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# Public Service Commission

August 14, 2015

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COMMISSION

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

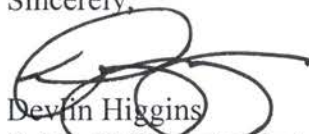
**Re: Staff's First Data Request in Docket No. 150162-EI, FPUC's 2015 Depreciation Study**

Mr. Cassel:

Staff has completed its initial review of FPUC's 2015 Depreciation Study filed in the above referenced docket. Please find the enclosed questions arising from staff's initial review. Due to the expedited schedule of this docket, we ask that the responses to Staff's First Data Request be filed with the Commission on or before September 4, 2015.

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

Sincerely,

  
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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General Questions

1. For the purposes of the following request, please refer to Schedule F (2015 Projected), of the Company's 2015 Depreciation Study. Please specify what plant, or types of plant, Accounts 360, 380, and 389 contain and the Company's proposed treatment of the balances of these Accounts.
2. Please specify the Whole Life Rates for all Accounts (as listed on 2015 Study Schedule 4) utilized for the purposes of the Company's 2011 Depreciation Study.
3. Please confirm that the Whole Life Rates contained on Schedule 4 are the Company's proposed Whole Life Rates for the purposes of its 2015 Depreciation Study.
4. For the purposes of the following request, please refer to Schedule G. The beginning balance date shown for plant amounts is 12/31/2010. Please specify whether this is the correct date for the amounts shown.
5. Please refer to FPUC's 2015 Depreciation Study, "Narrative of Service Environment and Factors Leading to Proposed Depreciation Rates and Explanation for Categories of Depreciable Plant," page 2. The Company indicated that retirements and net salvage data projected for 2015 are based on an average of actual retirements and net salvage amounts for 2011-2014. Please explain how the projected 2015 Additions data were derived.
6. For the purposes of the following requests, please refer to FPUC's 2015 Depreciation Study, Schedule F, Page 5.
  - a. For Account 356 - Overhead Conductors and Devices, please explain why the 2015 projected Cost of Removal is zero rather than the account's 2011-2014 average of (\$13,721).
  - b. For Account 370 - Meters, please explain why the 2015 projected retirement is (\$60,466) rather than the account's 2011-2014 average of (\$61,000).
  - c. For Account 371 - Installation on Customers' Premises, please explain why the 2015 projected retirement is (\$17,975) rather than the account's 2011-2014 average of (\$21,435).

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Transmission Plant

Account 352 – Structures and Improvements

7. Please refer to Schedule F, page 2. What is the nature of \$122,143 of Additions (or 555 percent annual growth rate<sup>1</sup>) to this Account?
8. Please refer to Schedule F, page 3. What is the nature of \$53,610 of Additions (or 37 percent annual growth rate) to this Account?

Account 353 – Station Equipment

9. Please refer to Schedule F, page 2. Please explain the cause of (\$1,000) Cost of Removal given zero retirements.
10. For the purposes of the following requests, please refer to Schedule F, page 2.
  - a. What is the nature of \$121,443 of Transfers to Reserve?
  - b. Please identify the source account(s) from which the reserve was transferred, if any.
  - c. Please explain why there is no corresponding transfer to Plant in Service.
11. Please refer to Schedule F, page 3. What is the nature of \$791,577 of Additions to this Account?

Account 354 - Towers and Fixtures

12. For the purposes of the following requests, please refer to Schedule F, page 2.
  - a. What is the nature of (\$16,866) of Transfers to Reserve?
  - b. Please identify the source account(s) from which the reserve was transferred, if any.
  - c. Please explain why there is no corresponding transfer to Plant in Service.

Account 355 – Poles and Fixtures

13. For the purposes of the following requests, please refer to Schedule F, page 1.

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<sup>1</sup> For the purposes of staff calculated growth rates, the formula is (Ending Year Account Balance - Beginning Year Account Balance) / Beginning Year Account Balance, or (2014 Plant balance – 2011 Plant balance) / 2011 Plant balance. Staff has elected not to include estimated 2015 amounts in our growth rates analyses of FPUC's Plant in Service.

