

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for temporary) DOCKET NO. 960172-GU
waiver of, or exemption from,) ORDER NO. PSC-96-0370-FOF-GU
Rule 25-7.045, F.A.C., relating) ISSUED: March 15, 1996
to depreciation studies by)
Peoples Gas System, Inc.)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER DENYING REQUEST FOR WAIVER

BY THE COMMISSION:

Under Rule 25-7.045, Florida Administrative Code, each gas utility is required to file a depreciation study at least once every five years from the submission date of the previous study, unless otherwise ordered by the Commission. Pursuant to this rule, Peoples Gas System, Inc., (Peoples or the Company) was required to file its next depreciation study on or before March 8, 1996. On February 14, 1996, the Company filed a petition requesting that the Commission grant a temporary waiver of, or exemption from, the "five-year" filing requirement, conditioned upon the filing of the depreciation study by June 30, 1997.

In its petition, the Company states that technological advancements in computer equipment and other depreciable property, along with an increase in the costs associated with the removal of mains and service lines, will have the effect that a new depreciation study will indicate the need for an increase in the Company's depreciation rates and resulting expenses. As such, Peoples believes that the filing of its next depreciation study will precipitate the Company's filing of a petition for rate relief earlier than the Company had originally planned.

The Company states that it expects to file a petition for rate relief in 1997. Peoples envisions that if it does file a rate case in 1997, and files its depreciation study on June 30, 1997, then it will seek an effective date for the revised depreciation rates coinciding with the date of additional revenues from the

DOCUMENT NUMBER-DATE

03139 MAR 15 96

FPSC-RECORDS/REPORTING

anticipated rate case. Peoples believes that proceedings regarding the depreciation study could be coordinated or even consolidated with the rate case proceedings.

The principle of matching expense with capital consumption (matching) dictates that depreciation rates be revised when the need for additional capital recovery arises. Matching, therefore, requires that Peoples rates be revised in 1996, in order to meet its needs, rather than deferring any such revision to June, 1997. A deferral would ignore Peoples discerned need for increased depreciation rates, and could worsen any resulting reserve imbalances.

Peoples has projected earnings of 10.27% for the twelve months ending September 30, 1996. Its currently authorized return on equity range is 10.25% to 12.25%. However, the most recent surveillance report for the twelve months ending January 31, 1996, shows achieved earnings of 12.37%. This earnings position appears to indicate that the Company's forecasted earnings level is understated. Further, there is no indication that increased depreciation expense will drive the Company to seek rate relief.

In keeping with the matching principle, we find that Peoples shall not be allowed to defer its next depreciation study until June 30, 1997. We will, however, allow the Company some additional time to complete its study since the required filing date has now passed. Accordingly, we grant Peoples an extension until April 1, 1996, to file its depreciation study.

Based on the foregoing, it is, therefore,

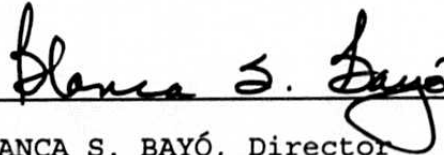
ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc.'s, request for a waiver of Rule 25-7.045 (8)(a), Florida Administrative Code, to extend the date in which to file its depreciation study, is denied. It is further

ORDERED that Peoples Gas System, Inc., shall file its depreciation study by April 1, 1996. It is further

ORDERED that this docket shall be closed.

ORDER NO. PSC-96-0370-FOF-GU
DOCKET NO. 960172-GU
PAGE 3

By ORDER of the Florida Public Service Commission, this 15th
day of March, 1996.



BLANCA S. BAYÓ, Director
Division of Records and Reporting

(S E A L)

BC

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.

Any party adversely affected by this order, which is preliminary, procedural or intermediate in nature, may request: (1) reconsideration within 10 days pursuant to Rule 25-22.038(2), Florida Administrative Code, if issued by a Prehearing Officer; (2) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, if issued by the Commission; or (3) judicial review by the Florida Supreme Court, in the case of an electric, gas or telephone utility, or the First District Court of Appeal, in the case of a water or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of Records and Reporting, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Judicial review of a preliminary, procedural or intermediate ruling or order is available if review of the final action will not provide an adequate remedy. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.