a result of a settlement, the existing lives for

15 each utility were fully vetted and the resulting average remaining lives

16 were approved by the Commission as being appropriate. Moreover, in

17 response to FPUC’s Second Set of Interrogatories, No. 15, which I have

18 provided as Exhibit PSL-5, Mr. Garrett conceded that he does not know

19 whether or to what extent the service lives of the Florida utilities have not

20 been based on company-specific actuarial or semi-actuarial data. Simply

21 put, Mr. Garrett concludes that the Florida peer group lives must be the

22 result of an echo-chamber because they are shorter than the lives of his

23 peer group utilities.

⁷ Wikipedia.com. See also, Dictionary.cambridge.org “a situation in which people only hear opinions of one type, or opinions that are similar to their own.”

1 The companies in the Florida peer group represent all IOUs in Florida:
2 Duke Energy Florida (DEF), Florida Power and Light Company (FP&L),
3 Gulf Power Company (Gulf), and Tampa Electric Company (TECO).
4 Contrary to Witness Garrett's allegations, my review of the current,
5 Commission-approved depreciation rates for these companies indicates
6 the Companies submitted substantial amounts of historical information,
7 which would be consistent with what Witness Garrett indicates he
8 reviewed in the context of other studies in which he has participated.

9
10 In some instances, the outcome of the proceedings for the Florida IOUs
11 was a Commission-approved settlement between the IOU and OPC,
12 which did not necessarily result in a full analysis of the depreciation data in
13 the final order, but it is reasonable to assume that any information made
14 available in the underlying proceeding was also available for any
15 settlement discussions undertaken and the review of any settlement
16 agreement filed.⁸ With that said, Witness Garrett does not explain why he
17 believes the other IOUs' current rates are based on an "echo chamber"
18 when it is clear from a review of the respective proceedings that
19 voluminous, actuarial data was provided. He simply indicates that it is his
20 understanding that the service lives of other Florida IOUs "were also
21 based on a similar peer group comparison."⁹ My review indicates that
22 Witness Garrett is just wrong on this point. Whether ultimately resolved by

⁸ Direct Testimony of David J Garrett, pages 5, 11, 24-25, 26. See also Docket No. 160170-EI; Docket No. 160062-EI, Exhibit A-1; Docket No. 090079-EI, Exhibit EMR-2, Vol. 1A of 2, Vol. 1B of 2, and Vol. 2 of 2; and Docket No. 20110131-EI, TECO response to Staff's First Data Request, Nos. 37 and 63, bates-stamped pages 45-137 and 199-217.

⁹ Direct Testimony of David Garrett, p. 6, lines 1-3.

1 hearing or by settlement, the underlying average service lives of the
2 currently approved depreciation rates for the Florida electric companies
3 are not based upon, nor do they constitute, an "echo-chamber. In sum,
4 Witness Garrett's arguments against FPUC's use of the Florida peer
5 group should be rejected.

6

7 **Q.** Witness Garrett also criticizes FPUC for not providing company-specific
8 data.¹⁰ Do you agree?

9 **A.** No, for two reasons. First, FPUC's depreciation study represents an
10 update of its last filed study in 2015. The study provides average age
11 determinations of January 1, 2020 surviving investments for each
12 depreciable plant account based on company-specific data. The
13 Company also includes the determination of the average age of
14 retirements for each account occurring each year since the last study. To
15 the extent additional historical data is needed for a party's analysis, FPUC
16 has routinely filed annual reports and depreciation related annual status
17 reports that contain annual plant and reserve activity. These reports are in
18 the public domain and easily accessible.

19

20 Second, the FPSC has long recognized that FPUC, being the smallest of
21 all Florida IOUs, should not be subjected to the expense of conducting full
22 statistical analyses for its life determinations. In fact, the depreciation rule
23 does not require statistical analysis but if it is utilized, that analysis should

¹⁰ Direct Testimony of David J. Garrett, pages 5, 6, and 7.

1 be provided.¹¹ Historically, FPUC has filed what amounts to a “staff-
2 assisted” depreciation study, whereby the Company provided only aged
3 retirement data and the average age distributions of the surviving
4 investments for each account. Working with the FPSC Staff, life and
5 salvage factors were developed from FPUC’s submitted plant data. Most
6 of FPUC’s accounts have experienced scant retirements (less than 1%)
7 making results of a purely statistical analyses meaningless. As such,
8 reliance on the range of lives prescribed for other Florida investor-owned
9 utilities (IOUs) is not only helpful, it is necessary. Consequently, the range
10 of lives for the other IOUs in the State has often been used as a “zone for
11 reasonableness” for the development of FPUC’s proposals, as well the
12 FPSC’s analysis of those proposals. For instance, Order No. PSC-2015-
13 0575-PAA-EI, issued December 21, 2015, addressing the Company’s last
14 depreciation study. Therein, the FPSC used the range of lives for other
15 Florida IOUs to analyze the proposed lives for several of FPUC’s
16 depreciation accounts.

17
18 **Q.** On page 6 of Mr. Garrett’s testimony, he alleges that the lives of the
19 Florida IOUs other than FPUC have not been determined based on
20 company-specific data, but you have indicated that your review suggests
21 otherwise. What did you find in your review of the depreciation filings for
22 the other Florida IOUs?

23 **A.** As I noted above, I reviewed the most recent FPSC depreciation case
24 filings for each of the Florida companies and found that the transmission,

¹¹ Rule 25-6.0436, Florida Administrative Code.

1 distribution, and general plant account lives proposed for all the
2 companies were determined based on company-specific data either using
3 actuarial or semi-actuarial analysis.

4
5 Some companies have aged data for which actuarial analysis can be
6 performed for life determination. For other companies that do not
7 maintain aged data, the SPR method is often used to provide a life
8 indication.¹² While Mr. Garrett recognizes simulated analysis as an
9 acceptable method to determine life expectancies, he focuses only on the
10 use of actuarial data that he considers typically used for service life
11 analysis.¹³ Indeed, he implies that one of his objections to relying on the
12 range of lives of the Florida peer group for FPUC is because the lives of
13 the Florida companies may not have been based on actuarial data.¹⁴ He
14 fails to consider, however, that an SPR analyses is also an acceptable
15 method to determine life estimates and often used in studying mass
16 property¹⁵ like transmission and distribution assets.

17
18 **Q.** You mentioned that Witness Garrett also utilized a peer group analysis.
19 How did his differ from FPUC's?

20 **A.** Witness Garrett utilized two additional peer groups, a Midwest Peer Group
21 and a Coastal Peer Group, with the Florida Peer Group that FPUC used.

¹² Frank K. Wolf and W. Chester Fitch, Depreciation Systems, Iowa State University Press/Ames, 1994, page 217; Public Utility Depreciation Practices, Compiled and edited by Staff Subcommittee of Depreciation of The Finance and Technology Committee Depreciation, of the National Association of Regulatory Utility Commissioners, pages 92, 314, 325.

¹³ Direct Testimony of David J. Garrett, pages 5, 7, 9, 14-16.