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- a. Please define the abbreviations "355E&W" and "355C".
  - b. Please confirm, if it is the case, that Account 355E&W on page 1 of Schedule F and Account 355 - Poles and Fixture on pages 2 – 5 of Schedule F, as well as in all the other Schedules, are the same accounts.
  - c. Please confirm, if it is the case, that Account 355C on page 1 of Schedule F and Account 355.1 Poles and Fixture-Concrete on pages 2 – 5 of Schedule F, as well as in all the other Schedules, are the same accounts.
  - d. Please explain the (\$5,138) Cost of Removal given zero retirement.
14. Please refer to Schedule F, page 4. Please specify the cause of (\$40,217) (or approximately 262 percent) Cost of Removal.
15. For the purposes of the following requests, please refer to Schedule F, page 5.
- a. Please specify the cause of (\$11,385) (or 296 percent) Cost of Removal.
  - b. What is the nature of \$1,287,795 of Additions (or 54 percent annual growth rate) estimated for 2015 to this Account?
16. On page 3 of the Study's Narrative, FPUC stated Account 355 - Poles and Fixtures has experienced 2.2 percent growth since 2011. Please explain how the 2.2 percent growth rate was derived. Please also provide any work papers the Company may have to support its response.

Account 355.1 – Poles and Fixtures-Concrete

17. For the purposes of the following requests, please refer to Schedule F, page 2.
- a. What is the nature of (\$44,925) of Transfers to Reserve?
  - b. Please identify the source account(s) from which the reserve was transferred, if any.
  - c. Please explain why there is no corresponding transfer to Plant in Service.
18. Please refer to Schedule F, page 3. What is the nature of \$378,823 of Additions (or approximately 96 percent annual growth rate) to this Account?
19. Please refer to Schedule F, page 4. What is the nature of \$1,157,370 of Additions (or 149 percent annual growth rate) to this Account?

Account 356 – Overhead Conductors and Device

20. For the purposes of the following requests, please refer to Schedule F, page 2.

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- a. What is the cause of (\$800) Cost of Removal given zero retirements?
- b. What is the nature of (\$58,652) of Transfers to Reserve? Please identify the source account(s) from which the amount of reserve was transferred, if any. Please also explain why there is no corresponding transfer to Plant in Service.

21. For the purposes of the following requests, please refer to Schedule F, page 4.

- a. Please explain the (\$54,085) Cost of Removal given zero retirements.
- b. What is the nature of \$497,204 of Additions (or approximately 24 percent annual growth rate) to this Account?

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Distribution Plant

Account 360 – Land

22. Please refer to Schedule F, page 3. What is the nature of \$314,352 of Additions (or 2,316 percent annual growth rate) to this Account?
23. Please refer to Schedule F, page 3. What is the nature of the (\$314,352) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.

Account 361 – Structures and Improvements

24. For the purposes of the following requests, please refer to Schedule F, page 2.
  - a. What is the nature of the (\$3,013) of Transfer to Reserve?
  - b. Please identify the source account(s) from which the reserve was transferred, if any.
  - c. Please also explain why there is no corresponding transfer to Plant in Service.
25. For the purposes of the following request, please refer to Schedule F, page 3. What is the nature of \$73,177 of Additions (or approximately 73 percent annual growth rate) to this Account?

Account 362 – Station Equipment

26. Please refer to Schedule F, page 1. Please explain the cause of (\$1,171) Cost of Removal given zero retirement.
27. Please refer to Schedule F, page 2. Please explain the cause of \$58,264 Salvage given zero retirement.

Account 364 – Poles, Towers and Fixtures

28. For the purposes of the following requests, please refer to Schedule F. The data indicates that FPUC has experienced removal costs of retirements over 391 percent during the 2011-2014 periods; and the Company has projected that the removal cost for 2015 will be close to 393 percent.
  - a. Please specify the cause of the apparently large Cost of Removal.
  - b. Is the recent level of removal costs for retiring plant indicative of FPUC's future expectation for this Account? Please explain your response in detail.

