

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: 1994 Depreciation study) DOCKET NO. 940161-GU
of CITY GAS COMPANY OF FLORIDA.) ORDER NO. PSC-94-1292-FOF-GU
_____) ISSUED: October 17, 1994

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER ON 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 substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On February 15, 1994, City Gas Company of Florida (City Gas or Company) filed a comprehensive depreciation study in accordance with Rule 25-7.045, Florida Administrative Code. City Gas's last comprehensive depreciation rescription was in 1989. Since then, on February 19, 1991, the Company acquired all the distribution assets of Miller Gas Company. Subsequently, City Gas submitted a consolidated depreciation study addressing those combined assets. That study was not an overall review of life, salvage, and reserve parameters but merely represented a composite of the currently prescribed life and salvage parameters for each company and the consolidated reserves.

The Company's proposed remaining lives represent an update of age and accounting activity for each account since the last overall review. City Gas has proposed an implementation date for new depreciation rates of January 1, 1994. The investments and reserves shown by the company were actual amounts as of January 1, 1994. All supportive data and calculations have been submitted coincident with this date. Therefore, we find this an appropriate date to employ the new depreciation rates.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

Commission staff performed a comprehensive review of the City Gas study, which revealed that some revisions need to be made to the currently prescribed depreciation rates. The review disclosed that some computer equipment had been inadvertently booked to Office Machines and Equipment, Account 391.2, rather than to Computers, Account 391.3. The appropriate adjustment has been made. Schedule A, attached hereto and made a part hereof, reflects the restated reserves for these accounts.

Commission practice is to round remaining lives that are less than 20 years to the nearest tenth year; lives of more than 20 years are rounded to the nearest year. The majority of the adjustments we have made to City's proposed remaining lives are due to rounding. Others are adjustments we made due to estimates of future net salvage. City's net salvage proposals for each account are based solely on the last five years experience. For many accounts, the retirement activity has been very minimal (less than 1%), lending little credence to the resulting projections using this type data. The Commission's approach has been to rely on current industry salvage estimates for the given plant type in the State of Florida.

In addition, it was discovered that the Company had two categories for the Computers account and the Transportation account--new and embedded. A separate depreciation rate had been prescribed for each account respectively. The Company proposes to maintain these separate categories. However, the service lives and net salvage factors for each of the computer categories are the same and there are no Company plans for near-term retirement of any equipment. Therefore, we find little reason to maintain separate categories of new and embedded computer equipment and have combined the categories to an account level. The life for the combined account shall be a composite of the remaining lives proposed by the company for each sub-account.

We have combined the transportation sub-accounts because they are essentially the same in content, expected average service life and salvage. Nearly 90% of the investment in the Transportation account, whether new or embedded, is associated with Compressed Natural Gas cylinders and other conversion equipment that is installed on the Company's leased light trucks. The Company proposed remaining life for each sub-account is based on a 7 year service life which is typical of the life expectancy for light trucks and passenger cars. Current industry estimates for the life expectancy of natural gas conversion equipment range from 7 years

to 10 years. Some companies retire this equipment at the same time as the associated vehicle, in which case the equipment would be expected to experience a life in the low end of the industry range. However, this is not the situation for City Gas. Generally, if the conversion equipment is in good working condition, the Company does not retire it with the associated vehicle. Rather, upon expiration of the existing truck lease, the equipment is simply transferred to a new leased vehicle. The conversion equipment is moved from vehicle to vehicle and not retired on the books until it is ready to be junked.

Based on the foregoing, and recognizing that the current age for the combined categories is 7.2 years and that there are no near-term plans for retiring any of this equipment, we find it appropriate to use a 10 year service life with a resultant 4.7 year remaining life. Further, because only junk will be realized upon retirement of this equipment, we find it appropriate to use a zero net salvage rather than the Company proposed 16% net salvage.

Reserve Deficit Amortization

At the time of the last study, the "Historic" portion of the reserve deficit had concluded. Retention of the associated expense of \$47,934 was approved to continue and be applied to the "Prospective" portion of the reserve deficit. The total amount of annual amortization expense currently being applied to the write-off of this deficit is \$76,100. This amortization will be completed by January 1, 1996.

Based on the foregoing, it is, therefore

ORDERED by the Florida Public Service Commission that the depreciation study submitted by City Gas Company of Florida is approved as set forth in the body of this Order. It is further

ORDERED that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that all matters contained in the schedule attached hereto are by reference incorporated herein. It is further

ORDERED that the new depreciation rates shall be implemented as of January 1, 1994.

ORDERED that this Order shall become final and this docket shall be closed unless an appropriate petition for formal proceedings is received by the Division of Records and Reporting,

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101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 17th day of October, 1994.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

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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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 7, 1994.

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.

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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 substantially 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.

CITY GAS COMPANY OF FLORIDA
 1994 DEPRECIATION STUDY

ACCOUNT	COMMISSION APPROVED RATES			
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ACTUAL 1-1-94 RESERVE (%)	REMAINING LIFE RATE (%)
DISTRIBUTION ASSETS				
375 Structures & Improvements	35.0	0.0	25.53	2.1
376 Mains—Other Than Plastic	23.0	(15.0)	47.75	2.9
376.1 Mains—Plastic	36.0	(15.0)	11.52	2.9
379 Meas. & Reg. Sta. Equip.—City Gate	23.0	(5.0)	21.50	3.6
380 Services—Other Than Plastic	17.1	(35.0)	58.81	4.5
380.1 Services—Plastic	30.0	(30.0)	16.75	3.8
381 Meters	13.4	0.0	41.38	4.4
382 Meter Installations	21.0	(5.0)	42.04	3.0
383 House Regulators	16.3	0.0	40.15	3.7
384 Regulator Installations	21.0	(5.0)	34.63	3.4
385 Indust. Meas. & Reg. Station Equip.	19.5	0.0	23.16	3.9
386.5 Water Heaters	7.7	0.0	38.15	8.0
386.6 Dryers	8.0	0.0	34.15	8.2
386.7 Ranges	11.3	0.0	1.07	8.8
387 Other Equipment	6.6	0.0	72.92	4.1
GENERAL SUPPORT ASSETS				
390 Structures & Improvements	36.0	0.0	30.48	1.9
391.1 Office Furniture	13.5	0.0	25.69	5.5
391.2 Ofc. Mach. & Equip.	5.2	2.0	54.94 *	8.3
391.3 Computers—Combined	3.6	5.0	39.36 *	15.5
392 Transportation—Combined	4.7	0.0	78.94	4.5
393 Stores Equipment	10.4	0.0	51.06	4.7
394 Small Tools	6.7	0.0	58.06	6.3
395 Laboratory Equipment	10.7	0.0	50.66	4.6
397 Communication Equip.	6.5	5.0	51.08	6.8
398 Miscellaneous Equip.	5.9	0.0	62.34	6.4

* Denotes Restated Reserve