

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-

DATE: September 20, 2019

TO: Office of Commission Clerk (Teitzman)

FROM: Division of Economics (Wu) *MC*
Division of Accounting and Finance (Cicchetti, Higgins, Smith II) *D.H.*
Office of the General Counsel (Brownless) *JSC*

RE: Docket No. 20190056-GU – Petition for approval of 2019 consolidated depreciation study by Florida Public Utilities Company, Florida Public Utilities Company-Indiantown Division, Florida Public Utilities Company-Fort Meade, and Florida Division of Chesapeake Utilities Corporation. *LS* *DBB* *ALM* *JW*

AGENDA: 10/03/19 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Polmann

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

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. Florida Public Utilities Company's (FPUC or Company) last depreciation study was initially filed on January 13, 2014, and a revised version filed on July 2, 2014. The 2014 Study was approved by Order No. PSC-14-0698-PAA-GU.¹ FPUC's new study was due on or by January 14, 2019. However, on December 26, 2018, FPUC filed a petition to temporarily waive

¹Order 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*.

Rule 25-7.045(4)(a), F.A.C.² The Company's request was ultimately granted, which permitted it to submit a depreciation study no later than March 4, 2019.³ In accordance with Order No. PSC-2019-0067-PAA-GU, the Company filed its 2019 Depreciation Study on March 4, 2019, and a revised version on April 10, 2019 (2019 Study or Current Study). Staff's analysis and recommendations are based on the April 10, 2019, filing.⁴ Further, as was the case with the Company's 2014 Depreciation Study, FPUC's 2019 Study is a consolidated depreciation study encompassing information from, and rates applicable to FPUC, FPUC - Indiantown Division, FPUC - Fort Meade, and the Florida Division of Chesapeake Utilities Corporation. For clarity, the aforementioned collective of operating divisions are singularly referred to as "FPUC or Company" throughout this recommendation.

A staff data request seeking additional information regarding the 2019 Study was issued on April 15, 2019, and Staff's Report was issued on June 11, 2019. The Company responded to Staff's First Data Request on May 17, 2019, and Staff's Report on July 2, 2019.

With respect to the Florida Division of Chesapeake Utilities Corporation (Chesapeake), staff reviewed the effect of the recommended depreciation rate reductions (Issue 2) on forecasted earnings for calendar year 2019 (Issue 3).⁵ Based on staff's review, Chesapeake is projected to remain earning within its authorized return on equity range of 9.8 percent to 11.8 percent for 2019.⁶

Staff has completed its review of FPUC's 2019 Study and presents its recommendations to the Commission herein. Additionally, staff is not currently aware of any questions or concerns from the public with respect to this matter.

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.

²Document No. 07669-2018.

³Order No. PSC-2019-0067-PAA-GU, issued February 22, 2019, in Docket No. 20180230-GU, *In re: Petition for temporary waiver of Rule 25-7.045, F.A.C., by Florida Public Utilities Company.*

⁴Document No. 03618-2019.

⁵Document No. 08748-2019.

⁶Order No. PSC-10-0029-PAA-GU, issued January 14, 2010, in Docket No. 090125-GU, *In re: Petition for increase in rates by Florida Division of Chesapeake Utilities Corporation.*

Discussion of Issues

Issue 1: Should the currently prescribed depreciation rates for FPUC be revised?

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

Staff Analysis: FPUC's last depreciation study was filed on July 2, 2014. By Order No. PSC-14-0698-PAA-GU, the Commission approved revised depreciation rates that became retroactively effective January 1, 2014.⁷

The Company filed its Current Study in accordance with Order No. PSC-2019-0067-PAA-GU.⁸ A review of the Company's recent plant activities and other relevant data indicates a need to revise depreciation rates. Staff's recommended depreciation rates and their underlying components are specifically discussed in Issue 2.

⁷Order No. PSC-14-0698-PAA-GU.

⁸Order No. PSC-2019-0067-PAA-GU.

Issue 2: What are staff’s recommended depreciation parameters and resulting rates?