¹⁴ *Ibid.*, page 7.

¹⁵ Mass property refers to assets such as poles, wires, and transformers that are continually added and replaced.

1 In utilizing these three separate peer groups, Witness Garrett indicated he
2 applied an analytical weighting to each of his peer group averages:
3 Midwest - 20%, Coastal – 35%, and Florida – 45%.

4
5 **Q.** Do you agree with this weighting of these peer groups?

6 **A.** I do not have sufficient information to either agree or disagree with
7 Witness Garrett's weighting as he does not explain how the specific
8 percentages were developed. As I read his testimony, he used his
9 personal judgment of the relative, high-level, similarities of the various
10 peer group utilities as compared to FPUC and assigned a weighting that
11 he thought appropriate. In other words, he “eyeballed” it. This is one of my
12 chief concerns, because his use and weighting of the other peer groups is
13 not based on a sound regulatory analysis. It appears as if the main
14 reason he included an analysis of these additional peer groups is that the
15 service lives for the utilities in the additional peer groups are longer than
16 the lives proposed by FPUC

17
18 Moreover, his basis for using additional peer groups at all is flawed
19 because his underlying rationale for analyzing additional groups is based
20 on an erroneous assumption that the average service lives of the Florida
21 Peer Group utilities were not based on company-specific actuarial data but
22 rather based on averages of averages; i.e. his echo chamber.

23
24 The Florida Peer Group is the best comparative for FPUC because this
25 group includes all of the electric IOUs in Florida. In direct contrast,

1 Witness Garrett's peer groups include just a few select companies from
2 the same general region with no real explanation as to how those
3 companies were selected for inclusion in each peer group. Witness
4 Garrett indicates only that the Coastal Group companies were selected
5 based on similar environmental conditions and proximity, while the
6 Midwest group was selected because the service lives for these
7 companies are, according to Witness Garrett, "based on an extensive
8 analysis of actuarial data."¹⁶

9
10 To his credit, in spite of his objections to the Florida Peer Group, Witness
11 Garrett does weight Florida-only service lives most heavily, stating that it
12 is his understanding that the FPSC "has consistently relied on an average
13 of the Florida peer group" which he assumes includes some approved
14 service lives that are based on an actuarial analyses of "adequate
15 historical data."¹⁷ Nonetheless, how he arrived at the weighting and the
16 composition of his peer groups remains unclear.

17
18 **Q.** Do you have any more comments concerning Witness Garrett's
19 weighting?

20 **A.** Yes. As I noted, Witness Garrett provides no clear basis for his selection
21 of the particular utilities included in the "Coastal" and "Midwest" peer
22 groups other than the coastal peer group utilities have "similar"
23 environmental conditions, and the Midwest peer group utilities have

¹⁶ Direct Testimony of David J. Garrett, page 7, lines 16-19, and page 9, lines 7-8.

¹⁷ Direct Testimony David J. Garrett page 9, lines 1-6.

1 extensive actuarial data and other environmental challenges.¹⁸ It does not
2 appear that Mr. Garrett has undertaken any substantive analysis of
3 conditions that might support: (a) why he chose the particular utilities he
4 did for each of his peer groups; and (b) why it is appropriate to utilize
5 these peer groups to establish service lives for a Florida utility. Witness
6 Garrett offers no analysis regarding comparative weather, environmental,
7 or geological conditions.

8

9 There is, however, information available that suggests that Witness
10 Garrett's Coastal Peer Group, for instance, is not as comparable to Florida
11 utilities as it might at first seem. To the contrary, a relatively recent article
12 on Accuweather.com¹⁹ indicated that, according to data from the National
13 Hurricane Center ("NHC"), about 36 hurricanes have hit the U.S. from
14 1995 to 2017, 13 of which have been considered major hurricanes.
15 Referencing information from the National Hurricane Center, the author
16 also noted that, of those 36 hurricanes, 11 hit Florida directly, making
17 Florida the state with the most direct hits from hurricanes in the United
18 States. According to the referenced article, North Carolina follows Florida
19 as the state with the second most direct hits, but accounts for a much
20 lower percentage of overall damage costs. As noted in the article, given
21 that Florida is a peninsula, it is generally in the path of most hurricanes,
22 while the Outer Banks region of North Carolina is usually the only portion

¹⁸ Direct Testimony of David J Garrett, pages 7 and 9.

¹⁹ Of note, the article predates Hurricane Michael.

1 of the Carolinas that receives notable hurricane impacts as hurricanes
2 "sideswipe" the state.²⁰

3
4 Comparative regulatory environments can also factor into the
5 determination of service lives. For example, storm hardening rules and
6 pole inspections may vary from state to state which could then impact
7 maintenance and retirements. Expensing/capitalization practices could
8 also differ from state to state making it more appropriate to compare
9 companies with similar procedures. These unique conditions make
10 companies within Florida more appropriate to use for comparative
11 purposes than companies in other states.

12
13 **Q.** You mentioned earlier that you have reviewed the depreciation studies of
14 the Florida utilities and found that the average service lives were based on
15 company-specific statistical analysis. What level of detail did you find in
16 Gulf Power's last depreciation filing?

17 **A.** Gulf Power Company ("Gulf") filed its last depreciation study on July 14,
18 2016 in Docket No. 20160170. Gulf also filed a rate case in Docket No.
19 20160186 on August 12, 2016. On November 9, 2016, the two dockets
20 were consolidated.²¹ By Order PSC-17-0178-S-EI, issued May 16, 2017,

²⁰ "In-depth analysis of US hurricanes: Which states are hit most frequently by devastating storms?" (Navarro)(Accuweather.com, 2018). <https://www.accuweather.com/en/weather-news/in-depth-analysis-of-us-hurricanes-which-states-are-hit-most-frequently-by-devastating-storms/347725>

²¹ Order No. PSC-15-0511-PCO-EI, issued on November 9, 2016, in Docket No. 160186-EI, In re: Petition for rate increase by Gulf Power Company; and Docket No. 160170-EI, In re: Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plat Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company.

1 revised depreciation rates were approved for Gulf effective January 1,
2 2018.

3
4 OPC was an intervenor in the Gulf 2016 consolidated case and submitted
5 testimony regarding the depreciation study. Gulf witness Dane Watson,
6 who prepared the study, explained that the transmission, distribution, and
7 general plant accounts were studied using either actuarial analysis or
8 semi-actuarial analysis to determine the life characteristics for each
9 account.²² Gulf's depreciation study contained 217 pages of narrative and
10 statistical analysis results. I note that it appears OPC did not challenge
11 the use of semi-actuarial analysis as an appropriate method to determine
12 life in that proceeding.

13
14 **Q.** What about Florida Power and Light Company ("FPL")?

15 **A.** FPL's last depreciation study was submitted on March 15, 2016 in Docket
16 No. 160062-EI. On May 4, 2016, this docket was consolidated with three
17 other dockets.²³ By Order No. 16-0560-AS-EI (Stipulation and
18 Settlement), issued December 15, 2017, FPL's depreciation rates were
19 revised effective January 1, 2017. Per that Commission-approved

²² Document No. 04963-16, Docket No. 160170-EI, Petition for approval of 2016 depreciation and dismantlement studies, approval of proposed depreciation rates and annual dismantlement accruals and Plant Smith Units 1 and 2 regulatory asset amortization, by Gulf Power Company, pages 17-20.

