

State of Florida



## Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD  
TALLAHASSEE, FLORIDA 32399-0850

**-M-E-M-O-R-A-N-D-U-M-**

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**DATE:** June 27, 2018

**TO:** Office of Commission Clerk (Stauffer)

**FROM:** Division of Economics (Higgins, Wu) *WU*  
Division of Accounting and Finance (Cicchetti) *ALM*  
Office of the General Counsel (Schrader) *K S JSC*

**RE:** Docket No. 20170265-GU – Application for approval of new depreciation rates effective January 1, 2018, by St. Joe Natural Gas Company, Inc.

**AGENDA:** 07/10/18 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

**COMMISSIONERS ASSIGNED:** All Commissioners

**PREHEARING OFFICER:** Clark

**CRITICAL DATES:** None

**SPECIAL INSTRUCTIONS:** None

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### Case Background

Rule 25-7.045(4)(a), Florida Administrative Code (F.A.C.), requires natural gas public utilities to file a comprehensive depreciation study with the Florida Public Service Commission (Commission) for review at least once every five years from the submission date of the previous study. On December 21, 2017, St. Joe Natural Gas Company (St. Joe or Company) filed its 2017 depreciation study in compliance with the aforesaid rule. Staff notes the Company's last depreciation study was filed December 31, 2012. For a brief profile of the Company, St. Joe had total 2017 operating revenues of approximately \$2,005,700, in serving 2,997 customers.<sup>1</sup> Staff has completed its review of St. Joe's current 2017 Depreciation Study and presents its recommendations to the Commission herein.

<sup>1</sup> St Joe's Annual Report of Natural Gas Utilities, Form PSC/ECR 020-G, at December 31, 2017, filed with the Florida Public Service Commission on June 7, 2018.

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The Commission is vested with jurisdiction over these matters through several provisions of the Florida Statutes (F.S.), including Sections 350.115, 366.05, and 366.06, F.S.

### Discussion of Issues

**Issue 1:** Should the currently prescribed depreciation rates for St. Joe Natural Gas Company be revised?

**Recommendation:** Yes. The review of St. Joe's plant and depreciation-related information indicates a need to revise the Company's currently prescribed depreciation rates. (Higgins)

**Staff Analysis:** St. Joe's last depreciation filing was made on December 31, 2012. By Order No. PSC-13-0174-PAA-GU, the Commission approved revised depreciation rates that became effective January 1, 2013.<sup>2</sup>

The Company filed its current study in accordance with Rule 25-7.045(4)(a), F.A.C. A review of the Company's plant activity and other relevant data indicates the need to revise depreciation rates. Staff's recommended depreciation rates and underlying components are specifically discussed in Issue 3.

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<sup>2</sup> Order No. PSC-13-0174-PAA-GU, issued April 26, 2013, in Docket No. 20120325-GU, *In re: Application for approval of new depreciation rates, effective January 1, 2013, by St. Joe Natural Gas Company.*

**Issue 2:** What should be the implementation date for newly proposed depreciation rates?

**Recommendation:** If approved by the Commission, staff recommends January 1, 2018, for implementing the depreciation rates shown on Attachments A and B to this recommendation. (Higgins)

**Staff Analysis:** Rule 25-7.045(4)(d), F.A.C., requires that the data submitted in a depreciation study, including plant and reserve balances or Company estimates, “shall be brought to the effective date of the proposed rates.” The supporting data and calculations provided by St. Joe match an implementation date of January 1, 2018.

**Issue 3:** What are the appropriate depreciation parameters and resulting rates?

**Recommendation:** Staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting depreciation rates applicable to St. Joe's investments that are shown on Attachment A. As shown on Attachment B, the corresponding depreciation expense effect of staff's rate recommendations is a decrease of \$41,258 annually, or approximately 14.4 percent, from current depreciation rate levels. (Higgins, Wu)

**Staff Analysis:** The purpose of this period depreciation review is to ensure that capital prudently invested, as well as future costs of retirement are recovered over the useful lives of the assets studied. To this end, staff's recommendations are the result of a comprehensive review of St. Joe's depreciation and plant-related data filed in this docket. Attachment A to this recommendation shows a comparison of certain currently-approved depreciation parameters and rates to those staff is recommending to become effective on January 1, 2018, (Issue 2).<sup>3</sup> Staff and the Company are in agreement on all proposed depreciation parameters and resulting rates.<sup>4</sup> Displayed on Attachment B is a comparison of depreciation expenses between currently-approved and proposed rates based on December 31, 2017, investment levels.<sup>5</sup>