Recommendation: Staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting depreciation rates applicable to FPUC’s investments shown on Attachment A. As shown on Attachment B, the relevant corresponding total depreciation expense effect of staff’s rate recommendations is a decrease of \$893,899 or approximately 7.2 percent, from current depreciation expense levels at December 31, 2018. (Higgins, Wu)

Staff Analysis: The purpose of this review is to ensure that capital invested, as well as future plant retirement costs, are recovered over the useful lives of the assets studied. To this end, staff’s recommendations are the result of a comprehensive review of FPUC’s depreciation and plant-related data filed in this docket. Attachment A to this recommendation shows a comparison of currently-approved depreciation parameters and rates to those staff recommends becoming effective January 1, 2019 (Issue 3). Staff and the Company are in agreement on all proposed depreciation parameters and resulting rates. Shown on Attachment B is a comparison of depreciation expenses between currently-approved and recommended rates based on December 31, 2018 investment and reserve levels.

2019 Study Overview and Highlights

Order No. PSC-14-0698-PAA-GU

Due to certain matters raised during FPUC’s preceding depreciation study review in 2014, the Commission wrote in Order No. PSC-14-0698-PAA-GU, “[t]he Company shall implement a procedure of maintaining clear documentation on each gross salvage and [cost of removal] booked so that we can verify these records through the Annual Status Report reviewing process.”⁹ Staff understands this issue is still present and that the causes continue to be addressed. In response to a staff inquiry, the Company stated that it is currently in the process of implementing standardized practices and procedures across all business units regarding retirement-related bookkeeping. However, Company efforts have been partially impeded by high employee turnover, communication issues, and corporate-level restructuring. In spite of these challenges, newly-revised policies regarding FPUC’s fixed-asset accounting, which aim to mitigate future reoccurrences of similar issues, went into effect August 1, 2019.

Staff will monitor the effects of new Company policies regarding retirement-related bookkeeping through its Annual Depreciation Status Report (ADSR) review process, and report its findings to the Commission as part of staff’s next depreciation study recommendation.¹⁰

Vintage Year Accounting - General Plant

The Company, through its 2019 Study, has requested authorization to adopt vintage year accounting for certain General Plant accounts.¹¹ At a high-level, vintage year accounting lessens

⁹Order No. PSC-14-0698-PAA-GU, Pages 4-5.

¹⁰Rule 25-7.045(6), F.A.C.

¹¹See Federal Energy Regulatory Commission Accounting Release 15.

the work involved in plant record-keeping by simplifying accounting procedures for high volume, low value assets.

With the proposed adoption of vintage year accounting, assets at the date of adoption that meet or exceed the average service life (ASL) of the relevant accounts must be retired. Staff notes that, in general, an ASL is the average expected life of all units of a group of assets when new. The total amount of retirement dollars due to the adoption of vintage year accounting is approximately \$690,500. Further, all General Plant accounts that are transitioned to vintage year accounting must do so at their theoretically correct reserve level. This is achieved by comparing book reserves to theoretical reserves to determine if an imbalance exists and correcting the reserve if so. The resulting reserve imbalance for FPUC's General Plant accounts that are moving to vintage year accounting is a deficiency of \$1,350,980. Based on the Company's proposal, staff recommends amortizing the deficiency over 5 years resulting in an annual expense of \$270,196.

Reserve Transfers

When a reserve imbalance exists, which is the difference between the theoretical reserve and the book reserve, reserve transfers may be performed.¹² The Commission has approved reserve transfers to reduce or eliminate reserve imbalances in the past. However, Rule 25-7.045(4)(e), F.A.C., does not require that reserve transfers be performed, only that reserve imbalances be identified. As a functional matter, the remaining life depreciation rate, which is calculated using the reserve percentage as one of the input parameters, corrects any reserve imbalance over the life of the account, thus "self-correcting" any imbalance. However, when a significant reserve imbalance is observed, a reserve transfer (or other treatment) may become necessary due to magnitude.