²³ Docket No 160021-EI, In re: Petition for rate increase by Florida Power & Light Company; Docket No. 160061-EI, In re: Petition for approval of 2016-2018 storm hardening plant by Florida Power & Light Company; and Docket No. 160088-EI, In re: Petition for limited proceeding to modify and continue incentive mechanism, by Florida Power & Light Company.

1 Stipulation and Settlement, FPL is not subject to filing its next depreciation
2 study until it files for a general base rate proceeding.²⁴

3
4 OPC was one of several intervenors in the 2016 depreciation study. FPL
5 witness Allis who prepared the study explained that the transmission,
6 distribution, and general plant accounts are generally studied using either
7 actuarial analysis or semi-actuarial analysis to determine the life
8 characteristics for each account. In that case, FPL maintained aged data
9 and actuarial analysis was performed for life determinations. FPL's
10 depreciation study contained 763 pages of narrative and statistical
11 analysis results for production, transmission, distribution, and general
12 plant accounts.²⁵

13
14 **Q.** What about Duke Energy Florida ("DEF")?

15 **A.** The current depreciation rates for DEF were prescribed effective January
16 1, 2010 by Order No. PSC-10-01310-FOF-EI.²⁶ The transmission,
17 distribution, and general plant accounts were studied by actuarial analysis.
18 The study consisted of over 1,000 pages of narrative and statistical
19 analysis for production, transmission, distribution, and general plant
20 accounts. On August 1, 2013, DEF filed a Petition for Limited Proceeding

²⁴ Order No. 16-0560-AS-EI (Order and Stipulation), issued December 15, 2017, paragraph 14.

²⁵ Docket 16062-EI, 2016 Depreciation and Dismantlement Study by Florida Power & Light Company.

²⁶ 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 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.

1 to Approve Revised and Restated Stipulation and Settlement Agreement
2 (Revised and Restated Agreement) in Docket No. 130208-EI. As part of
3 that agreement, DEF's next depreciation study would be filed on or before
4 March 31, 2019, or with its next rate case, whichever was sooner. The
5 Revised and Restated Agreement was approved by Order No. PSC-13-
6 0598-FOF-EI, issued November 12, 2013. By Order No. PSC-2017-0451-
7 AS-EU, issued November 20, 2017, the Commission approved a 2017
8 Second Revised and Restated Settlement Agreement that DEF filed on
9 August 29, 2017.²⁷ Among other things, the 2017 Agreement revised the
10 date of DEF's next depreciation study until no later than March 31, 2022.²⁸
11 Thus, while DEF's current rates are based on data from 2009, DEF's rates
12 are based on company-specific actuarial data, which has not been
13 updated due to express terms in Commission-approved settlement
14 agreements.

- 15
- 16 **Q.** What did your review of the last depreciation study for Tampa Electric
17 Company (TECO) reveal?
- 18 **A.** TECO's last depreciation study was filed on April 27, 2011. OPC was an
19 intervenor in that case. TECO's 2011 Depreciation Study contained over
20 1,000 pages of narrative and company-specific statistical analysis, of

²⁷ Docket No. 20170183-EI, In re: Application for limited proceeding to approve 2017 second revised and restated settlement agreement, including certain rate adjustments, by Duke Energy Florida, LLC.; Docket No. 20100437-EI, In re: Examination of the outage and replacement fuel/power costs associated with the CR3 steam generator replacement project, by Progress Energy Florida, Inc.; Docket No. 20150171, In re: Petition for issuance of nuclear asset-recovery financing order, by Duke Energy Florida, Inc. d/b/a Duke Energy; Docket 20170001-EI, In re: Fuel and purchased power cost recovery clause with generating performance incentive factor; Docket No. 20170002-EG, In re: Energy conservation cost recovery clause; and Docket No. 20170009-EI, In re: Nuclear cost recovery clause.

²⁸ Paragraph 32, 2017 Agreement.

1 which most pertained to production plant. TECO used semi-actuarial
2 analysis in studying transmission, distribution, and general plant
3 accounts.²⁹ By Order PSC-12-0175-PAA-EI, revised depreciation rates
4 were approved effective January 1, 2012.

5
6 Thereafter, by Order No. PSC-13-0443-FOF-EI, in Docket No. 130040-EI,
7 issued September 30, 2013, a Stipulation and Settlement Agreement
8 Among Tampa Electric Company, Office of Public Counsel, Florida
9 Industrial Power Users Group, Florida Retail Federation, Federal
10 Executive Agencies, and WCF Hospital Utility Alliance was approved that
11 resolved all issues in TECO's 2013 base rate case proceeding. As part of
12 that Stipulation and Settlement, TECO was excused from the four-year
13 depreciation filing requirement through December 31, 2017. By Order
14 PSC-2017-0456-S-EI, a 2017 Amended and Restated Stipulation and
15 Settlement Agreement was approved extending the 2013 Agreement
16 through 2021. The 2017 Agreement relieved TECO from filing the four-
17 year depreciation study requirement until "no more than one year nor less
18 than 90 days before the filing of its next general rate proceeding."³⁰

19
20 Thus, while TECO's current rates are based on data from 2011, TECO's
21 rates are based on company-specific actuarial data, which has not been
22 updated due to express terms in Commission-approved settlement
23 agreements.

²⁹ Docket No. 11013-EI, TECO response to Staff's First Data Request, Nos. 37 and 63, bates-stamped pages 45-137 and 199-217.

³⁰ 2017 Agreement, paragraph 8.

1 Q. What conclusion do you draw from your review of the depreciation rates
2 and studies of the identified Florida IOUs?

3 A. Based on my review, I conclude there is no basis for Witness Garrett's
4 assessment that the Florida IOUs' service lives and depreciation rates are
5 the result of an "echo chamber" analysis.

6

7 C. Establishing Average Service Lives

8 Q. On page 11 of Witness Garrett's testimony, he criticizes FPUC for not
9 providing the data required for statistical analyses in life determinations.
10 Do you agree with his criticism?

11 A. No. As discussed in my direct testimony, many of the FPUC accounts
12 addressed in the study have experienced few retirements making
13 statistical analysis of no real value. Also, in normal circumstances,
14 repeated statistical analysis year after year is not productive for life
15 indications. A review of retirement rates, as I did, will show if there is
16 some change in the pattern that warrants investigation as to cause, and
17 possibly new analysis. Statistical analysis, at best, only tells how the past
18 lived. Only if the past is a mirror of the future is statistical analysis of
19 value. Once that analysis is made, repetition of it serves no purpose.
20 Finally, the FPSC has long recognized that FPUC, being the smallest of all
21 Florida IOUs, should not be subjected to the expense of conducting full
22 statistical analyses for its life determinations.