**2017 Study Overview**

In general and with little exception, there has been relatively minimal plant addition and retirement activity during the study period of 2013-2017, with no property/accounts appearing to experience abnormal life characteristics. Thus, St. Joe initially proposed to retain all of its previously ordered average service life (ASL) durations, as well as net salvage (NS) values.<sup>6</sup> Staff notes that, in general, an ASL is the average expected life of all units of a group of assets when new. NS represents the difference between the value of salvage and cost of removal resulting from plant retirement and disposal. Both are key considerations/parameters when formulating depreciation rates. Discussed later in this recommendation, staff suggests to moderately lengthen the service lives of three accounts. All else equal, the lengthening of service life will ultimately reduce annual depreciation expense.

Staff observed that St. Joe's as-proposed average remaining lives (ARLs) were not calculated using retirement dispersion curves. To address this, staff applied the last known Iowa-Type Survivor Curves applicable to St. Joe's plant on an account-by-account basis and derived new ARL values.<sup>7</sup> For background, an ARL is the future expected service life in years of the asset-group survivors at a given age, whereas the age of investments is the dollar-weighted length of time that vintage assets have been in service. Overall, the effects of using the newly-derived

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<sup>3</sup> Order No. PSC-13-0174-PAA-GU.

<sup>4</sup> See Commission Document No. 03668-2018.

<sup>5</sup> Order No. PSC-13-0174-PAA-GU.

<sup>6</sup> *Id.*

<sup>7</sup> Bulletin 125, *Statistical Analysis of Industrial Reporting*, published in 1935, by Robley Winfrey of the Iowa State College Engineering Experimental Station. The retirement distributions (depicted as the "Iowa Curves") published in Bulletin 125 are widely-accepted representations of utility property retirement patterns. Iowa curves are comprised of a set of standardized patterns (or curve shapes), of asset retirement dispersion organized into four broad classes: "S," "R," "L," and "O" curves. The inherent logic of the Iowa Curves is that the same type of plant, living in the same environments, generally experiencing the same external factors, will continue to follow the same mortality pattern, or until factors/considerations change.

ARLs in calculating depreciation rates of St. Joe's plant were mixed, with greater rates of depreciation for some accounts, lesser rates of depreciation for others.

Staff notes that many of St. Joe's currently-approved service lives were retained and used in the curve/life selection process.<sup>8</sup> Further, staff accepted or agreed with the Company's initial proposals for many proposed net salvage values as well. An account-by-account analysis and discussion concerning depreciation parameter formulation and rate development follows below.

### ***Account-Specific Analysis***

#### **Account 375 – Buildings & Improvements**

The age of this account is 33.6 years. Staff recommends the S3 Iowa curve with a 40-year ASL (S3-40) curve/life combination. Based on these parameters and a negative 5, or (5), percent NS level, a 10.8-year ARL and remaining life depreciation rate of 1.6 percent are calculated for this account.

#### **Account 376.1 – Mains-Plastic**

The age of this account is 21.2 years. Staff recommends the S3-40 curve/life combination. Based on these parameters and a (30) percent NS level, a 19.4-year ARL and a remaining life depreciation rate of 3.2 percent are calculated for this account.

#### **Account 376.2 – Mains-Steel**

The age of this account is 26.2 years. Staff recommends the S3-40 curve/life combination. Based on these parameters a 15.4-year ARL is calculated. As Account 376.2 is in a theoretical reserve<sup>9</sup> surplus position, staff also recommends that a reserve adjustment (transfer to Accounts 378, 380.1, and 384 respectively) totaling (\$63,019) be made in order to reduce the account's reserve surplus. The post-reserve transfer remaining life depreciation rate with a (30) percent NS level is calculated to be 3.1 percent for this account.

#### **Account 378 – Meas. & Reg. Equip. (Distribution)**

The age of this account is 21.6 years. Staff recommends the R3-35 curve/life combination. Based on these parameters a 15.6-year ARL is calculated. As Account 378 is in a theoretical reserve deficit position, staff also recommends that a reserve transfer of \$256 be made (from Account 376.2 – Mains-Steel) to correct the account's theoretical reserve deficiency. The post-reserve transfer remaining life depreciation rate with a (5) percent NS level is calculated to be 3.0 percent for this account.