For the 2019 Study, a reserve surplus of \$2.3 million was calculated using FPUC's proposed life and salvage parameters. The most significant reserve imbalances are found in the plastic and Gas Reliability Infrastructure Program (GRIP) mains accounts (376.1 and 376G), which are \$11.1 million surplus and \$7.1 deficit, respectively; and plastic and GRIP services accounts (380.1 and 380G), which are \$2.6 million surplus and \$3.1 million deficit, respectively.^{13,14} However, FPUC proposed that the plastic and GRIP mains accounts be combined for one depreciation rate, and the plastic and GRIP services accounts be combined for one depreciation rate. Staff agrees with the Company. In so doing, the reserve imbalances are reduced to approximately a \$4 million surplus for plastic mains and approximately a \$0.5 million deficit for plastic services. Given this situation, staff believes that it is reasonable to forgo performing any reserve transfers in the current proceeding, but rather re-investigate the matter during the Company's next depreciation study review. Staff believes there will likely be better information for determining the necessity

¹²The theoretical reserve is the calculated balance that would be in the reserve if the estimates of depreciation life and salvage now considered appropriate had always been applied. The book reserve is the amount of plant investment actually recovered to date.

¹³Revised Attachment 2 of the 2019 Study, Exhibit DD, FPUC's response to Staff's Data Request, No. 38, and Staff Report, Page 3. Document Nos. 03618-2019, 04383-2019, and 05299-2019, respectively.

¹⁴Order No. PSC-12-0490-TRF-GU, issued September 24, 2012, in Docket No. 120036-GU, *In re: Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation*.

of reserve transfers in the future as GRIP concludes in 2020. Consequently, staff recommends no reserve transfers be performed in this proceeding.

Account-Specific Analysis

Staff discusses its recommendations regarding FPUC's 2019 Study on a select account-by-account basis below. Staff notes not all accounts and/or underlying depreciation parameters used in developing the rates appearing on Attachment A are discussed in the narrative below. Rather staff chose to focus on apprising the Commission of what it believes are the more pertinent developments and associated effects over the study period.

Account 374.1 – Land Rights

This account contains the investment associated with easements, and it has an average age of 27.6 years. The current investment of the account was made in 1990 and 1991, and FPUC has no plans for near term retirement. Given these factors, the Company proposed an increase in the account's ASL from 30 years to 35 years. Staff believes the proposal is appropriate. Using the proposed ASL value with the account's average age and its existing SQ retirement dispersion, an average remaining life (ARL) of 7.4 years is calculated for the account.¹⁵ For background, an ARL is the future expected service life in years of the asset-group survivors at a given age. With respect to the net salvage (NS) parameter, FPUC proposed to retain the existing value of zero percent. Staff notes NS represents the difference between the value of salvage and cost of removal resulting from plant retirement and disposal. Considering the nature of the account and the industry averages, staff believes the Company's salvage proposal is reasonable. Staff recommends approval of an ARL of 7.4 years and NS of zero percent for Account 374.1.

Account 376 – Distribution Mains

The mains accounts consist of plastic mains (376.1), steel mains (376.2), and GRIP mains (376G). Collectively, these accounts comprise 64 percent of FPUC's distribution plant investment and more than 60 percent of FPUC's total plant investment under study. In 2012, the Commission approved FPUC's GRIP initiative.¹⁶ GRIP provides for the accelerated replacement of FPUC's bare steel and cast iron pipes. The program was initiated in response to concerns regarding aging infrastructure reliability and safety. As a result, the GRIP-related plant investment has increased by approximately 150 percent during the current study period; correspondingly, the mains accounts have experienced increased retirements. However, FPUC indicated that it "believes this situation will return to normal once GRIP ends in 2020."

¹⁵Bulletin 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 dispersions 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.

¹⁶Order No. PSC-12-0490-TRF-GU.

Each of the mains accounts has a currently-approved ASL of 45 years. FPUC proposed to increase the ASL of all three mains accounts to 55 years. The Company believes that with the replacement of the problematic mains, the new mains investment/technology should experience longer life. With the current expectation that plastic mains will experience an average life of greater than 55 years, staff believes the Company's proposal is appropriate.