23

1 **Q.** As mentioned previously, Witness Garrett has relied on three peer groups
2 of utilities for concluding that FPUC's proposed average service lives are
3 unreasonable. Do you agree?

4 **A.** No. Witness Garrett asserts that the average service lives of his selected
5 peer group of utilities outside of Florida are notably longer than FPUC's
6 proposals. He contends that the difference between FPUC's proposal and
7 the approved lives of his utility peer groups is too large to ignore.
8 However, as I noted previously, Florida plant is subject to external
9 conditions, as well as regulations, not encountered by utilities in other
10 States. These differences warrant shorter lives for Florida plant as
11 evidenced by the prescribed lives of the Florida companies that are based
12 on company-specific data and statistical analysis.

13
14 Under Witness Garrett's analysis, none of the lives for the Florida utilities
15 would be considered appropriate as they are lower than those in the
16 Midwest and Coastal peer groups. Mr. Garrett has, however, apparently
17 failed to consider the unique environmental, geographical, and regulatory
18 conditions that come to bear on Florida utilities and their facilities. Given
19 that the entire state of Florida, as noted herein, is subject to tropical storm
20 and hurricane impacts, the facilities of Florida utilities are subject to not
21 only the direct damaging effects of the storms themselves, but also the
22 accelerated aging effects that water, especially saltwater, has on most
23 metal-based equipment.³¹ Saltwater corrodes utility facilities,

³¹ See, Coastal Construction Manual, Volume II, Chapter 12, Section 12.2.2, ("Mechanical equipment can also be damaged or destroyed when inundated by floodwaters, especially saltwater. Although a short period of inundation may not destroy some types of mechanical

1 compounding the damage one might expect from hurricane-force winds
2 which can bring down trees, transmission towers, distribution poles, and
3 cooling towers. Even underground utility lines can be taken out by
4 uprooted trees.³² Witness Garrett's use of additional peer groups
5 comprised of utilities not subject to the same conditions as Florida utilities
6 inappropriately discounts the true impact on plant lives of conditions
7 unique to Florida.

8

9 **Q.** On page 11 of Witness Garrett's testimony, he asserts that it is better to
10 establish average service lives that are too long than too short. Do you
11 agree?

12 **A.** No. In a perfect world, the average service life of a given group of assets
13 would be "accurate;" i.e., the actual service life of that asset. However,
14 given that service lives are based on estimates using the best information
15 available at the time, there is little chance to be completely accurate until
16 the end of life of an asset when there are firm retirement plans.

17

18 The historic tendency for regulators and companies has been to generally
19 overstate life potential. While underestimating the service life places more
20 burden on current ratepayers through higher depreciation expenses as Mr.
21 Garrett states, in the long run, the reduction in rate base is beneficial to
22 the average of all ratepayers. An overstated life decreases the burden on

equipment, any inundation of electric equipment causes, at a minimum, significant damage to wiring and other elements."), Fourth Edition (FEMA P-55).

³² "Hardening and Resiliency: U.S. Energy Industry Response to Recent Hurricane Seasons," Report of the Office of Electricity Delivery and Energy Reliability of the U.S. Department of Energy (2010). <https://www.oe.netl.doe.gov/docs/HR-Report-final-081710.pdf>

1 current ratepayers as it increases the burden for future ratepayers. Since
2 the assets will have retired before recovery is achieved, the resultant
3 negative reserve will become rate base, allowing the company to earn on
4 non-existent plant. Witness Garrett contends that this action does not
5 financially harm the Company as a regulatory asset can be used to
6 recover the unrecovered net investments. For these reasons, he
7 concludes that it is better to overstate estimated lives.³³ From the
8 standpoint of the shareholders, however, their investment is no longer
9 supported by physical assets.

10

11 **Q.** On page 11 of Witness Garrett's testimony, he asserts that shorter
12 average lives encourage economic inefficiency by incentivizing the utility
13 to "unnecessarily replace the asset in order to increase its rate base." Do
14 you agree?

15 **A.** No. Witness Garrett's assertion does not hold merit. In every rate case
16 proceeding, a company's rate base is scrutinized for prudence. If it is
17 determined that certain costs were imprudent, the recovery of those
18 investments would be disallowed for rate making purposes.

19

20 In contrast, unreasonably long service lives burden future customers by
21 making them pay more in the long-run. It is no different than comparing
22 the merits of a long-term loan and a short-term loan. With a long-term
23 loan, you may pay less on a monthly basis, but you will ultimately pay
24 more because you will also be paying interest over a longer period of time.

³³ Direct Testimony of David J. Garrett, page 11.

1 The overall impact to customers could be dramatic over the entire life
2 cycle of an asset.

3

4 **Q.** What is the first account where Witness Garrett proposes a different life
5 than FPUC and what is his stated reason for disagreement?

6 **A.** Account 353, Station Equipment. The average service life underlying the
7 currently approved average remaining life is 40 years. My
8 recommendation is a 5-year increase to 45 years. Witness Garrett's
9 recommendation is an increase to 53 years based on the weighted
10 average of the Florida peer group (45%) and Mr. Garrett's additional
11 Midwest (20%) and Coastal (35%) peer groups.

12

13 Witness Garrett contends that FPUC's reliance on the range of lives of the
14 Florida peer group is insufficient support for its life proposal, "especially
15 considering the approved service lives of utilities outside the peer group
16 are notably longer."³⁴ As with the other accounts where the average
17 service lives are in dispute, Witness Garrett asserts that the difference
18 between FPUC's proposal and the average lives of the Midwest and
19 Coastal peer groups is so large that "it is likely not reasonable to simply
20 dismiss the discrepancy as a function of climate differences."³⁵ Witness
21 Garrett claims that the climate of the Coastal utility peer group is relatively
22 similar to Florida's climate and the climate of the Midwest peer group has
23 its own unique environmental challenges.

³⁴ Direct Testimony of David J. Garrett, page 20.

³⁵ Ibid.

1 **Q.** Do you agree with Witness Garrett's basis for proposing a 53-year
2 average service life?

3 **A.** No. As previously noted, Witness Garrett's decision to utilize additional
4 peer groups is based upon an incorrect assumption that the average
5 service lives underlying the currently prescribed average remaining lives
6 for the Florida utilities are not based on company-specific actuarial data.
7 First, the utilities in the Florida group are all Florida IOUs rather than just a
8 select few. Second, a review of the depreciation studies of each Florida
9 utility as well as docket filings of intervenors from which the currently
10 prescribed depreciation rates were developed clearly indicate actuarial or
11 semi-actuarial data was used in the development of average services lives
12 for each account. Third, Mr. Garrett has not provided any evidence
13 supporting his assertion that the companies in his peer groups are similar
14 in operating and regulatory environment to the Florida utilities.

15

16 The range of service lives for Florida utilities for Account 353, Station
17 Equipment, is 42 years to 47 years, averaging 44 years. The range of
18 service lives for Mr. Garrett's Midwest peer group consisting of three
19 companies is 60 years to 73 years and the range for the Coastal peer
20 group also consisting of three companies is 52 years to 64 years. Clearly,
21 FPUC's proposed 45-year average service life is within the range of all
22 peer groups.³⁶

23

³⁶ Exhibit DJG-4, page 1 of 2.