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<sup>8</sup> Order No. PSC-13-0174-PAA-GU.

<sup>9</sup> See Commission Rule 25-7.045(1)(k), F. A. C., which prescribes a Theoretical Reserve being equal to: Book Investment minus Future Accruals minus Future Net Salvage.

Account 379 – Meas. & Reg. Equip. (City Gate)

The age of this account is 25.2 years. Staff recommends the S3-35 curve/life combination. Based on these parameters and a (5) percent NS level, a 11.9-year ARL and a remaining life depreciation rate of 2.5 percent are calculated for this account.

Account 380.1 – Services-Plastic

The account has an age of 17.1 years and an ASL of 40 years. St. Joe reports that inspections of plastic service lines (randomly selected) are performed on a regular basis and all lines continue to be found in acceptable condition with every indication of many years of service remaining.<sup>10</sup> Taking this into consideration, staff recommends a moderate increase in ASL by 2 years. This will bring the ASL of the account to 42 years. Based on the S3-42 curve/life combination, a 25-year ARL is calculated. As Account 380.1 is in a theoretical reserve deficit position, staff also recommends that a reserve transfer of \$57,246 be made (from Account 376.2 – Mains-Steel) as to correct the account's theoretical reserve deficiency. The post-reserve-transfer remaining life depreciation rate with a (22) percent NS level is calculated to be 2.9 percent for this account.

Account 380.2 – Services-Steel

This account has an age of 46.9 years and an ASL of 50 years. St. Joe reports that inspections of steel service lines (randomly selected) are performed on a regular basis and all lines continue to be found in acceptable condition with every indication of many years of service remaining.<sup>11</sup> Taking this into consideration, staff recommends a moderate increase in ASL by 3 years. Based on the SQ-53 curve/life combination, a 6.1-year ARL is calculated for this account.

The current-approved NS level of the account is (30) percent which is at the highest end of the industry range.<sup>12</sup> During the current study period of 2013 through 2017, the account experienced a 59.6 percent average cost of removal with no gross salvage.<sup>13</sup> During the period of St. Joe's last depreciation study, the account had experienced an average 48 percent cost of removal with no gross salvage; and the Commission ordered a decrease in the level of NS from the then-approved (25) percent to the currently-approved (30) percent.<sup>14</sup> Given the trend of the account's NS level in the past 10 years and considering the industrial average, staff recommends to further decrease the NS level to (40) percent. Staff notes that this degree of reduction does not fully reflect the account's actual experience and still leaves the NS level at the high end (least negative) of the

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<sup>10</sup> See St. Joe's 2017 Depreciation Study, Filing Requirements 6(f).

<sup>11</sup> Id.

<sup>12</sup> Approved NS levels (steel services) for Florida's gas utilities range from (125) percent to (30) percent, with an arithmetic mean of (77) percent. See Order No. PSC-14-0698-PAA-GU, issued December 18, 2014, in Docket No. 140016-GU, *In re: 2014 depreciation study by Florida Public Utilities Company*; Order No. PSC-17-0066-AS-GU, Issued February 28, 2017, in Docket No. 160159-GU, *In re: Petition for approval of settlement agreement pertaining to Peoples Gas System's 2016 depreciation study, environmental reserve account, problematic plastic pipe replacement, and authorized ROE*; Order No. PSC-16-0574-PAA-GU, issued December 19, 2016, in Docket No. 160174-GU, *In re: Request for approval of 2016 depreciation study by Sebring Gas System, Inc.*; Order No. PSC-2018-0190-FOF-GU, issued April 20, 2018, Docket No. 20170179-GU, *In re: Petition for rate increase by Florida City Gas.*

<sup>13</sup> Net Salvage is equal to: Gross Salvage - Cost of Removal.

<sup>14</sup> Order No. PSC-13-0174-PAA-GU.

industry range. However, staff believes that whenever possible, gradual rather than abrupt and/or incremental rather than large-magnitude change is preferable.

With a 6.1-year ARL and a (40) percent NS level, the remaining life depreciation rate is calculated to be 3.9 percent for this account.

#### Account 381 – Meters

The age of this account is 14 years. Staff recommends the R4-25 curve/life combination. Based on these parameters and a zero percent NS level, a 11.5-year ASL and a remaining life depreciation rate of 3.8 percent are calculated for this account.

