

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: 1992 Depreciation Study) DOCKET NO. 930063-GU
for INDIANTOWN GAS COMPANY) ORDER NO. PSC-93-1553-FOF-GU
_____) ISSUED: October 22, 1993

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK
JULIA L. JOHNSON
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER ON THE 1992 DEPRECIATION STUDY
OF INDIANTOWN GAS COMPANY

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission (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, Florida Administrative Code, natural gas companies are required to file a comprehensive depreciation study at least once every five years. Indiantown Gas Company (Indiantown) filed the current depreciation study in keeping with this rule. The original filing, made in December of 1992, was updated by information submitted in August, 1993. A review of the activity and capital recovery position for the company indicates that depreciation rates need to be revised at the present time. An audit of the Continuing Property Records (CPR) and operating procedures of the company indicates that several changes to the company's depreciation practices are also necessary. The new depreciation rates should be implemented on January 1, 1993, as the company has proposed.

We find that the adjustments to plant and reserve, which are shown in Attachment A, are appropriate. In addition, the company shall submit a report within 45 days of the effective date of this Order that shows the actual entries recorded on the company's books and records in accordance with proper regulatory depreciation booking practices.

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As determined in the Surveillance Audit completed in August, 1993, the company's records for December 31, 1992 reflect ten months of depreciation for the fiscal year 1992, rather than twelve months. The recommended adjustments provide a correction to record a full year of expense accrual. Other corrections are made to reclassify plant and reserve to the correct subaccount; to record physical retirements of plant which had not been booked; and to correct for incorrect calculation of depreciation expense.

There have been some new services installed, with associated meter and regulator installations, since the last study was done. These installations were not capitalized, but were expensed at the time of installation. The expensed costs cannot now be included in the depreciable plant to be recovered again, and therefore no adjustment is made to reflect these installations. In order for the Continuing Property Records to match the physical plant, the records for the expensed installations must be part of the CPR, and must be clearly identified within the CPR records. These notations must be sufficiently apparent and prominent to prevent retirement of a capitalized service (or other installation) from the books when these expensed installations are physically retired.

The report that the company will file will permit us to verify that the company has actually made the required adjustments to its books and records.

We find that the depreciation rates shown on Attachment B, and as set out below, are appropriate.

Account 376, Mains - Plastic: Indiantown has not extended any plastic main since the last study, nor retired any. We will retain the average service life of 40 years and S4 curve shape underlying the current approved rate, along with negative 30% net salvage. Bringing the average age forward to January 1, 1993 produces an account age of 21.1 years and a resulting remaining life of 19 years.

Account 376, Mains - Other than Plastic: The January 1, 1993 average age for this account is 20.4 years, with a remaining life of 19.6 years, based on continuation of the average service life of 40 years and S4 curve that underlie the current approved rates. This is in line with the company proposal and in agreement with industry usage. We will continue a negative 30% net salvage.

Account 378, Measuring and Regulating Equipment General: The current average age of this investment is 20.5 years. We find that it is appropriate to increase the average service life to 35 years for this account from the previously approved service life of 30 years. This 35 year average service life reflects the company's history of no retirements, and is within the range of industry usage. We will continue the current prescribed zero net salvage and R4 curve. The result is a remaining life of 15.3 years. We do not accept the company's proposal to continue with the current depreciation rate, because it does not address the difference between the company's retirement history and the implied life pattern underlying the currently approved rate, and it does not include the change in reserve position since the last study.

Account 380, Services - Plastic: We will continue the S3 curve and 35 year average service life with a net salvage of negative 35%, which underlie the currently approved depreciation rate of 3.8%. Using the current age of 19.6 years, the result is a remaining life of 16 years. The current age includes the effects of a 1992 retirement of a 1970 vintage service.

Account 380, Services Other than Plastic: In the period since the last study there have been no cast iron or steel services installed or retired. The current account age is 20.5 years. Because of the scarcity of retirements and the stable nature of this company in the community, we find it appropriate to change from the S2 curve underlying the current rates to an R3 curve. We will also change the average service life from 35 to 36 years. The change is within the range of industry usage, and it is more in line with the company's low activity level. The result is a remaining life of 17.4 years. We will continue the current net salvage of negative 35%.

Account 381, Meters: The January 1, 1993 average age for this account is 15.9 years. This updated age reflects additions made in 1989, and no retirements since the last study. The current approved remaining life is based on an R4 curve with a 25 year average service life. We will change to an S4 curve, while we will retain a 25 year average life for this account. We believe that this treatment is more in line with the expected activity of the company. The result is a remaining life of 13.1 years. We will continue the currently approved zero net salvage.

Account 382, Meter Installations: For this account we will continue the 35 year average service life and S3 curve, as well as

the net salvage of negative 5% that underlie the current depreciation rate. With the January 1, 1993 account age of 11.7 years, the result is a remaining life of 23 years. The age reflects updating for activity since the last represcription.

Account 383, House Regulators: We will continue the R3 curve and 30 year average service life with zero net salvage that underlie the depreciation rate approved for this account in the last study. The current average age of 14.4 years includes additions made in 1989. The result is a remaining life of 16.7 years.

Account 384, House Regulator Installations: We will continue the current 35 year service life and S3 curve. This treatment reflects the company's scarce retirements at the current age of 12.4 years. The result is a 23 year average remaining life. Net salvage of zero is in line with industry expectation and is acceptable. It is in line with the company's proposal, as well.

Account 385, Industrial Measuring and Regulating Equipment: The January 1, 1993 average age for the account is 18.3 years, which includes the effects of a new telemetering device installed for an industrial customer in 1989. We will continue the S4 curve and 30 year average service life because it is in line with current industry projections. This results in a remaining life of 11.9 years. We will also retain the net salvage factor of zero.

