

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for New)	DOCKET NO.	910319-GU
Depreciation Rates by Peoples)	ORDER NO.	25229
Gas Company, Inc.)	ISSUED:	10/18/91
_____)			

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
 SUSAN F. CLARK
 J. TERRY DEASON
 MICHAEL MCK. WILSON

NOTICE OF PROPOSED AGENCY ACTIONORDER REVISING 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.

Under Rule 25-7.045(7), Florida Administrative Code, natural gas companies are required to file a comprehensive depreciation study at least once every five years from the date of the last submitted study. The last depreciation study was conducted for Peoples Gas Company (Peoples) in 1987. This order reviews and approves new depreciation rates based on a new depreciation study filed by Peoples in keeping with the requirements of the rule. At the April 16, 1991 Agenda, and by Order No. 24431, we ordered Peoples Gas Company, Inc. (Peoples) to implement their proposed depreciation rates on a preliminary basis, pending our review and final decision on Peoples' depreciation study. We have now completed our review and we have revised Peoples' depreciation rates as described below.

The rates, based on investments as of October 1, 1990, result in an increase in expenses of about \$402,000 over those approved for interim booking. The depreciation expenses booked to date using the rates approved on an interim basis will be trued-up to reflect the incremental difference between the interim rates and the final rates approved at this time. Attachment 1 shows the rate components we have approved for the company. The final rates result in a decrease in expenses of about \$468,000 over current prescribed rates, or an increase of about \$402,000 over interim rates.

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Distribution Plant

Structures and Improvements (Account 375)

We approve the remaining life and salvage parameters for this account as they were identified in the depreciation study.

Mains and Services (Accounts 376 and 380)

During the 1993 fiscal year Peoples will complete a program of system upgrades to relieve water infiltration and to increase system pressures. The company is replacing old cast iron pipe with plastic pipe to avoid further corrosion problems and to increase system pressure. We approve the recommended cost of removal factors for the Mains and Services Accounts.

Measuring and Regulating Station Equipment-General and City Gate (Accounts 378 and 379)

According to Peoples, these accounts contain very similar types of equipment and therefore should be expected to have similar life and salvage characteristics. Account 378 consists of regulators and other equipment used to maintain the correct operating pressure throughout the distribution system. Account 379 is comprised of regulators and other equipment used to tie the distribution system to the transmission pipeline.

We agree with Peoples that the recommended remaining lives are to be based on a 31-year service life and the current average age for each account.

Peoples' proposed net salvage factor for each account of negative 20% is outside the range of industry salvage estimates for this equipment. We approve a negative 4% net salvage value for each account.

Meters (Account 381)

The company is using cradle-to-grave accounting treatment for the meters included in this account. The remaining life of this account is predicated on using the service life underlying the currently prescribed remaining life, and a recalculated average age, that assumes pre-1974 additions as well as meters from the Florida Gas acquisition are surviving from the 1965 vintage.

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Meter and Regulator Installations (Accounts 382 and 384)

Meter and regulator installations are only retired either when the meter or regulator is removed from the location and no new one is installed, or when service through the meter or regulator is cut off. In other words, the life of these installations should be very similar to the life of services. Our approval of the remaining lives for these accounts reflects this fact.

Peoples claims that all installation removal costs should be charged to the meter installation account, because it is difficult to distinguish between the labor associated with removal of the meter and the labor associated with removal of the regulator. This practice overstates the removal costs for meter installations and understates the removal costs for regulator installations. The company should change its work order procedures so that removal costs associated with the removal of the regulator are properly charged (estimated if necessary) to the retirement of the regulator, and not to the retirement of the meter. For purposes of establishing new depreciation rates for the company, we have combined the retirement activity for meter installations with that for regulator installations. This results in a negative 4% net salvage for the combined accounts. This net salvage factor is appropriate for each account.

Regulators (Account 383)

Regulators are used to regulate the gas pressure at the customer's premise. As with meters, this investment receives cradle-to-grave accounting treatment. There is no reason to decrease the 30-year service life underlying the currently prescribed remaining life.

Industrial Installations (Account 385)

This account is comprised of installation costs of industrial meters and regulators. The life of this investment is very similar to the life of the meter and regulator installation accounts.

Other Distribution Equipment (Account 387)

This account is comprised of miscellaneous distribution system equipment such as leak detectors, pipe locators, odometers and corrosion test equipment. We approve the company's proposed parameters for this electronic equipment.

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General Plant

Structures and Improvements (Account 390)

Peoples leases its headquarters building. Any improvements made to the building are paid by the owner of the building and not by the company. In the event that Peoples purchases a headquarters building before the next scheduled depreciation represcription, the investment should be assigned a 2.5% depreciation rate (40-year average service life with zero net salvage).