#### Account 382 – Meters Installations

The age of this account is 29 years. Staff recommends the S2-40 curve/life combination. Based on these parameters and a (25) percent NS level, a 15.3-year ARL and a remaining life depreciation rate of 3.0 percent are calculated for this account.

#### Account 383 – Regulators

The age of the account is 18.8 years. Staff recommends the R4-30 curve/life combination. Based on these parameters and a zero percent NS level, a 12.0-year ARL and a remaining life depreciation rate of 3.1 percent are calculated for this account.

#### Account 384 – Regulator Install

This account has an age of 22.3 years. Staff notes that the account has experienced significant changes, with plant investment being added and retired every year throughout the study period. Taken with the account's growth rate of 14.5 percent and retirement rate of 1.4 percent, staff recommends the S3 curve shape with a 40-year ASL as it closely depicts this account's activity. Based on these parameters, a 18.4-year ARL is calculated. As Account 384 is in a theoretical reserve deficit position, staff also recommends that a reserve transfer of \$5,517 be made (from Account 376.2 – Mains-Steel) to correct the account's theoretical reserve deficiency. The post-reserve-transfer remaining life depreciation rate with a (40) percent NS level is calculated to be 3.5 percent for this account.

#### Account 385 – Industrial Meas. & Reg. Equipment

The age of the account is 6.4 years. Staff recommends the S4-30 curve/life combination. Based on these parameters with a (5) percent NS level, a 24-year ARL and a remaining life depreciation rate of 3.4 percent are calculated for this account.

#### Account 387 – Other Equipment

This account is near fully depreciated at the study date of December 31, 2017. It has also experienced no activity (e.g. plant addition, retirement, etc.) during the study period. The



Company seeks to apply a depreciation rate when new investment is added.<sup>15</sup> Due to the account's current reserve position, staff believes that a whole life rate, rather than a remaining life depreciation rate, should be applied to any newly-added investments as an interim measure until St. Joe's depreciation rates are re-reviewed by the Commission.

This account has an age of 5.2 years, a currently-approved 10-year ASL and a zero percent NS.<sup>16</sup> Staff notes that a 10-year ASL is at the lowest end of the industry range of Florida gas utilities for this account.<sup>17</sup> Staff believes an increase in ASL by 4 years is appropriate. Therefore, staff recommends a 7.1 percent whole life depreciation rate be applied to any new investment added to this account.

#### Account 390 – Structures & Improvements

The age of this account is 26.0 years. Staff recommends the R3-40 curve/life combination. Based on these parameters and a zero percent NS level, a 16.8-year ARL and 1.9 percent remaining life depreciation rate are calculated for this account.

#### Account 391.1 – Office Furniture

The age of this account is 13.7 years. Staff recommends the S2-15 curve/life combination. Based on these parameters and a zero percent NS level, a 4.4-year ARL and 1.7 percent remaining life depreciation rate are calculated for this account.

#### Account 391.2 – Office Devices

The age of this account is 4.9 years. Staff recommends the S1-8 curve/life combination. Based on these parameters and a 5 percent NS level, a 4.1-year ARL and 8.4 percent remaining life depreciation rate are calculated for this account.

#### Account 391.3 – Office Computers

The age of this account is 8.3 years. Staff recommends the S3-16 curve/life combination. Based on these parameters, a 7.9-year ARL is calculated. As Account 391.3 is in a theoretical reserve deficit position, staff also recommends that a reserve transfer of \$5,190 (from Account 392 – Transportation Equipment) be made in order to correct the account's theoretical deficiency. The post-reserve-transfer remaining life depreciation rate with a zero percent NS level is calculated to be 6.3 percent for this account.

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<sup>15</sup> See St. Joe's 2017 Depreciation Study, Filing Requirements 6(f), and St. Joe's response to Staff's First Data Request, No. 10.

<sup>16</sup> Order No. PSC-13-0174-PAA-GU.

<sup>17</sup> Approved ASLs (Account 387 – Other Equipment) for Florida's gas utilities range from 10 to 30 years, with an arithmetic mean of 21.2 years. See Order No. PSC-14-0698-PAA-GU, Order No. PSC-17-0066-AS-GU, Order No. PSC-16-0574-PAA-GU, and Order No. PSC-2018-0190-FOF-GU.