Account 387, Other Equipment: The company reports no capitalized investment in this account. Typically, this account contains investment associated with such equipment as odometers and leak detectors. The company has provided assurances, confirmed by our staff, that operations which require this equipment are being properly executed. The company reports that equipment currently in use has not been subject to capitalization since the cost of each item has been less than \$500. We will use a whole life depreciation rate for this account, based on industry estimates of 25 years expected average service life and zero net salvage. Should any equipment having original cost greater than \$500 be added to plant in service, it should be capitalized and depreciated accordingly.

Account 391, Computer Equipment: The company continues to utilize computer equipment that has been in service for several years, and the average age for the embedded investment is 4.9 years as of January 1, 1993. For this embedded equipment, we will use an

average service life of 10 years, with continuation of the S2 curve to match the company's experience with the equipment. It is not likely that there will be any salvage realized when the embedded investment is retired. Therefore, the net salvage is zero.

Since most of the embedded plant is likely to be retired at the time new equipment is added, and since retirement patterns for future additions may not relate to that for embedded plant, we will use a separate depreciation rate for investment associated with new equipment that may be added. We note that the life of current equipment in use by the company has exceeded the average life expectancy in the industry. The whole life rate is based on an average service life of eight years, which is the upper limit of industry expectations, along with net salvage of zero.

Account 394, Small Tools: The company reports that no equipment of this type is currently in service. Subject to the \$500 capitalization threshold, any future additions are to be capitalized and depreciated over the useful life of the equipment. We will use a whole-life depreciation rate, based on a 20 year average service life and expected net salvage of zero.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the current depreciation rates for the Indiantown Gas Company will be changed as stated in the body of this Order. It is further

ORDERED the company's proposed January 1, 1993, date of implementation is approved. It is further

ORDERED that the lives, net salvages, reserve amounts, and resulting depreciation rates shall be adjusted as stated in the body of this Order and as shown in Attachments A and b. It is further

ORDERED that the company shall submit a report within 45 days of the effective date of this Order that shows the actual entries recorded on the company's books and records in accordance with proper regulatory depreciation booking practices. It is further

ORDERED that this Order shall become final unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 East Gaines Street, Tallahassee, Florida, 32399-0870, by the close of business on the

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date indicated in the Notice of Further Proceedings or Judicial Review. It is further

ORDERED that this docket shall remain open pending receipt of the company's report.

By ORDER of the Florida Public Service Commission this 22nd day of October, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

by: Kay Flynn
Chief, Bureau of Records

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

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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 November 12, 1993.

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 wastewater 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.

ATTACHMENT A
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COMMISSION APPROVED ADJUSTMENTS TO INDIANTOWN GAS COMPANY PLANT AND RESERVE ACCOUNTS						
No. Description <u>Account</u>	INVESTMENT			RESERVE		
	12/31/02 Investment	Approved Adjustment	12/31/02 Investment Restated	12/31/02 Reserve	Approved Adjustment	12/31/02 Reserve Restated
376 Mains - Plastic	139,453		139,453	103,194	(94)	103,100
376 Mains - Other than Plastic	146,368	(3,558)	142,810	102,385	(2,429)	99,956
378 Meas. & Reg. Sta. Eqpt. - Gen.	29,165		29,165	20,391	(156)	20,235
380 Services - Plastic	19,652	(152)	19,500	15,307	(29)	15,278
380 Services - Other than Plastic	19,653		19,653	15,308	125	15,433
381 Meters	18,227	(3,147)	15,080	11,890	19	11,909
382 Meter Installations	4,352	(7)	4,345	3,069	5	3,074
383 House Regulators	3,792		3,792	2,490	11	2,501
384 House Reg. Inat.	2,432	(7)	2,425	5,200	(3,323)	1,877
385 Meas. & Reg. Station Eqpt. - Ind	35,196	2,396	37,592	25,362	(505)	24,857
391 Computers	32,417	(640)	31,777	30,797	61	30,858
394 Small Tools	1,058	(1,058)	0	1,103	(1,103)	0

ATTACHMENT B
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INDIANTOWN GAS COMPANY
 1993 STUDY
 Depreciation Rates and Components

ACCOUNT	COMMISSION APPROVED				
	AVERAGE REMAINING LIFE	NET SALVAGE	ADJUSTED RESERVE	REMAINING LIFE RATE	
	(yrs)	(%)	(%)	(%)	
DISTRIBUTION PLANT					
376	Mains – Plastic	19.0	(30)	73.93	3.0
376	Mains – Other than Plastic	19.6	(30)	69.95	3.1
378	Meas & Reg Equip – Gen.	15.3	0	69.38	2.0
380	Services – Plastic	16.0	(35)	78.35	3.5
380	Services – Other than Plastic	17.4	(35)	78.53	3.2
381	Meters	13.1	0	78.97	1.6
382	Meter Installations	23.0	(5)	70.75	1.5
383	House Regulators	16.7	0	65.95	2.0
384	House Reg Installations	23.0	0	77.40	1.0
385	Meas & Reg Equip – Ind.	11.9	0	66.10	2.8
387	Other Equipment	25.0 *	0	0.00	4.0 *
GENERAL PLANT					
391	Computer Equipment – Embedded	5.3	0	97.11	0.5
	Computer Equipment – Post '92 Adds	8.0 *	0	0	12.5 *
392	Small Tools – Post '92 Adds	20.0 *	0	0	5.0 *

* Indicates whole life rate;
 average service life is shown as remaining life.