The currently-prescribed retirement dispersion for plastic (inclusive of GRIP) and steel mains accounts is the S3 curve shape. FPUC acknowledged that during this study period retirement activities in the mains accounts indicated retirement dispersions with higher infant mortality (higher number of earlier retirements) than the S3 curve shape provides. However, the Company believes that the retirement dispersions used for estimating future lives should be based on account expectations of a return to normalcy (with less infant mortality), as the retirement activities are expected to go back to normal when the GRIP ends. Thus, FPUC believes the current S3 dispersion remains reasonable for the future study period. Staff considers this reasoning appropriate. Consequently, for the combined plastic and GRIP mains account, an ARL of 48 years is calculated by using a 55-year ASL with the account's average age of 7.3 years. For the steel mains account, an ARL of 37 years is calculated by using a 55-year ASL with the account's average age of 18.5 years. Staff recommends approval of ARLs of 48 years and 37 years, respectively, for plastic mains (inclusive of GRIP) and steel mains.

Currently, the plastic (inclusive of GRIP) and steel mains accounts have prescribed NS parameters of negative 16 percent and negative 28 percent, respectively. During this study period, the plastic mains experienced NS activities ranging from negative 24 percent to negative 668 percent with an average of negative 147 percent; and the steel mains experienced NS activities ranging from negative 56 percent to negative 1,228 percent with an average of negative 172 percent. FPUC considers the recent NS activity to be atypical (due to the GRIP replacements) and expects the NS levels of these accounts to return to normalcy in the future as the GRIP program concludes. As such, FPUC proposed retaining the currently-approved NS parameters for plastic (inclusive of GRIP) and steel mains accounts. Staff believes this is reasonable. Staff recommends approval of the NS parameters of negative 16 percent for plastic (inclusive of GRIP) mains account and negative 28 percent for steel mains account.

Account 379 – Measuring & Regulating Equipment (City Gate)

This account consists of pipes, controls, and other equipment used at city gate stations. During the current study period, this account has experienced an increase of approximately 72 percent in new plant investment and no retirements. Acknowledging “[a]verage service lives for other gas companies in the State range from 31 years to 35 years,” FPUC proposed a slight increase in the ASL from 30 to 32 years. Staff considers the Company's proposal reasonable. This results in an ARL of 23 years calculated by using the account's average age of 9.5 years and existing R3 retirement dispersion. Staff recommends an ARL of 23 years be approved for this account.

Regarding NS, FPUC proposed to retain the currently-approved value of negative 5 percent. Recognizing there were no retirement activities in the account during the study period, staff believes this proposal is appropriate. Staff recommends that NS of negative 5 percent be approved for the account.

Account 380 – Distribution Services

Services accounts consist of plastic services (380.1), steel services (380.2), and GRIP services (380G). Collectively, these accounts comprise approximately 20 percent of FPUC's distribution plant investment and 19 percent of FPUC's total plant investment under study. As with the mains accounts, bare steel and cast iron services are being replaced as a result of GRIP and in response to concerns regarding reliability and safety of the aging infrastructure.

For the plastic services (inclusive of GRIP) account, the currently-approved ASL is 45 years. For the steel services account, the currently-approved ASL is 40 years. FPUC believes that all of its service accounts' investments now have longer life expectancies as a result of the replacement of the problematic services pipes. FPUC proposed to increase the ASL of all services accounts by 10 years, which brings the ASL of plastic services to 55 years and the ASL of steel services to 50 years. Staff considers FPUC's average service life proposals reasonable. The age of the combined plastic services account is 9.0 years, and the age of the steel services account is 31.3 years. The existing retirement dispersion of the plastic services is S3. FPUC believes, and staff concurs, that such dispersion may not accurately reflect the current retirement pattern of the account, but is reflective of future expectations. The existing retirement dispersion of steel services is the S2 curve shape. Using these parameters, the ARLs of the plastic services account and the steel services account is 46 years and 22 years, respectively. Staff recommends approval of these two ARL parameters.

