

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Depreciation Study of Indiantown) DOCKET NO. 871409-GU
 Gas Company, Inc.) ORDER NO. 20789
 _____) ISSUED: 2-21-89

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER APPROVING NEW DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On December 23, 1987, Indiantown Gas Company (Indiantown or utility) filed a depreciation study seeking Florida Public Service Commission approval of new depreciation rates pursuant to Rule 25-7.045, Florida Administrative Code. This is the first depreciation study for this utility under the rules of this Commission, in other words, the first time their depreciation practices have been subject to regulatory review. The prior depreciation practices of the utility have resulted in overstatement of expenses, overrecovery, and understatement of rate base.

Indiantown has used lives which were often shorter than those representative of economic service life expectancies for other natural gas utilities, also it has been depreciating its investments by vintage, which is a greater degree of detail than it is necessary. We are correcting this situation by the use of more appropriate life and salvage parameters and by the use of reserve-sensitive (remaining life) rates on an account basis.

APPROPRIATE DEPRECIATION RATES

We have determined that new depreciation rates are appropriate in order to properly match the period of depreciation accrual with the remaining period in service for the investment. The specific remaining life rates being approved, using the existing book reserve, are set forth on Attachment 1 to this Order and will be implemented as of January 1, 1988.

INACTIVE SERVICE LINE RETIREMENTS

Rule 25-7.014(1), Florida Administrative Code, provides that:

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01918 FEB 21 1989

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- (1) Except as provided in subsection (2), each natural gas utility shall maintain its accounts and records in conformity with the Uniform System, and Classification of Accounts prescribed by the Federal Energy Regulatory Commission (FERC)...

FERC's Uniform System and Classification of Accounts (USOA) requires that service lines shall, for accounting purposes, be retired from plant after an inactive period of two (2) years. Indiantown has not submitted any data relating to the abandonment or booking of inactive service lines. In order that accounting records, and the rate base, accurately reflect plant serving the public our Staff suggested and we agree that accounting records shall match physical inventory. For this reason, Indiantown shall proceed to identify any service lines that have been inactive for two or more years, and retire them from plant and physically abandon them, i.e., cut and cap at the main, within six (6) months from the date of this Order.

In consideration of the above, it is

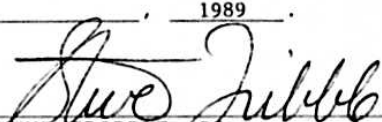
ORDERED by the Florida Public Service Commission that the depreciation rate schedules set forth in Attachment 1 to this Order is approved. It is further

ORDERED that the effective date of new rates and schedules is January 1, 1988. It is further

ORDERED that Indiantown Gas Company shall, within six (6) months from the date of this Order, identify all service lines found inactive for two or more years, retire them from plant and physically abandon them as described in the body of this Order. It is further

ORDERED that this Order shall become final unless a petition for a formal proceeding is received by the close of the business day, March 14, 1989.

By ORDER of the Florida Public Service Commission,
 this 21st day of FEBRUARY, 1989.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on March 14, 1989. In the absence of such a petition, this order shall become effective March 15, 1989, as provided by Rule 25-22.029(6), Florida Administrative Code, and as reflected in a subsequent order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on March 15, 1989, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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ATTACHMENT 1

INDIANTOWN GAS COMPANY
1967 DEPRECIATION STUDY

COMMISSION APPROVED RATES

ACCOUNT	BOOK RESERVE	NET SAL. (¢)	A.R.L. (yr)	REMAINING LIFE RATE	
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	-(¢)-				
DISTRIBUTION					
376	Mains - Other than Plastic	58.93	(30)	24	3.0
	Mains - Plastic	58.93	(30)	24	3.0
378	Meas & Reg Sta Equip.	59.63	0	13.6	3.0
380	Services - Other than Plastic	59.53	(35)	20	3.8
	Services - Plastic	59.53	(35)	20	3.8
381	Meters	79.03	0	13.0	1.6
382	Meter Installations	63.75	(5)	29	1.4
383	House Regulators	62.94	0	20	1.9
384	House Reg. Installations	72.59	0	28	1.0
385	Indust. Meas. & Reg. Sta.Eq.	59.01	0	15.2	2.7
GENERAL					
391	Computer	37.00	0	4.4	14.3
394	Small Tools	100.00	0	5	0.0
	Small Tools (New)	--	0	20	5