1 **Q.** What is the next account where Witness Garrett proposes a different life
2 than FPUC and what is his stated reason for disagreement?

3 **A.** Account 355, Transmission Poles and Fixtures. The average service life
4 underlying the currently approved average remaining life is 40 years. My
5 recommendation is to retain the existing service life. Witness Garrett's
6 recommendation is an increase to 50 years based on the weighted
7 average of the Florida peer group (45%) and Mr. Garrett's additional
8 Midwest (20%) and Coast (35%) peer groups.

9
10 As with other accounts, Witness Garrett's disagreement focuses on
11 FPUC's reliance on the range of lives of the Florida peer group is
12 insufficient support for its life proposal, "especially considering the
13 approved service lives of utilities outside the peer group are notably
14 longer."³⁷ Additionally, he appears to imply that deference should be
15 given to the lives of the Midwest and Coastal peer groups because they
16 were based on "voluminous amounts of historical data."³⁸ Again, he fails
17 to consider the unique meteorological, geographical, and regulatory
18 circumstances that are at play in Florida.

19
20 **Q.** Do you agree with Witness Garrett's basis for proposing a 50-year
21 average service life for Account 355?

22 **A.** No. Witness Garrett's conclusion is based on the incorrect presumption
23 that the average service lives underlying the currently prescribed average

³⁷ Direct Testimony of David J. Garrett, page 24.

³⁸ Ibid.

1 remaining lives for the Florida utilities are not based on company-specific
2 actuarial data. To the contrary, the currently prescribed depreciation rates
3 and underlying average service lives were clearly developed using
4 company-specific actuarial or semi-actuarial data. Moreover, Witness
5 Garrett's mere assertion that the Coastal Peer group is a reasonable
6 comparison due to similar location and that the Midwest Peer Group
7 companies also are subject to comparable environmental stressors, albeit
8 not hurricanes, fails to fully appreciate and account for the unique
9 conditions that come to bear on Florida.³⁹

10

11 The range of lives in the Florida peer group is 38 years to 55 years,
12 averaging 43 years. The range of lives for the Midwest peer group is 46
13 years to 65 years; the range for the Coastal peer group is 50 years to 65
14 years. Clearly, FPUC's proposed 45-year average service life is within the
15 range of the combined peer groups.⁴⁰

16

17 **Q.** What is the next account where Witness Garrett proposes a different life
18 than FPUC and what is his stated reason for disagreement?

19 **A.** Account 362, Distribution Station Equipment. The average service life
20 underlying the currently approved average remaining life is 45 years. My
21 recommendation is a slight increase to 50 years. Mr. Garrett's
22 recommendation is an increase to 55 years based on the weighted

³⁹ Direct Testimony of David J. Garrett, page 7.

⁴⁰ Exhibit DJG-4, page 1 of 2.

1 average of the Florida peer group (45%) and Mr. Garrett's additional
2 Midwest (20%) and Coast (35%) peer groups.

3

4 **Q.** Do you agree with Witness Garrett's basis for proposing a 55-year
5 average service life for Account 362?

6 **A.** No. The average service life underlying FPUC's currently prescribed
7 average remaining life is 45 years. The range of average service lives of
8 the Florida peer group are 38 years to 60 years, averaging 49 years. The
9 range of average service lives of Mr. Garrett's Coastal peer group is 42
10 years to 65 years, averaging 56 years.⁴¹ The range of average service
11 lives of the Midwest peer group is 55 years to 75 years, averaging 66
12 years. FPUC's recommendation is clearly within the range of the Florida
13 and Coastal peer groups. The concept of gradualism and moderation
14 calls for a gradual increase in average service life as opposed to a large
15 increase of 15 years.

16

17 **Q.** What is the next account where Witness Garrett proposes a different life
18 than FPUC and what is his stated reason?

19 **A.** Account 364, Distribution Poles, Towers, and Fixtures. The average
20 service life underlying the currently approved average remaining life is 38
21 years. My recommendation is to retain this life as it is in the range of
22 reasonableness. Witness Garrett's recommendation is an increase to 44
23 years based on the weighted average of the Florida peer group (45%) and
24 Mr. Garrett's additional Midwest (20%) and Coast (35%) peer groups.

⁴¹ Direct Testimony of David J. Garrett, page 18.

1 **Q.** Do you agree with Witness Garrett's basis for proposing a 44-year
2 average service life for Account 364?

3 **A.** No. As discussed previously, Florida plant is exposed to conditions and
4 regulations not experienced in other States. He does not appear to have
5 undertaken an analyses of any underlying basis for making an "apples-to-
6 apples" comparison between the companies in his peer groups with
7 Florida companies. Again, Florida companies are subject to harsher
8 operating and environmental conditions of heat, humidity, hurricane
9 incidence, saltwater intrusion than companies in other states.
10 Expensing/capitalization practices may also differ from state to state
11 making it more appropriate to compare companies with similar
12 procedures. These differences warrant shorter lives for Florida plant as
13 evident with the prescribed lives of the Florida companies that have been
14 based on company-specific statistical actuarial and semi-actuarial
15 analysis.

16
17 **Q.** What is the next account where Witness Garrett proposes a different life
18 than FPUC and what is his stated reason for the proposed change?

19 **A.** He disagrees with Account 366, Distribution Underground Conduit. The
20 average service life underlying the currently approved average remaining
21 life is 60 years. My recommendation is to retain the existing life as there is
22 no need to change. Witness Garrett's recommendation is an increase to
23 64 years based on the weighted average of the Florida peer group (45%)
24 and Mr. Garrett's additional Midwest (20%) and Coast (35%) peer groups.

1 His reasons for dispute are the same as those addressed in other
2 accounts.

3 **Q.** Do you agree with Witness Garrett's basis for proposing a 64-year
4 average service life?

5 **A.** No, I disagree for the same reasons that I disagree with his analysis on
6 the other accounts addressed thus far.

7

8 **Q.** Are there other accounts with which Witness Garrett's takes issue with
9 FPUC's proposed service lives?

10 **A.** Yes. He takes exception to my recommendations for Account 367,
11 Distribution Underground Conductors; Account 368, Distribution Line
12 Transformers, and Account 369, Distribution Services.

13

14 **Q.** Do you agree with Witness Garrett's bases for proposing longer average
15 service lives for these accounts?

16 **A.** No, I do not agree. Witness Garrett's analysis of these accounts is the
17 same as the aforementioned accounts. I disagree with his assessment of
18 the appropriate lives for these accounts for the same reasons I have noted
19 herein for each of the other accounts addressed.

20

21 **III. CONCLUSION**

22 **Q.** Do you have any concluding remarks?

23 **A.** Yes, the FPUC-proposed lives, salvage, reserve components, and
24 resulting depreciation rates provided in my rebuttal testimony as Exhibit
25 PSL-4, Schedule 2 and Schedule 3, should be applied to the Company's

1 plant in service. These rates and reserve corrections provide fair and
2 reasonable recovery to both FPUC and its customers and should be
3 adopted by the Commission.
4

5 **Q.** What recommendations are you making in your rebuttal testimony?