For the plastic services (inclusive of GRIP) and steel services accounts, the currently-approved NS parameters are negative 22 percent and negative 125 percent, respectively. Similar to the mains accounts, the services accounts experienced a wide range of NS values during the current study period: plastic services ranged from negative 58 percent to negative 341 percent with an average of negative 101 percent, and steel services ranged from negative 49 percent to negative 357 percent with an average of negative 179 percent. FPUC considers these levels atypical and a result of GRIP-related replacements. The Company expects the NS levels will return to normalcy in the future as GRIP replacements decrease into the program's completion. As such, FPUC proposed retaining the currently-approved NS parameters for plastic services (inclusive of GRIP) and steel services of negative 22 percent, and negative 125 percent, respectively. Staff believes FPUC's salvage proposals are appropriate.

Account 385 – Industrial Measuring & Regulation Equipment

This account consists of measuring and regulating equipment at industrial stations. The currently-approved ASL of the account is 30 years. FPUC proposed a modest increase to 35 years. Staff believes the proposal is reasonable. Based on this, an ARL of 17.7 years is calculated using the account's average age of 18.9 years and its existing R3 curve shape retirement dispersion.

For the NS parameter, FPUC proposes to retain the currently-approved zero percent since there have been no retirement/salvage activities during the study period. Staff believes the Company's proposal is appropriate.

Account 390 – Structures & Improvements

The currently-approved NS rate for this account is 10 percent. The most recent 6-year analysis of actual NS is approximately 51 percent. In questioning this matter, the Company informed staff that the unusually high net salvage over the study period was due to the sale of its Winter Haven and Indiantown office buildings. These buildings were no longer needed post consolidation of the FPUC gas companies. While staff is not currently recommending a change from the 10 percent level based on only two data points, it will monitor this account's NS developments over the next study period for determining if the trend towards higher NS persists and if a change should be recommended to the Commission in the future.

Account 391.0 – Office Furniture

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 5.0 percent.

Account 391.2 – Office Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 7.1 percent.

Account 391.3 – Computer Hardware

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 10.0 percent.

Account 391.4 – Computer Software

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 10.0 percent.

Account 393 – Stores Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 3.8 percent.

Account 394 – Tools, Shop & Garage Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 6.7 percent.

Account 395 – Laboratory Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 5.0 percent.

Account 397 – Communication Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 7.7 percent.

Account 398 – Miscellaneous Equipment

Staff recommends the transition of this account to vintage year accounting at an annual amortization rate of 5.9 percent.

Conclusion

Staff recommends the Commission approve the lives, reserve percentages, net salvage percentages, and resulting depreciation rates applicable to FPUC's investments that are shown on Attachment A. As shown on Attachment B, the relevant corresponding total depreciation expense effect of staff's rate recommendations is a decrease of \$893,899, or approximately 7.2 percent, from current depreciation expense levels at December 31, 2018. Further, with respect to Chesapeake, staff reviewed the effect of the recommended depreciation rate reductions on forecasted earnings for calendar year 2019.¹⁷ Based on staff's review, Chesapeake is projected to remain earning within its authorized return on equity range of 9.8 percent to 11.8 percent for 2019.¹⁸

¹⁷Document No. 08748-2019.

¹⁸Order No. PSC-10-0029-PAA-GU.

Issue 3: What should be the implementation date for newly authorized depreciation rates?

Recommendation: For the depreciation rates approved by the Commission in Issue 2, staff recommends an implementation date of January 1, 2019. (Higgins, Wu)

Staff Analysis: The data submitted for the 2019 Study, including actual plant and reserve balances, is as of December 31, 2018. Thus, the underlying Company data and depreciation-related calculations appropriately match an implementation date of January 1, 2019.

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, 2019, as specified in Rule 27-7.1352, F.A.C. (Cicchetti, Smith II)

Staff Analysis: In Issue 3, staff recommended approval of revised depreciation rates for the Company to be effective January 1, 2019, which reflect changes to most accounts' remaining lives also to be effective January 1, 2019. 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),¹⁹ former IRC Section 167(l),^[20, 21] former IRC Section 46(f),^[22,23] Federal Tax Regulations under the Code sections,²⁴ and Section 203(e) of the Tax Reform Act of 1986 (the Act).²⁵

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.²⁶ 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

¹⁹26 USC §§168(f)(2) and (i)(9).