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29. Please refer to Schedule F, page 2. What is the nature of the (\$120,263) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
30. Please refer to Schedule F, page 4. What is the nature of the (\$6,914) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.

Account 365 – Overhead Conductors and Devices

31. For the purposes of the following requests, please refer to Schedule F, page 2.
  - a. What is the nature of the (\$92,395) adjustment to Plant in Service? On page 4 of the Narrative, FPUC indicated the adjustment reflected Contributions in Aid of Construction (CIAC) amounts received. Please explain in detail.
  - b. What is the cause of (\$117,645) (or approximately 460 percent) Cost of Removal.
32. Please refer to Schedule F, page 3. Please specify the cause of (\$68,709) (or 276 percent) Cost of Removal.
33. Please refer to Schedule F, page 4. What is the nature of the (\$2,963) adjustment to Plant in Service? On page 4 of the Narrative, FPUC indicated the adjustment reflected CIAC amounts received. Please explain in detail.
34. On page 4 of the Study's Narrative, FPUC indicated that the retirement rate<sup>2</sup> of Account 365 for the 2011-2014 period has averaged approximately 1 percent. Please explain how this figure was derived. Please also provide any work papers the Company may have to support its response.

Account 366 – Underground Conduit

35. For the purposes of the following requests, please refer to Schedule F, page 2.
  - a. What is the nature of the (\$73,439) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
  - b. What is the nature of (\$53,958) of Transfers to Reserve? Please identify the source account(s) from which the amount of reserve was transferred, if any. Please also explain why there is no corresponding transfer to Plant in Service.
36. Please refer to Schedule F, page 3. What is the nature of the (\$38,115) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.

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<sup>2</sup> For the purposes of staff calculated retirement rates, the formula is Total Retirements of the period / (Total Retirement of the period + Total End of Year Plant Balance of the period), or (2011+2012+2013+2014) Retirements / ((2011+2012+2013+2014) Retirements + (2011+2012+2013+2014) Ending Plant Balance). Staff has elected not to include estimated 2015 amounts in our retirement rates analyses of FPUC's plant.

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37. For the purposes of the following requests, please refer to Schedule F, page 4.
- a. Please specify the cause of (\$2,280) (or 3,304 percent) Cost of Removal.
  - b. What is the nature of the (\$986) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.

Account 367 – Underground Conductors and Devices

38. Please refer to Schedule F, page 1. Please specify the cause of (\$40,393) (or 935 percent) Cost of Removal.
39. For the purposes of the following requests, please refer to Schedule F, page 2.
- a. What is the nature of the (\$128,144) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
  - b. What is the cause of (\$25,579) (or 288 percent) Cost of Removal?
40. Please refer to Schedule F, page 3. What is the nature of the (\$32,844) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
41. For the purposes of the following requests, please refer to Schedule F, page 4.
- a. What is the nature of the (\$16,745) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
  - b. What is the cause of (\$15,404) (or 131 percent) Cost of Removal?
42. FPUC indicated, page 5 of the Study's Narrative, that the retirement rate for Account 367 has averaged 1.3 percent over the 2011-2014 period. Please explain how this figure was derived. Please also provide any work papers the Company may have to support its response.
43. FPUC indicated, page 5 of the Study's Narrative, that Account 367 has experienced almost 50 percent removal costs during the 2011-2014 period. Please explain how this figure was derived. Please also provide any work papers the Company may have to support its response.

Account 368 – Line Transformers

44. For the purposes of the following requests, please refer to Schedule F, page 2.
- a. What is the nature of the (\$2,500) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.



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- b. What is the nature of the \$113,164 of Transfer to Reserve? Please identify the source account(s) from which the amount of reserve was transferred, if any. Please also explain why there is no corresponding transfer to Plant in Service.

