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August 13, 1996

IN REPLY REFER TO

Ansley Watson, Jr.  
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VIA FEDERAL EXPRESS

Blanca S. Bayo, Director  
Division of Records & Reporting  
Florida Public Service Commission  
Capital Circle Office Center  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: **Docket No. 960404-GU -- Application for approval of new depreciation rates by PEOPLES GAS SYSTEM, INC.**

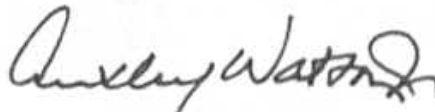
Dear Ms. Bayo:

Enclosed for filing in the above docket please find fifteen (15) copies of Peoples Gas System, Inc.'s responses to supplemental questions posed by the Commission Staff on the Depreciation Study for Peoples.

Please acknowledge your receipt of the enclosures on the duplicate copy of this letter, and return the same to me in the enclosed preaddressed envelope.

Many thanks for your usual assistance.

Sincerely,



ANSLEY WATSON, JR.

AWjr/a  
Enclosures

cc: Mr. Francis J. Sivard (w/o enclosures)

DOCUMENT NUMBER - DATE  
08534 AUG 14 1996  
FPSC-RECORDS/REPORTING

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FILE COPY

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Peoples Gas System, Inc.  
Docket No. 960404-GU  
Depreciation Study  
Staff Report  
Follow-up Questions  
Page 1 of 2

1. The company states in its response to Question 1 that no reimbursements were received by the company for any of the main retirements made due to government action. Please explain the nature of the D.O.T. reimbursements reflected on the schedule of adjustments to plant in service (10/01/91 - 10/01/92) and (10/01 94 - 10/01/05).
  - A. Exhibit B showed no reimbursements for any removal cost during the periods covered by this study. The D.O.T. reimbursements reflected on the scheduled of adjustments were to Plant in Service and were for new construction that had been closed to Plant in Service. All removal cost information would be reflected on the reverse side.
  
2. In response to Question 2, the company states that it incurred a net sales tax liability of \$135,952.23 related to an audit of the tax period July 1988 through April 1993. Does this amount include any penalty/interest? Also, please explain the circumstances which gave rise to the liability (i.e. sales tax was not paid on a purchase).
  - A. The \$135,952.23 does not include any penalty and/or interest. The tax liability resulted from non-payment of Florida Sales and Use Tax on taxable purchases from various vendors during the audit period.

DOCUMENT NUMBER-DATE

08534 AUG 14 92

FPSC-RECORDS/REPORTING

3. The company states that it experienced a net loss of approximately 1400 service lines during the first five months of 1996, and it expects this trend to continue. What is the company's rationale for this expectation? For the period 1991 through 1995, please provide the number of service lines as of October 1 of each year.
- A. The projected number of service lines was based on the assumption that the trend would continue at least through October 1, 1996. The company is in the process of complying with a PSC deficiency notice regarding the ageing and physical retirement of service lines. Final compliance date is December 31, 1998.

Number of service lines as of:	10/01/91	205,440
	10/01/92	203,211
	10/01/93	201,946
	10/01/94	203,149
	10/01/95	202,987