6 **A.** I recommend that the FPSC approve FPUC's proposed life, salvage,
7 reserve, and resulting depreciation rates with the proposed reserve
8 allocations and amortization of the reserve surplus associated with the
9 motor vehicle accounts as presented in Exhibit PSL-4 attached to this
10 testimony. These schedules correspond to the revised Exhibit PSL-1,
11 Schedules 1-4, to the Depreciation Study (Study) submitted on May 8,
12 2020, with corrected footnotes from the October 25, 2019 submission in
13 this proceeding.
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FLORIDA PUBLIC UTILITIES
2019 CONSOLIDATED ELECTRIC DIVISIONS
COMPARISON OF CURRENT AND PROPOSED DEPRECIATION RATES

ACCOUNT	ESTIMATED 1/1/2020 INVESTMENT	ESTIMATED 1/1/2020 RESERVE	CURRENT					OPC POSITION					FPUC PROPOSED				
			AVERAGE SERVICE LIFE (YRS.)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE AGE (%)	NET SALVAGE AGE (YRS.)	CURVE	AVERAGE SERVICE LIFE (YRS.)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE AGE (%)	NET SALVAGE AGE (YRS.)	CURVE	AVERAGE SERVICE LIFE (YRS.)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE AGE (%)	NET SALVAGE AGE (YRS.)	(Sch. L) CURVE
TRANSMISSION PLANT																	
350.1 - Land Rights	\$0	\$0	70.0	26.0	0.0	44.2	SQ	75.0	75.0	0.0	0.0	SQ	75.0	75.0	0.0	0.0	SQ
352 - Structures and Improvements	\$1,919,496	\$59,504	55.0	50.0	0.0	5.2	S5	60.0	57.0	0.0	3.2	S5	60.0	57.0	0.0	3.2	S5
353 - Station Equipment	\$7,581,692	\$1,623,570	40.0	27.0	5.0	13.4	S2	53.0	43.0	0.0	10.2	S3	45.0	35.0	0.0	10.2	S3
354 - Towers and Fixtures	\$249,798	\$197,091	55.0	14.5	(15.0)	40.5	S6	60.0	19.0	(15.0)	41.0	S6	60.0	19.0	(15.0)	41.0	S6
355 - Poles and Fixtures	\$1,659,809	\$487,283	40.0	16.9	(40.0)	23.2	R5	50.0	26.7	(50.0)	23.0	R4	40.0	17.8	(50.0)	23.0	R4
355.1 - Poles and Fixtures - Concrete	\$4,014,730	\$678,489	45.0	41.0	(30.0)	4.5	R4	56.0	50.2	(30.0)	5.8	R4	45.0	39.0	(30.0)	5.8	R4
356 - Overhead Conductors and Devices	\$3,674,653	\$563,667	50.0	36.0	(20.0)	14.1	S2	55.0	46.0	(20.0)	9.2	S2	55.0	46.0	(20.0)	9.2	S2
359 - Roads and Trails	\$6,788	\$6,009	65.0	12.5	0.0	52.5	SQ	70.0	12.5	0.0	57.5	SQ	70.0	12.5	0.0	57.5	SQ
Total Transmission Assets	\$19,106,966	\$3,615,614															
DISTRIBUTION PLANT																	
360.1 - Land Rights	\$56,995	\$34,100	60.0	31.0	0.0	29.5	SQ	60.0	26.0	0.0	34.5	SQ	60.0	26.0	0.0	34.5	SQ
361 - Structures and Improvements	\$1,198,983	\$108,223	60.0	47.0	(5.0)	13.0	SQ	60.0	54.0	(5.0)	5.6	SQ	60.0	54.0	(5.0)	5.6	SQ
362 - Station Equipment	\$13,235,887	\$3,869,925	45.0	34.0	(10.0)	11.2	S3	55.0	42.6	(10.0)	11.9	S3	50.0	38.0	(10.0)	11.9	S3
364 - Poles, Towers, and Fixtures	\$25,869,789	\$9,265,961	38.0	24.0	(45.0)	14.4	R4	44.0	33.6	(50.0)	10.2	R4	38.0	28.0	(50.0)	10.2	R4
365 - Overhead Conductors & Devices	\$20,427,593	\$10,443,893	40.0	21.0	(35.0)	19.3	R5	45.0	30.0	(35.0)	15.1	R5	45.0	30.0	(35.0)	15.1	R5
366 - Underground Conduit	\$7,034,164	\$1,359,793	60.0	50.0	(5.0)	10.4	R5	64.0	51.3	(5.0)	12.6	R5	60.0	47.0	(5.0)	12.6	R5
367 - Underground Conductors & Devices	\$10,218,344	\$3,955,509	35.0	23.0	(5.0)	12.2	R4	47.0	32.6	(5.0)	13.9	R4	35.0	21.0	(5.0)	13.9	R4
368 - Line Transformers	\$22,458,863	\$15,095,313	30.0	12.4	(20.0)	17.7	S4	36.0	19.7	(20.0)	16.5	S4	30.0	13.6	(20.0)	16.5	S4
369 - Services	\$14,341,344	\$8,198,131	37.0	19.9	(35.0)	17.1	R5	48.0	32.4	(40.0)	15.4	R5	40.0	25.0	(40.0)	15.4	R5
370 - Meters	\$5,085,099	\$3,085,554	30.0	11.9	(10.0)	18.2	R5	30.0	13.0	(10.0)	17.0	R5	30.0	13.0	(10.0)	17.0	R5
371 - Installation on Customers' Premises	\$3,263,292	\$1,784,044	20.0	9.6	10.0	10.7	S3	25.0	13.6	5.0	11.6	S3	25.0	13.6	5.0	11.6	S3
373 - Street Lighting & Signal Systems	\$2,725,584	\$1,441,996	22.0	7.6	(10.0)	16.6	R3	22.0	11.4	(10.0)	11.5	R3	22.0	11.4	(10.0)	11.5	R3
Total Distribution Assets	\$125,915,937	\$58,642,442															
GENERAL PLANT																	
390 - Structures & Improvements	\$4,044,796	\$1,006,938	50.0	41.0	0.0	9.0	R4	50.0	38.0	0.0	12.7	R4	50.0	38.0	0.0	12.7	R4
392.1 - Transportation-Cars	\$23,951	\$33,548	7.0	6.0	15.0	1.0	S2	11.0	5.2	15.0	6.5	S2	11.0	5.2	15.0	6.5	S2
392.2 - Transportation-Light Trucks & Vans	\$1,041,834	\$630,885	9.0	4.9	12.0	4.1	S4	11.0	4.1	12.0	7.0	S4	11.0	4.1	12.0	7.0	S4
392.3 - Transportation - Heavy Trucks	\$3,755,922	\$2,440,985	13.0	6.4	10.0	6.8	S3	15.0	6.1	10.0	9.4	S3	15.0	6.1	10.0	9.4	S3
392.4 - Transportation - Trailers	\$144,084	\$94,053	25.0	13.8	5.0	11.4	R4	25.0	9.4	5.0	16.4	R4	25.0	9.4	5.0	16.4	R4
396 - Power Operated Equipment	\$898,523	\$335,752	25.0	8.4	0.0	16.6	S6	25.0	15.4	0.0	9.6	S6	25.0	15.4	0.0	9.6	S6
Total General Plant Assets	\$9,909,111	\$4,542,160															
GRAND TOTAL	154,932,014	66,800,216															

* Reflects restated reserve after FPUC proposed corrective reserve allocations.