²⁰Former 26 USC §167(l), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11812(a)(1-2)(1990).

²¹Under 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)).

²²Former 26 USC §46(f), repealed by Revenue Reconciliation Act of 1990, Pub. L. No. 101-508, §11813(1990).

²³Under 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)).

²⁴Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.

²⁵Tax Reform Act of 1986, Pub. L. No. 99-514 (100 Stat. 2085, 2146)(1986).

²⁶Former 26 USC §46(f)(6) (establishing proper determination of ratable portion).

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, 2019, 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. (Brownless)

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 ¹			Staff Recommended			
		Ave. Rem. Life (yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Ave. Rem. Life (yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)
DISTRIBUTION PLANT								
374.1	Land Rights	7.4	0	17.2	7.4	59.02	0	5.5
375	Structures & Improvements	18.9	0	2.5	23	42.02	0	2.5
376.1	Mains - Plastic	35	(16)	2.6	48	17.26	(16)	2.1
376.2	Mains - Steel	28	(28)	2.8	37	45.56	(28)	2.2
376G ²	Mains - GRIP	35	(16)	2.6	48	17.26	(16)	2.1
378	M&R Station Equip. - General	21	(5)	3.3	23	25.21	(5)	3.5
379	M&R Station Equip. - City Gate	22	(5)	3.4	23	33.14	(5)	3.1
380.1	Services - Plastic	34	(22)	2.7	46	20.27	(22)	2.2
380.2	Services - Other	24	(125)	6.5	22	22.61	(125)	9.2
380G ²	Services - GRIP	34	(22)	2.7	46	20.27	(22)	2.2
381	Meters	16.2	0	3.7	17.1	38.26	0	3.6
381.1	Meters - AMR Equipment	16.7	0	4.5	12.1	47.57	0	4.3
382	Meter Installations	25	(10)	3.1	27	23.76	(10)	3.2
382.1	Meter Installations - MTU/DCU	33	(10)	2.6	28	37.18	(10)	2.6
383	House Regulators	16.7	0	3.3	16.2	45.98	0	3.3
384	House Regulator Installations	21	0	2.7	16.3	55.65	0	2.7
385	Industrial M&R Station Equip.	16.9	0	3.4	17.7	59.64	0	2.3
387	Other Equipment	15.7	0	4.0	15.7	37.24	0	4.0
GENERAL PLANT								
390	Structures & Improvements	31	10	2.0	31	17.40	10	2.3
391	Office Furniture	15.6	0	3.7	20-Year Amortization			
391.2	Office Equipment	10.1	0	6.1	14-Year Amortization			
391.3	Computer Hardware	4.3	0	5.2	10-Year Amortization			
391.4	Computer Software	4.3	0	5.2	10-Year Amortization			
392.1	Transportation - Cars	5.1	10	11	4.4	13.54	10	17.4
392.2	Transportation - Light Trucks & Vans	4.8	20	8.0	5.1	37.37	20	8.4

Comparison of Rates and Components									
Account Number	Account Title	Current ¹			Staff Recommended				
		Ave. Rem. Life (yrs.)	Future Net Salvage (%)	Remaining Life Rate (%)	Ave. Rem. Life (yrs.)	Reserve (%)	Future Net Salvage (%)	Remaining Life Rate (%)	
392.3	Transportation - Heavy Trucks	0	10	8.2	0	0.00		0	8.2
392.4	Transportation - Other	9.9	0	3.3	9.8	43.27		0	5.8
393	Stores Equipment	5.8	0	5.8	26-Year Amortization				
394	Tools, Shop & Garage Equip.	3.8	0	7.4	15-Year Amortization				
395	Laboratory Equipment	0	0	5.0	20-Year Amortization				
396	Power Operated Equip.	6.0	10	1.1	5.7	61.16		10	5.1
397	Communication Equip.	8.1	0	7.0	13-Year Amortization				
398	Miscellaneous Equip.	10.5	0	4.6	17-Year Amortization				
399	Miscellaneous Tangible	5-Year Amortization			5-Year Amortization				

¹Order No. PSC-14-0698-PAA-GU.