**PEOPLES GAS SYSTEM, INC.**  
**1996 STUDY**  
**COMPARISON OF DEPRECIATION EXPENSES**

ATTACHMENT B

ACCOUNT			CURRENT		CO. REVISED PROPOSAL		STAFF RECOMMENDED		CHANGE IN CURRENT EXPENSES
	(10-1-96) INVESTMENT (\$)	(10-1-96) RESERVE (\$)	A.R.L. RATE (%)	EXPENSES (\$)	A.R.L. RATE (%)	EXPENSES (\$)	A.R.L. RATE (%)	EXPENSES (\$)	
<b>DISTRIBUTION PLANT</b>									
375 Structures & Improvements	15,240,336	2,717,184	2.6	396,249	2.7	411,489	2.7	411,489	15,240
376 Mains-Other	134,503,858	57,794,004	3.5	4,707,635	4.1	5,514,658	4.1	5,514,658	807,023
Mains-Plastic	71,323,918	15,202,187	2.7	1,925,746	2.6	1,854,422	2.6	1,854,422	(71,324)
378 Meas. & Reg. Sta. Eqpt-General	1,930,207	548,712	3.7	71,418	3.3	63,697	3.3	63,697	(7,721)
379 Meas. & Reg. Sta. Eqpt-City Gate	3,407,094	1,005,621	3.7	126,062	3.1	105,620	3.1	105,620	(20,442)
380 Services-Other	30,836,008	23,360,654	6.2	1,911,833	6.7	2,066,013	6.7	2,066,013	154,180
Services-Plastic	55,323,945	18,148,641	4.1	2,268,282	3.7	2,046,986	3.7	2,046,986	(221,296)
381 Meters	16,285,017	8,308,320	4.4	716,541	3.4	553,691	3.4	553,691	(162,850)
382 Meter Installations	13,352,362	3,426,870	3.3	440,628	8.0	1,068,189	8.0	1,068,189	627,561
383 Regulators	5,141,589	1,752,984	3.5	179,956	3.5	179,956	3.5	179,956	0
384 Regulator Installations	4,184,363	1,026,684	3.4	142,268	7.4	309,643	7.4	309,643	167,375
385 Industrial Meas. & Reg. Sta. Eqpt	6,361,620	1,654,743	3.1	197,210	3.0	190,849	3.0	190,849	(6,361)
387 Other Distribution Equipment	965,539	251,594	7.2	69,519	7.9	76,278	7.9	76,278	6,759
<b>GENERAL PLANT</b>									
390 Structures & Improvements	0	0	2.5 *	0	2.5 *	0	2.5 *	0	0
391 Office Furniture	2,827,208	843,443	5.7	161,151	6.7	189,423	6.7	189,423	28,272
39101 Computer Equipment	14,624,913	8,371,449	12.5	1,828,114	9.5	1,389,367	9.5	1,389,367	(438,747)
39102 Office Machines	599,574	331,421	7.3	43,769	4.5	26,981	4.5	26,981	(16,788)
39201 Autos & Trucks thru 1 Ton	10,674,560	4,857,951	13.0	1,387,693	9.5	1,014,083	9.5	1,014,083	(373,610)
39203 Airplanes	1,356,103	1,031,109	7.1	96,283	N/A	N/A	N/A	N/A	(96,283)
39203 Airplanes - new	0	0	N/A	0	6.3 *	0	6.3 *	0	0
39204 Other Transportation Eqpt	211,369	104,575	4.4	9,300	3.3	6,975	3.3	6,975	(2,325)
39205 Trucks over 1 Ton	1,088,403	769,692	8.8	95,780	5.3	57,685	5.3	57,685	(38,095)
393 Stores Equipment	93,068	58,515	4.9	4,560	11.3	10,517	11.3	10,517	5,957
394 Tools-Shop & Garage Equip.	3,242,754	796,970	6.7	217,265	7.9	256,178	7.9	256,178	38,913
395 Laboratory Equipment	181,468	27,317	4.0	7,259	5.4	9,799	5.4	9,799	2,540
396 Power Operated Equipment	1,677,039	885,586	7.6	127,455	6.9	115,716	6.9	115,716	(11,739)
397 Communications Equipment	2,440,116	1,993,670	14.7	358,697	4.6	112,245	4.6	112,245	(246,452)
398 Miscellaneous Equipment	216,548	57,949	5.4	11,694	5.5	11,910	5.5	11,910	216
<b>TOTAL</b>	<b>\$398,088,978</b>	<b>\$155,327,842</b>		<b>\$17,502,367</b>		<b>\$17,642,370</b>		<b>\$17,642,370</b>	<b>\$140,003</b>