** Reflects reserve adjusted for FPUC Hurricane Michael unrecovered costs addressed in Docket No. 20190155-EI.

*** Reflects the OPC position of the estimated book reserve without any reserve correction. FPUC's proposals include the reserve correction.

FLORIDA PUBLIC UTILITIES
2019 CONSOLIDATED ELECTRIC DIVISIONS
COMPARISON OF CURRENT AND PROPOSED DEPRECIATION COMPONENTS

ACCOUNT	CURRENT EFFECTIVE 1/1/2015			OPC POSITION				FPUC PROPOSED - Proposed Effective Date 1/1/2020			
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 1/1/2020 RESERVE (%)	REMAINING LIFE RATE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 1/1/2020 RESERVE (%)	REMAINING LIFE RATE (%)
TRANSMISSION PLANT											
350.1 - Land Rights	26.0	0.0	1.4	75.0	0.0	0.00	1.30	75.0	0.0	0.00	1.3
352 - Structures and Improvements	50.0	0.0	1.8	57.0	0.0	3.10	* 1.70	57.0	0.0	3.10	* 1.7
353 - Station Equipment	27.0	5.0	2.6	43.0	0.0	21.41	1.83	35.0	0.0	21.41	2.2
354 - Towers and Fixtures	14.5	(15.0)	2.1	19.0	(15.0)	78.90	* 1.90	19.0	(15.0)	78.90	* 1.9
355 - Poles and Fixtures	16.9	(40.0)	4.1	26.7	(50.0)	29.36	* 4.52	17.8	(50.0)	29.36	* 6.8
355.1 - Poles and Fixtures - Concrete	41.0	(30.0)	2.9	50.2	(30.0)	16.90	* 2.25	39.0	(30.0)	16.90	* 2.9
356 - Overhead Conductors and Devices	36.0	(20.0)	2.5	46.0	(20.0)	15.34	2.28	46.0	(20.0)	15.34	2.3
359 - Roads and Trails	12.5	0.0	1.5	12.5	0.0	88.52	0.92	12.5	0.0	88.52	0.9
DISTRIBUTION PLANT											
360.1 - Land Rights	31.0	0.0	1.6	26.0	0.0	59.83	1.55	26.0	0.0	59.83	1.5
361 - Structures and Improvements	47.0	(5.0)	1.7	54.0	(5.0)	9.03	1.78	54.0	(5.0)	9.03	1.8
362 - Station Equipment	34.0	(10.0)	2.4	42.6	(10.0)	29.24	1.90	38.0	(10.0)	29.24	2.1
364 - Poles, Towers, and Fixtures	24.0	(45.0)	3.9	33.6	(50.0)	35.82	** 3.40	28.0	(50.0)	35.82	** 4.1
365 - Overhead Conductors & Devices	21.0	(35.0)	3.4	30.0	(35.0)	51.13	** 2.80	30.0	(35.0)	51.13	** 2.8
366 - Underground Conduit	50.0	(5.0)	1.8	51.3	(5.0)	19.33	1.67	47.0	(5.0)	19.33	1.8
367 - Underground Conductors & Devices	23.0	(5.0)	3.2	32.6	(5.0)	38.71	2.03	21.0	(5.0)	38.71	3.2
368 - Line Transformers	12.4	(20.0)	4.0	19.7	(20.0)	67.21	** 2.68	13.6	(20.0)	67.21	** 3.9
369 - Services	19.9	(35.0)	3.6	32.4	(40.0)	57.16	** 2.56	25.0	(40.0)	57.16	** 3.3
370 - Meters	11.9	(10.0)	3.7	13.0	(10.0)	60.68	** 3.79	13.0	(10.0)	60.68	** 3.8
371 - Installation on Customers' Premises	9.6	10.0	4.5	13.6	5.0	54.67	** 2.97	13.6	5.0	54.67	** 3.0
373 - Street Lighting & Signal Systems	7.6	(10.0)	4.9	11.4	(10.0)	52.91	** 5.01	11.4	(10.0)	52.91	** 5.0
GENERAL PLANT											
390 - Structures & Improvements	41.0	0.0	2.0	38.0	0.0	24.89	1.98	38.0	0.0	24.89	2.0
392.1 - Transportation-Cars	6.0	15.0	11.9	5.2	15.0	140.07	*** -10.59	5.2	15.0	44.96	* 7.7
392.2 - Transportation-Light Trucks & Vans	4.9	12.0	7.8	4.1	12.0	60.56	*** 6.69	4.1	12.0	55.20	* 8.0
392.3 - Transportation - Heavy Trucks	6.4	10.0	7.0	6.1	10.0	64.99	*** 4.10	6.1	10.0	53.40	* 6.0
392.4 - Transportation - Trailers	13.8	5.0	3.7	9.4	5.0	65.28	3.16	9.4	5.0	65.28	3.2
396 - Power Operated Equipment	8.4	0.0	4.4	15.4	0.0	37.37	4.07	15.4	0.0	37.37	4.1

* Reflects restated reserve after proposed corrective reserve allocations and amortization of transportation reserve surplus.

** Reflects reserve adjusted for Hurricane Michael unrecovered costs addressed in Docket No. 20190155-EI.

*** Reflects the OPC position of the estimated book reserve without any reserve correction. FPUC's proposals include the reserve correction.