45. For the purposes of the following requests, please refer to Schedule F, page 4.

- a. What is the nature of the (\$11,100) adjustment to Plant in Service? Please explain why there is no corresponding adjustment to Reserve.
- b. Please specify the cause of the (\$64,007) (or 203 percent) Cost of Removal.

#### Account 369 – Services

46. Please refer to Schedule F, page 1. Please specify the cause of the (\$29,937) (or 1,262 percent) Cost of Removal.
47. Please refer to Schedule F, page 2. Please specify the cause of the (\$11,346) (or 211 percent) Cost of Removal.
48. Please refer to Schedule F, page 3. Please specify the cause of the (\$15,299) (or 427 percent) Cost of Removal.
49. For the purposes of the following requests, please refer to Schedules F and J. The data indicates that FPUC has experienced significant negative net salvage in each year of the study period. The average net salvage rate is negative (101) percent for the period 2011 - 2014.
  - a. Please specify the cause of the apparently significant net salvage rate.
  - b. Is the recent level of removal costs for retiring plant indicative of FPUC's future expectation for this Account? Please explain your response in detail.

#### Account 371 – Installation on Customers' Premises

50. For the purposes of the following request, please refer to Schedules F and J. The data indicates that FPUC has experienced greater than 40% removal cost and zero salvage each year during the study period. Is the recent level of (negative) net salvage indicative of FPUC's future expectation for this Account? Please explain your response in detail.

#### Account 373 – Street Lighting and Signal Systems

51. For the purposes of the following requests, please refer to Schedules F and J. The data indicates that FPUC has experienced greater than 130% removal cost (with 4 year average of 272 percent) and zero salvage each year during the study period.
  - a. Please specify the cause of the apparently high Cost of Removal rate.

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- c. Is the recent level of removal costs for retiring plant indicative of FPUC's future expectation for this Account? Please explain your response in detail.

52. For the purposes of the following requests, please refer to Schedule F, page 2.

- a. What is the nature of the (\$55,899) of Transfer to Reserve?
- b. Please identify the source Account(s) from which the reserve was transferred, if any.
- c. Please also explain why there is no corresponding transfer to Plant in Service.

53. Please refer to Schedule F, page 5. What is the nature of the \$38,945 of Additions (or approximately 32 percent annual growth rate) to this Account?

Account 389 - Land and Rights

54. Please refer to Schedule F, page 2. What is the nature of the \$752,627 of Additions (or over 1,038 percent annual growth rate) to this Account?

55. For the purposes of the following requests, please refer to Schedule F, page 4.

- a. Please provide the name and description of Account 380.
- b. What is the nature of the (\$320,005) of transfer from Account 389 to Account 380?

General Plant

56. Please specify the Company's proposed amortization periods (or rates of amortization) for the amortizable Accounts contained in its 2015 Depreciation Study by populating the chart below.

	Account No. and Name	Proposed Amortization period
391	Office Furniture & Equipment	
391.1	Office Furniture	
391.2	Office Machines	
391.3	Computer Equipment	
391.4	Software	
393	Stores Equipment	
394	Tools/Shop Equipment	
395	Lab Equipment	
397	Communications Equipment	
397.3	Communications Equipment Post 98	
398	Miscellaneous Equipment	
399	Misc. Tangible Assets	

Account 390 – Structures & Improvements

For the purposes of the following requests, please refer to Schedule F.

57. Staff has calculated an investment growth rate of approximately 196% (2011-2014) for this Account. Please briefly discuss what is driving this Account's rate of growth and if the Company expects a comparable growth rate going forward for 2015 and beyond.

58. Please describe the nature of the 2013 additions of \$2,461,681 to this Account.

59. Please describe the nature of the projected 2015 retirement of (\$479,780) to this Account.

Account 392.1 – Transportation - Cars

For the purposes of the following requests, please refer to Schedule F.

60. Please explain the retirement amounts in years 2012 (\$21,030) and 2014 (\$30,091) to this Account.

61. Please describe the nature of the positive 2012 transfer of \$30,091 and the negative 2014 transfer of (\$39,170) to this Account.