\* Denotes whole life rate

PEOPLES GAS SYSTEM, INC.  
1996 STUDY  
COMPARISON OF DEPRECIATION RATES AND COMPONENTS

ATTACHMENT A

ATTACHMENT A  
Page 1 of 1

ACCOUNT	CURRENT				COMPANY REVISED PROPOSAL				STAFF RECOMMENDED			
	AVERAGE	NET	BOOK	ARL	AVERAGE	NET	BOOK	ARL	AVERAGE	NET	BOOK	ARL
	REMAINING LIFE (yrs.)	SALVAGE (%)	RESERVE (%)	RATE (%)	REMAINING LIFE (yrs.)	SALVAGE (%)	RESERVE (%)	RATE (%)	REMAINING LIFE (yrs.)	SALVAGE (%)	RESERVE (%)	RATE (%)
<b>DISTRIBUTION PLANT</b>												
375 Structures & Improvements	33.0	(4.0)	18.34	2.6	32.0	(4.0)	17.83	2.7	32.0	(4.0)	17.83	2.7
376 Mains-Other	24.0	(25.0)	41.56	3.5	25.0	(45.0)	42.97	4.1	25.0	(45.0)	42.97	4.1
Mains-Plastic	35.0	(10.0)	13.87	2.7	33.0	(6.0)	21.31	2.6	33.0	(6.0)	21.31	2.6
378 Meas. & Reg. Sta. Eqpt-General	20.0	(4.0)	29.40	3.7	23.0	(4.0)	28.43	3.3	23.0	(4.0)	28.43	3.3
379 Meas. & Reg. Sta. Eqpt-City Gate	19.9	(4.0)	29.42	3.7	24.0	(4.0)	29.52	3.1	24.0	(4.0)	29.52	3.1
380 Services-Other	14.8	(60.0)	67.96	6.2	15.6	(80.0)	75.76	6.7	15.6	(80.0)	75.76	6.7
Services-Plastic	25.0	(30.0)	28.44	4.1	28.0	(35.0)	32.80	3.7	28.0	(35.0)	32.80	3.7
381 Meters	10.3	2.0	52.71	4.4	13.9	2.0	51.02	3.4	13.9	2.0	51.02	3.4
382 Meter Installations	23.0	(4.0)	28.23	3.3	11.6	(18.0)	25.66	8.0	11.6	(18.0)	25.66	8.0
383 Regulators	18.3	0.0	36.32	3.5	19.0	0.0	34.09	3.5	19.0	0.0	34.09	3.5
384 Regulator Installations	24.0	(4.0)	23.27	3.4	12.6	(18.0)	24.54	7.4	12.6	(18.0)	24.54	7.4
385 Industrial Meas. & Reg. Sta. Eqpt	27.0	0.0	15.93	3.1	25.0	0.0	26.01	3.0	25.0	0.0	26.01	3.0
387 Other Distribution Equipment	5.6	0.0	59.93	7.2	9.4	0.0	26.06	7.9	9.4	0.0	26.06	7.9
<b>GENERAL PLANT</b>												
390 Structures & Improvements	40.0	0.0	0.00	2.5 *	40.0	0.0	0.00	2.5 *	40.0	0.0	0.00	2.5 *
391 Office Furniture	12.8	1.0	25.57	5.7	10.4	1.0	29.83	6.7	10.4	1.0	29.83	6.7
39101 Computer Equipment	3.8	2.0	50.38	12.5	4.3	2.0	57.24	9.5	4.3	2.0	57.24	9.5
39102 Office Machines	8.3	0.0	39.03	7.3	9.1	4.0	55.28	4.5	9.1	4.0	55.28	4.5
39201 Autos & Trucks thru 1 Ton	4.1	10.0	36.57	13.0	4.7	10.0	45.51	9.5	4.7	10.0	45.51	9.5
39203 Airplanes	6.6	25.0	27.90	7.1	-	-	-	N/A	-	-	-	N/A
39203 Airplanes - new	N/A	N/A	N/A	N/A	12.0	25.0	N/A	6.3 *	12.0	25.0	N/A	6.3 *
39204 Other Transportation Eqpt	11.1	0.0	51.39	4.4	11.1	14.0	49.47	3.3	11.1	14.0	49.47	3.3
39205 Trucks over 1 Ton	5.9	5.0	43.15	8.8	4.6	5.0	70.72	5.3	4.6	5.0	70.72	5.3
393 Stores Equipment	8.6	0.0	57.74	4.9	3.3	0.0	62.87	11.3	3.3	0.0	62.87	11.3
394 Tools-Shop & Garage Equip.	8.4	0.0	43.95	6.7	9.4	1.0	24.58	7.9	9.4	1.0	24.58	7.9
395 Laboratory Equipment	18.2	0.0	26.35	4.0	15.7	0.0	15.05	5.4	15.7	0.0	15.05	5.4
396 Power Operated Equipment	7.7	5.0	36.74	7.6	6.1	5.0	52.81	6.9	6.1	5.0	52.81	6.9
397 Communications Equipment	4.4	0.0	35.49	14.7	4.0	0.0	81.70	4.6	4.0	0.0	81.70	4.6
398 Miscellaneous Equipment	4.3	0.0	76.89	5.4	13.2	0.0	26.76	5.5	13.2	0.0	26.76	5.5

\* Denotes whole life rate.

DOCKET NO. 960404-00  
DATE: September 26, 1996