FLORIDA PUBLIC UTILITIES
2019 CONSOLIDATED ELECTRIC DIVISIONS
COMPARISON OF ANNUAL DEPRECIATION EXPENSES

ACCOUNT	ESTIMATED	ESTIMATED	CURRENT		OPC POSITION			FPUC PROPOSED		
	1/1/2020 INVESTMENT	1/1/2020 RESERVE	RATE	EXPENSES	RATE	EXPENSES	CHANGE EXPENSES	RATE	EXPENSES	CHANGE EXPENSES
TRANSMISSION PLANT										
350.1 - Land Rights	\$0	\$0	1.4	\$0	1.30	\$0	\$0	1.3	\$0	\$0
352 - Structures and Improvements	\$1,919,496	\$59,504	* 1.8	\$34,551	1.70 *	\$32,631	(\$1,920)	1.7 *	\$32,631	(\$1,920)
353 - Station Equipment	\$7,581,692	\$1,623,570	2.6	\$197,124	1.83	\$138,745	(\$58,379)	2.2	\$166,797	(\$30,327)
354 - Towers and Fixtures	\$249,798	\$197,091	* 2.1	\$5,246	1.90 *	\$4,746	(\$500)	1.9 *	\$4,746	(\$500)
355 - Poles and Fixtures	\$1,659,809	\$487,283	* 4.1	\$68,052	4.52 *	\$75,023	\$6,971	6.8 *	\$112,867	\$44,815
355.1 - Poles and Fixtures - Concrete	\$4,014,730	\$678,489	* 2.9	\$116,427	2.25 *	\$90,331	(\$26,096)	2.9 *	\$116,427	\$0
356 - Overhead Conductors and Devices	\$3,674,653	\$563,667	2.5	\$91,866	2.28	\$83,782	(\$8,084)	2.3	\$84,517	(\$7,349)
359 - Roads and Trails	\$6,788	\$6,009	1.5	\$102	0.92	\$62	(\$40)	0.9	\$61	(\$41)
TOTAL TRANSMISSION PLANT	\$19,106,966	\$3,615,614		\$513,368		\$425,320	(\$88,048)		\$518,046	\$4,678
DISTRIBUTION PLANT										
360.1 - Land Rights	\$56,995	\$34,100	1.6	\$912	1.55	\$883	(\$29)	1.5	\$855	(\$57)
361 - Structures and Improvements	\$1,198,983	\$108,223	1.7	\$20,383	1.80	\$21,582	\$1,199	1.8	\$21,582	\$1,199
362 - Station Equipment	\$13,235,887	\$3,869,925	2.4	\$317,661	1.90	\$251,482	(\$66,179)	2.1	\$277,954	(\$39,707)
364 - Poles, Towers, and Fixtures	\$25,869,789	\$9,265,961	** 3.9	\$1,008,922	3.40 **	\$879,573	(\$129,349)	4.1 **	\$1,060,661	\$51,739
365 - Overhead Conductors & Devices	\$20,427,593	\$10,443,893	** 3.4	\$694,538	2.80 **	\$571,973	(\$122,565)	2.8 **	\$571,973	(\$122,565)
366 - Underground Conduit	\$7,034,164	\$1,359,793	1.8	\$126,615	1.67	\$117,471	(\$9,144)	1.8	\$126,615	\$0
367 - Underground Conductors & Devices	\$10,218,344	\$3,955,509	3.2	\$326,987	2.03	\$207,432	(\$119,555)	3.2	\$326,987	\$0
368 - Line Transformers	\$22,458,863	\$15,095,313	** 4.0	\$898,355	2.68 **	\$601,898	(\$296,457)	3.9 **	\$875,896	(\$22,459)
369 - Services	\$14,341,344	\$8,198,131	** 3.6	\$516,288	2.56 **	\$367,138	(\$149,150)	3.3 **	\$473,264	(\$43,024)
370 - Meters	\$5,085,099	\$3,085,554	** 3.7	\$188,149	3.79 **	\$192,725	\$4,576	3.8 **	\$193,234	\$5,085
371 - Installation on Customers' Premises	\$3,263,292	\$1,784,044	** 4.5	\$146,848	3.00 **	\$97,899	(\$48,949)	3.0 **	\$97,899	(\$48,949)
373 - Street Lighting & Signal Systems	\$2,725,584	\$1,441,996	** 4.9	\$133,554	5.01 **	\$136,552	\$2,998	5.0 **	\$136,279	\$2,275
TOTAL DISTRIBUTION PLANT	\$125,915,937	\$58,642,442		\$4,379,212		\$3,446,608	(\$932,604)		\$4,163,199	(\$216,013)
GENERAL PLANT										
390 - Structures & Improvements	\$4,044,796	\$1,006,938	2.0	\$80,896	1.98	\$80,087	(\$809)	2.0	\$80,896	\$0
392.1 - Transportation-Cars	\$23,951	\$33,548	11.9	\$2,850	(10.59) ****	(\$2,536)	(\$5,386)	7.7 *	\$1,844	(\$1,006)
392.2 - Transportation-Light Trucks & Vans	\$1,041,834	\$630,885	7.8	\$81,263	6.69 ****	\$69,699	(\$11,564)	8.0 *	\$83,347	\$2,084
392.3 - Transportation - Heavy Trucks	\$3,755,922	\$2,440,985	7.0	\$262,915	4.10 ****	\$153,993	(\$108,922)	6.0 *	\$225,355	(\$37,560)
392.4 - Transportation - Vans	\$144,084	\$94,053	3.7	\$5,331	3.20	\$4,611	(\$720)	3.2	\$4,611	(\$720)
396 - Power Operated Equipment	\$898,523	\$335,752	4.4	\$39,535	4.07	\$36,570	(\$2,965)	4.1	\$36,839	(\$2,696)
TOTAL GENERAL PROPERTY	\$9,909,111	\$4,542,160		\$472,790		\$342,424	(\$130,366)		\$432,892	(\$39,898)
Motor Vehicle Reserve Surplus Amortization								4-Yr Amort	(\$128,474)	(\$128,474)
TOTAL RATES	\$154,932,014	\$66,800,216		\$5,365,370		\$4,214,352	(\$1,151,018)		\$4,985,663	(\$379,707)

* Reflects restated reserve after proposed corrective reserve allocations and amortization of the transportation reserve surplus.
 ** Reflects reserve adjusted for Hurricane Michael unrecovered costs addressed in Docket No. 20190155-EI.
 *** Reflects the OPC position of the estimated book reserve without any reserve correction. FPUC's proposals include the reserve correction.

INTERROGATORIES

15) Please refer to OPC witness Garrett's testimony, page 6, lines 3-4. The witness asserts "FPUC is basing its service life proposals on a Florida peer group, and those service lives (at least in part), were based on other prior Florida peer group averages. Repeating this process case after case has the effect of creating a type of echo chamber or feedback loop among the approved service lives of some Florida utilities."

- a. What is the basis for witness Garrett's assessment that the service lives of the Florida peer group were based on other prior Florida peer group averages?

Response: Mr. Garrett is not aware of the exact extent to which the authorized service lives of other Florida utilities are influenced by prior authorized service lives of Florida utilities. Given the discrepancy between the authorized service lives of Florida utilities with other utilities outside of Florida, it appears that the authorized service lives of Florida utilities have been influenced to some extent on the prior approved service lives of other Florida utilities.

- b. Which Florida utilities have service lives based on other prior Florida peer group averages?

Response: Please see response to Part A above.

AFFIDAVIT

STATE OF OKLAHOMA)

COUNTY OF OKLAHOMA)

I hereby certify that on this 19th day of June, 2020, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared David Garrett, who is personally known to me, and he acknowledged before me that he provided the answers to interrogatory numbers 15-22 from CITIZENS RESPONSE TO FPUC'S SECOND SET OF INTERROGATORIES (NOS. 15-22) in Docket Nos. 20190174-EI, 20190156-EI and 201990155-EI, and that the responses are true and correct based on his/her personal knowledge.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 19th day of June, 2020.



Christine D. Murdz
Notary Public
State of Florida, at Large

My Commission Expires:

8/7/23