

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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COMMISSION CLERK

**DATE:** DECEMBER 5, 2001  
**TO:** DIRECTOR, DIVISION OF THE COMMISSION  
ADMINISTRATIVE SERVICES (BAYÓ)  
**FROM:** DIVISION OF ECONOMIC REGULATION (P. LEE) *RUE DM/1982*  
DIVISION OF LEGAL SERVICES (DODSON)  
**RE:** DOCKET NO. 011595-GU - REQUEST FOR DEPRECIATION RATES FOR  
NEW ACCOUNTS, BY INDIANTOWN GAS COMPANY, INC.  
**AGENDA:** 12/17/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE  
**CRITICAL DATES:** NONE  
**SPECIAL INSTRUCTIONS:** NONE  
**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\011595.RCM

CASE BACKGROUND

On October 2, 2001, Indiantown Gas Company, Inc. (Indiantown or company) submitted a letter requesting the approval of depreciation rates for two new plant accounts: Account 390, Structures and Account 392, Transportation. Staff has reviewed the company's request and provides its recommendation herein.

DOCUMENT NUMBER-DATE

15228 DEC-5

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**DISCUSSION OF ISSUES**

**ISSUE 1:** Should depreciation rates be prescribed for two new accounts for Indiantown Gas Company, Inc.?

**RECOMMENDATION:** Yes, in accord with Rule 25-7.045 (2)(b), Florida Administrative Code, depreciation rates as shown below should be prescribed for the two new accounts established for Structures (Account 390) and Transportation (Account 392).

Account	Average Service Life	Net Salvage	Depreciation Rate
	(Yrs.)	(%)	(%)
390 - Structures	31	0	3.2
392 - Transportation	6	10	15.0

(P. LEE)

**STAFF ANALYSIS:** By Order No. PSC-99-0048-FOF-GU, issued January 5, 1999, in Docket No. 980845-GU, revised depreciation rates were prescribed for Indiantown, effective January 1, 1998. In accordance with Rule 25-7.045 (8)(a), Florida Administrative Code the company's next regular comprehensive depreciation study is due to be submitted by July 9, 2003.

The company has advised staff that it has established two new accounts - Account 390-Structures, and Account 392-Transportation. In accordance with Rule 25-7.045 (2)(b), Florida Administrative Code, Indiantown has requested depreciation rates for these accounts. According to Indiantown, prior to the establishment of these accounts, the related assets were classified as non-utility assets. As a result of a 1997 Earnings Surveillance Audit, the investments were reclassified to regulated accounts.

Account 390-Structures, includes the original cost of the gas company building plus a small addition of storm shutters. About 95% of the current investment relates to a major remodeling project in 2000. The company proposes a 31 year average service life with zero net salvage, resulting in a 3.2% whole life depreciation rate. This proposal is acceptable recognizing the young age of the investment.

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Account 392-Transportation, includes five vehicles consisting of one heavy service truck, one lighter duty service truck, and three fleet vehicles. The company proposed 6-year average service life is based on its current usage of 100,000 miles. While the company proposes zero salvage, staff believes some allowance for salvage should be recognized for trade-ins or sales. Therefore, staff recommends use of a 6-year average service life, 10% salvage value, resulting in a 15.0% depreciation rate for use until the next comprehensive study is filed.

**ISSUE 2:** What is the implementation date for the new depreciation rates?

**RECOMMENDATION:** Staff recommends an effective date of January 1, 2001 for the new depreciation rates. (P. LEE)

**STAFF ANALYSIS:** A January 1, 2001 date is the earliest practicable date for implementation. Furthermore, all data and calculations about that date.

**ISSUE 3:** 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. (DOBSON)

**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.