Account 392 – Transportation Equipment

The age of this account is 4.6 years. Staff recommends the S2-7 curve/life combination. Based on these parameters, a 3.0-year ARL is calculated. As Account 392 is in a theoretical reserve surplus position, staff also recommends that a reserve adjustment of (\$5,190) be made (transfer to Account 391.3 – Office Computers) to correct the theoretical reserve deficiency in Account 391.3. The post-reserve-transfer remaining life depreciation rate with a 10 percent NS level is calculated to be 9.3 percent for this account.

Account 394 – Tools, Shop & Garage Equipment

The age of this account is 4.2 years. Staff recommends the S3-20 curve/life combination. Based on these parameters and a zero percent NS level, a 15.8-year ARL and 4.9 percent remaining life depreciation rate are calculated for this account.

Account 396 – Power Operated Equipment

The age of this account is 9.2 years. Staff recommends the S4-15 curve/life combination. Based on these parameters and a 5 percent NS level, a 5.9-year ARL and 0.6 percent remaining life depreciation rate are calculated for this account.

Account 397 – Communication Equipment

The age of this account is 9.2 years. Staff recommends the S3-12 curve/life combination. Based on these parameters and a zero percent NS level, a 3.7-year ARL and 6.2 percent remaining life depreciation rate are calculated for this account.

**Summary Schedules**

Complete tabulations of staff's depreciation parameter and rate recommendations, as well as annual expense comparisons to St. Joe's currently-approved depreciation rates are contained in Attachments A and B to this recommendation.

**Issue 4:** Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates and amortization schedules?

**Recommendation:** Yes. The current amortization of ITCs should be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization at the same time it files its earnings surveillance report covering the period ending December 31, 2018, as specified in Rule 27-7.1352, F.A.C. (Cicchetti)

**Staff Analysis:** In Issue 2, staff recommended approval of revised depreciation rates for the Company to be effective January 1, 2018, which reflect changes to most accounts' remaining lives to be effective January 1, 2018. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in Sections 168(f)(2) and (i)(9),<sup>18</sup> former IRC Section 167(l),<sup>[19, 20]</sup> former IRC Section 46(f),<sup>[21, 22]</sup> Federal Tax Regulations under the Code sections,<sup>23</sup> and Section 203(e) of the Tax Reform Act of 1986 (the Act).<sup>24</sup>

Staff, the Internal Revenue Service (IRS), and independent outside auditors examine a company's books and records, and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in the appropriate manner. The books are also reviewed to determine if they are in compliance with the regulatory guidelines regarding normalization.

Former IRC Section 46(f)(6) of the Code indicated that the amortization of ITC should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility.<sup>25</sup> While, Section 46(f)(6) was repealed, under IRC Section 50(d)(2), the terms of former IRC Section 46(f)(6) remain applicable to public utility property for which a regulated utility previously claimed ITCs. Because staff is recommending changes to the Company's remaining lives, it is also important to change the amortization of ITCs to avoid violation of the provisions of IRC Section 50(d)(2) and its underlying Treasury Regulations. The consequence of an ITC normalization violation is a repayment of unamortized ITC balances to the IRS. Therefore, staff recommends that the current amortization of ITCs should be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization at the

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<sup>18</sup> 26 USC §§168(f)(2) and (i)(9).

<sup>19</sup> Former 26 USC §167(l), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11812(a)(1-2)(1990).

<sup>20</sup> Under IRC Section 50(d)(2), the terms of former IRC Section 167(l) remain applicable to public utility property for which a regulated utility previously claimed ITCs, which is the case here. (I.R.S. Priv. Ltr. Rul. 200933023, 1n.1 (May 7, 2009)).

<sup>21</sup> Former 26 USC §46(f), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11813(1990).

<sup>22</sup> Under IRC Section 50(d)(2), the terms of former IRC Section 46(f) remain applicable to public utility property for which a regulated utility previously claimed ITCs, which is the case here. (I.R.S. Priv. Ltr. Rul. 200933023, 1n.1 (May 7, 2009)).

<sup>23</sup> Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.

<sup>24</sup> Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).

<sup>25</sup> Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

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same time it files its earnings surveillance report covering the period ending December 31, 2018, as specified in Rule 25-7.1352, F.A.C.