²Account not shown on Order No. PSC-14-0698-PAA-GU. Rates applicable to Accounts 376.1 and 380.1 were applied during the period between depreciation studies.

Comparison of Expenses						
Account Number	Account Title	Current ¹		Staff Recommended		Change In Expense (\$)
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	
DISTRIBUTION PLANT						
374.1	Land Rights	17.2	2,221	5.5	710	(1,511)
375	Structures & Improvements	2.5	40,109	2.5	40,109	0
376.1	Mains - Plastic	2.6	2,441,461	2.1	\$1,971,949	(469,512)
376.2	Mains - Steel	2.8	1,684,114	2.2	1,323,232	(360,882)
376G ²	Mains - GRIP	2.6	2,602,559	2.1	2,102,067	(500,492)
378	M&R Station Equip. - General	3.3	143,871	3.5	152,591	8,720
379	M&R Station Equip. - City Gate	3.4	442,690	3.1	403,629	(39,061)
380.1	Services - Plastic	2.7	1,381,087	2.2	\$1,125,330	(255,757)
380.2	Services - Other	6.5	116,239	9.2	164,523	48,284
380G ²	Services - GRIP	2.7	697,998	2.2	\$568,739	(129,259)
381	Meters	3.7	616,414	3.6	599,754	(16,660)
381.1	Meters - AMR Equipment	4.5	100,481	4.3	96,015	(4,466)
382	Meter Installations	3.1	419,307	3.2	432,834	13,527
382.1	Meter Installations - MTU/DCU	2.6	15,513	2.6	15,513	0
383	House Regulators	3.3	175,520	3.3	175,520	0
384	House Regulator Installations	2.7	28,172	2.7	28,172	0
385	Industrial M&R Station Equip.	3.4	62,857	2.3	42,521	(20,336)
387	Other Equipment	4.0	117,769	4.0	117,769	0
GENERAL PLANT						
390	Structures & Improvements	2.0	62,775	2.3	72,192	9,417
391	Office Furniture	3.7	59,572	5.0	80,503	20,931
391.2	Office Equipment	6.1	119,198	7.1	138,738	19,541
391.3	Computer Hardware	5.2	50,833	10.0	97,755	46,922
391.4	Computer Software	5.2	387,213	10.0	744,641	357,428
392.1	Transportation - Cars	11.0	17,852	17.4	28,239	10,387
392.2	Transportation - Light Trucks & Vans	8.0	440,778	8.4	462,817	22,039
392.3	Transportation - Heavy Trucks	8.2	0	8.2	0	0
392.4	Transportation - Other	3.3	3,011	5.8	5,292	2,281
393	Stores Equipment	5.8	1,484	3.8	972	(512)

Comparison of Expenses						
Account Number	Account Title	Current ¹		Staff Recommended		
		Depreciation Rate (%)	Annual Expense (\$)	Depreciation Rate (%)	Annual Expense (\$)	Change In Expense (\$)
394	Tools, Shop & Garage Equip.	7.4	68,426	6.7	61,953	(6,473)
395	Laboratory Equipment	5.0	0	5.0	0	0
396	Power Operated Equip.	1.1	16,776	5.1	77,782	61,006
397	Communication Equip.	7.0	156,963	7.7	172,659	15,696
398	Miscellaneous Equip.	4.6	16,445	5.9	21,092	4,647
399	Miscellaneous Tangible	20.0	0	20.0	0	0
General Plant Reserve Deficiency				20.0	270,196	270,196
Total			12,489,709		11,595,809	(893,899)

¹Order No. PSC-14-0698-PAA-GU.

²Account not shown on Order No. PSC-14-0698-PAA-GU. Rates applicable to Accounts 376.1 and 380.1 were applied during the period between depreciation studies.