

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of City Gas Company ) DOCKET NO. 890203-GU  
of Florida for new Depreciation Rates. ) ORDER NO. 21108  
) ISSUED: 4-24-89

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 INTERIM RECORDING OF 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.

Rule 25-7.045(7), Florida Administrative Code, requires gas utilities subject to this Commission's jurisdiction to file a comprehensive depreciation study at least once every five (5) years. In compliance with that Rule, City Gas Company of Florida (City Gas) filed a depreciation study (study) on February 17, 1989. As part of the filing, City Gas requested that the proposed depreciation rates be effective as of January 1, 1989, on an interim basis pending final action on its application for new depreciation rates.

While our Staff has expressed its support for the interim booking of depreciation rates, there are differences between the rates recommended by Staff and those proposed by City Gas. According to Staff, these differences relate entirely to the amortization expense developed in the last study to write off a "Historical" reserve deficit. The "Historic" reserve deficit was a five-year amortization schedule that concluded on December 31, 1988. Our Staff has recommended that we continue to include expenses related to this schedule. Their review indicates these expenses, in the final analysis, will be recorded to the "Prospective" reserve deficit to correct that overstatement of rate base. The depreciation rates Staff are recommending be implemented on an interim basis are based on City Gas's proposed life and salvage factors and reflect the actual reserves as of the implementation date.

Our Staff indicates from its review thus far that a final determination will not result in a substantial difference from that being approved on an interim basis. A true-up of the rates and resultant expenses will be made when we take final action in this docket.

The prescription in this Order of depreciation rates does not alter an earlier decision we made in Order No. 17257, in Docket No. 861595-GU, which stated we would not rule upon the

DOCUMENT NUMBER-DATE

04111 APR 24 1989

FPSC-RECORDS/REPORTING

ORDER NO. 21108  
 DOCKET NO. 890203-GU  
 PAGE 2

appropriateness of costs associated with lease equipment in the Rate Base or Net Operating Income until the utility's next rate case.

Based on Staff's initial review of the study and recommendation, we find that City Gas should be authorized to implement the depreciation rates shown on Attachment A on an interim basis effective January 1, 1989.

Now, therefore, in consideration of the above, it is

ORDERED by the Florida Public Service Commission that the request of City Gas Company of Florida to begin interim booking of depreciation rates, as modified by this Order and shown on Attachment A, commencing January 1, 1989, is hereby granted on the condition that the Florida Public Service Commission's final decision in this docket will be trued-up by City Gas Company of Florida to reflect any differences from this Order. It is further

ORDERED that Docket No. 890203-GU shall remain open for the purpose of considering the depreciation study filed by City Gas Company of Florida.

By ORDER of the Florida Public Service Commission, this 24th day of APRIL, 1989.

  
 STEVE TRIBBLE, Director  
 Division of Records and Reporting

( S E A L )

MRC

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

ORDER NO. 21108  
DOCKET NO. 890203-GU  
PAGE 3

Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on May 15, 1989. In the absence of such a petition, this order shall become effective May 16, 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 May 16, 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.

ORDER NO. 21108  
DOCKET NO. 890203-GU  
PAGE 4

ATTACHMENT A

CITY GAS COMPANY OF FLORIDA  
PRELIMINARY IMPLEMENTATION  
OF DEPRECIATION RATES  
EFFECTIVE 1-1-89

| ACCOUNT                             | < P R E L I M I N A R Y > |          |          |       |
|-------------------------------------|---------------------------|----------|----------|-------|
|                                     | AVG.                      | AVG.     | NET      | R.L.  |
|                                     | SVC.LIFE                  | REM.LIFE | SALV.    | RATE  |
|                                     | yr.s                      | yr.s     | %        | %     |
| <u>Distribution Plant</u>           |                           |          |          |       |
| Struct. & Improv.                   | 40                        | 34.72    | 10       | 2.22  |
| Mains, (plastic)                    | 39.87                     | 27.60    | (10)     | 2.69  |
| " (other)                           | 39.87                     | 27.60    | (10)     | 2.69  |
| M&R - City Gate                     | 30                        | 13.98    | (5)      | 3.57  |
| Services, (plastic)                 | 32.65                     | 22.53    | (35)     | 4.30  |
| " (other)                           | 32.65                     | 22.53    | (35)     | 4.30  |
| Meters & Install.                   | 30.73                     | 19.85    | (25)     | 4.57  |
| Regulators                          | 31.93                     | 18.67    | (25)     | 4.88  |
| Indust. M&R                         | 22                        | 15.87    | (10)     | 4.91  |
| Leased Water Htr.s                  | 12                        | 7.9      | 0        | 7.82  |
| Leased Dryers                       | 12                        | 9.58     | 0        | 8.29  |
| Leased Ranges                       | 12                        | 10.61    | 0        | 8.34  |
| Other                               | 22                        | 11.91    | 0        | 4.26  |
| <u>General Plant</u>                |                           |          |          |       |
| Struct. & Improv.                   | 40                        | 21.89    | 0        | 3.21  |
| Office Furn.                        | 19                        | 13.76    | 2        | 6.66  |
| Office Equip.                       | 12                        | 8.35     | 2        | 10.55 |
| Computers                           | 6                         | 2.89     | 5        | 17.91 |
| Transport.Equip.                    | 6.84                      | 2.97     | 16       | 16.83 |
| Stores Equip.                       | 25                        | 11.14    | 0        | 5.29  |
| Tools & Shop Eq.                    | 15                        | 9.24     | 5        | 6.00  |
| Lab. Equip.                         | 20                        | 14.93    | 0        | 4.84  |
| Communic. Equip.                    | 12                        | 7.90     | 5        | 5.26  |
| Misc. Equip.                        | 15                        | 7.27     | 0        | 1.46  |
| Reserve deficit -                   |                           |          |          |       |
| Annual amortization expense:        |                           |          |          |       |
| "Historic" (deficit zeroed in 1988) |                           |          | \$47,934 |       |
| "Prospective"                       |                           |          | \$28,166 |       |