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62. Please describe the nature of the negative 2012 addition of (\$2,500) to this Account, and why this amount was not recorded as an adjustment. What are the reserve implications of this negative addition?
63. Please describe the nature of the 2014 reserve adjustment of (\$1,693) to this Account. Please also discuss the implications to Plant in Service of this adjustment.
64. Please describe the nature of the projected 2015 addition of \$55 to this Account and why the Company believes this amount should be considered a capital addition.
65. The four-year (2011-2014) average net salvage for this Account, derived (no 2015 data included for the analysis) from information shown on Schedule J, page 2 of 2, is approximately 13%. The currently approved net salvage rate is equal to 15%, which is also the Company's proposal for calculating future rates. Please describe why the Company is proposing to maintain the net salvage rate at 15% rather than aligning it more closely to the recent historical four-year experience.

Account 392.2 – Transportation - Light Truck & Vans

66. For the purposes of the following request, please refer to Schedule F.
  - a. Please describe the nature of the 2012-2014 Plant in Service adjustments of \$72,589, \$22,079, and \$19,710 to this Account. Please also discuss the reserve implications of these adjustments.
  - b. Please describe the nature of the 2013 reserve adjustment of \$8,193 to this Account. Please also discuss the implications to Plant in Service of this adjustment.
  - c. Please describe the nature of the 2014 reserve transfer of \$14,549 to this Account. Please also discuss the implications to Plant in Service of this adjustment.
67. The four-year average net salvage for this Account, as shown on Schedule J, page 2 of 2, is approximately 16%. The currently approved net salvage rate is equal to 12%, which is also the Company's proposal for calculating future rates. Please describe why the Company is proposing to maintain the net salvage rate at 12% rather than aligning it more closely to the recent historical four-year experience.

Account 392.3 – Transportation - Heavy Trucks

68. For the purposes of the following requests, please refer to Schedule F.
  - a. Please describe the nature of the 2012 reserve adjustment of (\$51,858) to this Account. Please also discuss the implications to Plant in Service of this adjustment.
  - b. Please describe the nature of the 2015 additions of \$710,000 to this Account.

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69. The four-year average (2011-2014) net salvage for this Account, derived from information shown on Schedule J, page 2 of 2, is approximately 5%. The currently approved net salvage rate is equal to 10%, which is also the Company's proposal for calculating future rates. Please describe why the Company is proposing to maintain the net salvage rate at 10% rather than aligning it more closely to the recent historical four-year experience.

Account 392.4 – Transportation - Trailers

70. For the purposes of the following requests, please refer to Schedule F.
- a. Please describe the nature of the 2014 plant transfer of \$33,074 to this Account. Please also discuss the implications to Reserve of this adjustment.
  - b. Please describe the nature of the 2014 reserve adjustment of \$1,990 to this Account. Please also discuss the implications to Plant in Service of this adjustment.

Account 396 – Power Operated Equipment

71. For the purposes of the following requests, please refer to Schedule F.
- a. Please describe the nature of the 2014 addition of \$82,007 to this Account.
  - b. Please describe the nature of the 2014 Plant in Service Purchase and Adjustment of \$13,547 to this Account. Please also discuss the Purchase and Adjustment of (\$7,245) to the Reserve.

Account 398 – Miscellaneous Equipment

72. For the purposes of the following requests, please refer to Schedule F.
- a. Please describe the nature of the 2012 plant transfer of (\$50,790) to this Account. Please also discuss the implications to Plant in Service of this adjustment.
  - b. Please describe the nature of the 2012 reserve adjustment of (\$1,508) to this Account. Please also discuss why there is no readily apparent/similar adjustment to Plant in Service for the same year.

Account 399 – Misc. Tangible Assets

73. Please specify the investment items contained in Account 399 and the Company's proposal for this fully depreciated Account.
74. Does the Company anticipate any additions or retirements to Account 399 within the next five years?