Office Furniture (Account 391)

The company and our staff differ on the remaining life to be assigned to this account. Our staff used an S2 Iowa curve, 20-year service life, and the Company selected an R1 curve, 23-year service life. The retirement rate has averaged 2.9% for the 1987-1989 fiscal years. We approve our staff's assessment of the remaining life in this account. The S2 Iowa curve shape with a 20-year life table more nearly fits this retirement pattern than an R1 Iowa curve and a 23-year life table. The R1 curve indicates more retirements occurring at an early age which is generally not expected for this type of equipment.

Computer Equipment (Account 39101)

We approve the company's proposed life and salvage factors for this account.

Office Machines (Account 39102)

This account is comprised of typewriters, calculators, billing machines, etc. The remaining life that we approve for this account is calculated using an S2 curve shape and a 15-year service life. The S2 curve is more in line with the expected retirement pattern of the account.

Motor Vehicles (Account 392)

We approve the Company's proposals for the Automobiles and Light Trucks Account and the Other Transportation Account. We approve our staff's recommended remaining lives for the other categories (Airplanes and Trucks over 1 Ton).

Stores Equipment (Account 393)

We approve the presently used 25-year service for this account.

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Tools, Shop and Garage Equipment (Account 394)

This account includes equipment used in construction and repair work such as compressors, generators, portable cranes and welding sets. The company's life and salvage proposals are reasonable and we approve them.

Laboratory Equipment (Account 395)

We approve the company's proposed parameters for this account.

Power Operated Equipment (Account 396)

This account contains large gasoline-engine powered equipment. We approve a remaining life based on the existing 15-year service life. This position is more in the range of current industry estimates than the company's proposed 20-year service life.

Communications Equipment (Account 397)

This account is comprised of mobile radios, base stations, cellular telephones, pagers, telephone systems and telemetering equipment. We approve a 4.4-year remaining life for this account, because of the susceptibility of this equipment to technological changes.

Miscellaneous Equipment (Account 398)

Upon review of the activity in this account, we approve our staff's recommendation that there is no reason to decrease the existing 20-year service life to 18.5 years, considering the fact that about 32% of this investment will be retired during fiscal year 1991.

We approve an implementation date of October 1, 1990 for Peoples' new depreciation rates. Implementation as of that date will permit the recognition of more appropriate expenses for the fiscal year. The supportive data and calculations underlying the proposed new rates are based on this date.

It is therefore

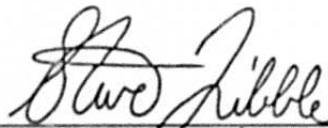
ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc.'s depreciation rates are revised in the manner set forth above. It is further

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ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is timely filed herein. It is further

ORDERED that this docket be closed when the protest period has expired.

By ORDER of the Florida Public Service Commission, this 18th
day of OCTOBER, 1991.



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

11/08/91

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In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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 the date described above, 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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PEOPLES GAS SYSTEM, INC.
1990 STUDY

ACCOUNT	COMMISSION APPROVED			REMAINING LIFE RATE (%)
	AVERAGE REMAINING LIFE (yrs.)	NET SALVAGE (%)	BOOK RESERVE (%)	
DISTRIBUTION PLANT				
375 Structures & Improvements	33.0	(4.0)	18.34	2.6
376 Mains-Other	24.0	(25.0)	41.56	3.5
Mains-Plastic	35.0	(10.0)	13.87	2.7
378 Meas. & Reg. Sta. Eqpt-General	20.0	(4.0)	29.40	3.7
379 Meas. & Reg. Sta. Eqpt-City Gate	19.9	(4.0)	29.42	3.7
380 Services-Other	14.8	(60.0)	67.96	6.2
Services-Plastic	25.0	(30.0)	28.44	4.1
381 Meters	10.3	2.0	52.71	4.4
382 Meter Installations	23.0	(4.0)	28.23	3.3
383 Regulators	18.3	0.0	36.32	3.5
384 Regulator Installations	24.0	(4.0)	23.27	3.4
385 Industrial Meas. & Reg. Sta. Eqpt	27.0	0.0	15.93	3.1
387 Other Distribution Equipment	5.6	0.0	59.93	7.2
GENERAL PLANT				
390 Structures & Improvements	40.0	0.0	0.00	2.5 *
391 Office Furniture	12.8	1.0	25.57	5.7
39101 Computer Equipment	3.8	2.0	50.38	12.5
39102 Office Machines	8.3	0.0	39.03	7.3
39201 Autos & Trucks thru 1 Ton	4.1	10.0	36.57	13.0
39203 Airplanes	6.6	25.0	27.90	7.1
39204 Other Transportation Eqpt	11.1	0.0	51.39	4.4
39205 Trucks over 1 Ton	5.9	5.0	43.15	8.8
393 Stores Equipment	8.6	0.0	57.74	4.9
394 Tools-Shop & Garage Equip.	8.4	0.0	43.95	6.7
395 Laboratory Equipment	18.2	0.0	26.35	4.0
396 Power Operated Equipment	7.7	5.0	36.74	7.6
397 Communications Equipment	4.4	0.0	35.49	14.7
398 Miscellaneous Equipment	4.3	0.0	76.89	5.4

* Denotes whole life rate.