

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of Miller Gas)	DOCKET NO. 881496-GU
Company for new depreciation rates.)	ORDER NO. 21390
)	ISSUED: 6-16-89

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 THOMAS M. BEARD
 BETTY EASLEY
 GERALD L. GUNTER
 JOHN T. HERNDON

NOTICE OF PROPOSED AGENCY ACTIONORDER PRESCRIBING 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(8)(a), Florida Administrative Code, requires natural gas utilities subject to this Commission's jurisdiction to file a comprehensive study at least once every five (5) years. In compliance with that Rule, Miller Gas Company (Miller or utility) filed a depreciation study (study) on November 16, 1988. Miller's last represcription of depreciation rates was implemented in 1984. Rates prescribed at that time were based on a reserve-sensitive remaining life methodology.

The Commission Staff has reviewed the utility's study and has recommended certain modifications to the depreciation rate components. Having reviewed the utility's study and having considered the modifications proposed by Staff, we find that Miller's rates should be represcribed consistent with the Staff's recommendation. The specific rates and components being approved by this Order are set forth in Attachment 1. Major adjustments to individual accounts are discussed below.

DEPRECIATION RATES AND AMORTIZATION SCHEDULESATTACHMENT 1

The major difference between the positions of our Staff and the utility is that the utility's calculated average age of surviving investment assumed that all additions and retirements occur at the beginning of each year whereas the Staff utilized the "half-year convention" which assumes that additions and retirements occur throughout the year and, therefore, on the average, occur in the middle of the year. We agree with our Staff's recalculation of the average age using the "half-year convention in developing the approved remaining lives ."

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Recovery Schedules

There are currently two amortization schedules designed to recover the historic and prospective reserve deficits calculated as a result of the last prescription. The historic portion will be fully amortized by July 1, 1989. At that time, the annual expense of \$629 associated with this amortization should continue to be booked and applied to the write-off of the prospective reserve deficit which currently has fifteen (15) remaining years in its amortization. This will effectively shorten the remaining amortization to 8.4 years.

Distribution Plant

Our Staff is in basic agreement with the utility's selected service life factors for the accounts in Distribution Plant. The differences in remaining life factors are generally the result of Staff's recalculating the average age referred to above by using the "half-year convention." The exception to this is in Meters, Account 382, for which our Staff selected a service life more indicative of the historic activity of the account.

The main issue in the Distribution Plant is the cost of removal associated with Mains, Account 376, and Services, Account 380. Mains and Services are generally abandoned in place upon being retired. The current prescribed negative net salvage components give some recognition to the costs expected to be incurred upon the abandonment. When a main or a service line is abandoned in place, it is physically disconnected, i.e., the crew digs down to the service line or main, cuts and caps it, (purging the main or service line of all gas), refilling the hole and restoring the roadway.

Miller has not experienced any retirements of mains to date so there is no data to review, relating to the cost of removal. On the other hand, Miller's cost of removal associated with service line retirements, has historically been charged as a maintenance expense rather than correctly being charged to a reserve. The utility has expressed its intention to comply with the requirements of Rule 25-7.014(1), Florida Administrative Code, by providing proper accounting treatment for cost of removal of mains and services. We agree with the Staff that an audit should be performed six months from the date of this Order to assure that this item has been corrected and that Miller is in compliance with the Uniform System of Accounts. If, at that time, the utility is still not in compliance, we direct Staff to bring this matter back for further consideration.

General Plant

Miller selected average service lives for the Office Furniture, Office Equipment and Transportation accounts in-line with industry averages for similar type of equipment. As in other accounts, the difference between the utility's and Staff's average remaining lives is due to the "half-year convention" calculation. The net salvage factor our Staff is recommending and we approve, for the Transportation account, is based upon recent account activity.

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The Tools and Other Work Equipment Account, Account 394, includes equipment used in construction and repair work. Our Staff's recommendation reflects that short-lived tools, such as hand tools, are being phased out with the \$500 capitalization floor established in retirement unit rule for gas companies (Rule 25-7.0461, F.A.C.).

The underlying service lives for the currently prescribed remaining lives for Communication Equipment and Miscellaneous Equipment are reflective of the age of the surviving investments at the last represcription and the fact that the utility had no plans to retire any of the then existing equipment. Since that time, all the communication equipment has been retired and replaced with a new radio system and teletype equipment. We agree with our Staff's recommendations which are based upon the assumption that the recently replaced equipment will experience a life pattern similarly to the industry's.

Miscellaneous Equipment, Account 398, is comprised of equipment such as fire extinguishers, bins, etc., placed in service in 1965. The average life has been recalculated to be twenty-five (25) years. The reserve for this account is only \$11 short of being fully depreciated. For this reason, we agree with our Staff's recommendation that the utility book the \$11 in the 1989 so the embedded cost will be fully accrued and then apply a whole life rate of 4.0% (25 year service life with zero net salvage) for any new additions.

Based upon the foregoing, it is

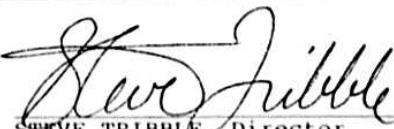
ORDERED by the Florida Public Service Commission that the depreciation rates as set forth in Attachment 1 to this Order are hereby approved for Miller Gas Company. It is further

ORDERED that Miller Gas Company shall properly reflect costs of removal incurred from retirements in accord with the Federal Energy Regulatory Commission's Uniform System of Accounts within six (6) months of the date of this Order. It is further

ORDERED that the effective date of the new depreciation rate is July 1, 1989. It is further

ORDERED that this Order shall become final and this docket closed unless a petition or formal proceeding is received by the close of business day on July 7, 1989.

By ORDER of the Florida Public Service Commission,
this 16th day of JUNE, 1989.


STEVE TRIBBLE, Director
Division of Records and Reporting

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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 July 7, 1989. In the absence of such a petition, this order shall become effective July 10, 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 July 10, 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.

MILLER GAS COMPANY
1988 STUDY

ACCOUNT	COMMISSION APPROVED				
	AVERAGE REMAINING LIFE	NET SALVAGE	BOOK RESERVE	REMAINING LIFE RATE	
	(yrs)	(%)	(%)	(%)	
DISTRIBUTION PLANT					
376	Mains - Other than Plastic	26	(30)	45.87	3.2
380	Services - Other than Plastic	23	(35)	49.03	3.7
381	Meters	8.6	0	79.90	2.3
383	House Regulators	9.3	0	70.82	3.1
GENERAL PLANT					
391	Office Furniture	10.2	0	44.21	5.5
391A	Office Equipment	7.3	0	17.08	11.4
392	Transportation Equipment	3.5	10	43.29	13.3
394	Tools and Other Equipment	16.8	0	46.83	3.2
396	Communications Equipment	12.2	0	36.02	5.2
398	Miscellaneous Other Equipment				
	Embedded Investment	--	--	--	-- #
	New Additions	25.0	0		4.0 *
RECOVERY SCHEDULES					
	Historic Reserve Deficit				
	Prospective Reserve Deficit			8.4 YR. AMORTIZATION	**

Remaining life rate not applicable.

* Whole life rate.

** Relates to annual amortization expenses of \$1,423.