**Issue 5:** Should this docket be closed?

**Recommendation:** If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Schrader)

**Staff Analysis:** At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.

Comparison of Rates and Components								
Account Number	Account Title	Current <sup>1</sup>			Staff Recommended			
		Ave. Rem. Life (yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Ave. Rem. Life (yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
<b>DISTRIBUTION PLANT</b>								
375	Structures & Improvements	11.4	(5)	2.7	10.8	88.08	(5)	1.6
376.1	Mains - Plastic	22.0	(30)	3.4	19.4	68.71	(30)	3.2
376.2	Mains - Steel	18.8	(30)	3.3	15.4	81.94	* (30)	3.1
378	M&R Station Equip. - Distribution	18.1	(5)	3.6	15.6	58.20	* (5)	3.0
379	M&R Station Equip. - City Gate	14.8	(5)	3.0	11.9	75.30	(5)	2.5
380.1	Services - Plastic	24.0	(22)	3.4	25.0	49.50	* (22)	2.9
380.2	Services - Steel	8.1	(30)	3.0	6.1	116.13	(40)	3.9
381	Meters	5.6	0	4.2	11.5	56.63	0	3.8
382	Meter Installations	10.3	(25)	4.8	15.3	79.45	(25)	3.0
383	Regulators	13.7	0	3.4	12.0	62.44	0	3.1
384	Regulator Installations	17.5	(40)	4.4	18.4	75.60	* (40)	3.5
385	Industrial M&R Equip.	18.7	(5)	3.8	24.0	22.33	(5)	3.4
387	Other Equipment	5.0	0	11.4	8.8	99.87	0	7.1**
<b>GENERAL PLANT</b>								
390	Structures & Improvements	16.8	0	2.7	16.8	68.50	0	1.9
391.1	Office Furniture	6.0	0	7.4	4.4	92.39	0	1.7
391.2	Office Devices	5.9	5	12.6	4.1	60.45	5	8.4
391.3	Office Computers	5.8	0	6.3	7.9	50.23	* 0	6.3
392	Transportation Equip.	1.4	10	12.9	3.0	62.10	* 10	9.3
394	Tools, Shop & Garage Equip.	4.8	0	5.5	15.8	22.24	0	4.9
396	Power Operated Equip.	4.7	5	6.3	5.9	91.57	5	0.6
397	Communication Equip.	4.5	0	8.3	3.7	77.03	0	6.2

<sup>1</sup> Order No. PSC-13-0174-PAA-GU

\* Denotes a Reserve Transfer

\*\*Whole Life Dep. Rate

Comparison of Expenses						
Account Number	Account Title	Current <sup>1</sup>		Staff Proposed		
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	Change In Expense (\$)
<b>DISTRIBUTION PLANT</b>						
375	Structures & Improvements	2.7	578	1.6	342	(236)
376.1	Mains - Plastic	3.4	36,860	3.2	34,692	(2,168)
376.2	Mains - Steel	3.3	100,521	3.1	94,429	(6,092)
378	M&R Station Equip. - Distribution	3.6	3,560	3.0	2,967	(593)
379	M&R Station Equip. - City Gate	3.0	13,772	2.5	11,477	(2,295)
380.1	Services - Plastic	3.4	22,160	2.9	18,901	(3,259)
380.2	Services - Steel	3.0	3,294	3.9	4,282	988
381	Meters	4.2	23,567	3.8	21,323	(2,244)
382	Meter Installations	4.8	3,477	3.0	2,173	(1,304)
383	Regulators	3.4	6,485	3.1	5,912	(573)
384	Regulator Installations	4.4	1,481	3.5	1,178	(303)
385	Industrial M&R Equip.	3.8	2,059	3.4	1,843	(216)
387	Other Equipment	11.4	1,596	7.1	0	(1,596)
<b>GENERAL PLANT</b>						
390	Structures & Improvements	2.7	4,228	1.9	2,976	(1,252)
391.1	Transportation Equip.	7.4	556	1.7	128	(428)
391.2	Office Devices	12.6	2,687	8.4	1,791	(896)
391.3	Office Computers	6.3	4,686	6.3	4,686	0
392	Transportation Equip.	12.9	46,608	9.3	33,601	(13,007)
394	Tools, Shop & Garage Equip.	5.5	2,467	4.9	2,198	(269)
396	Power Operated Equip.	6.3	5,971	0.6	569	(5,402)
397	Communication Equip.	8.3	449	6.2	336	(113)
<b>Total</b>			<b>287,064</b>		<b>245,804</b>	<b>(41,258)</b>

<sup>1</sup> Order No. PSC-13-0174-PAA-GU