

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Florida Public Utilities Company for depreciation rates to reflect acquisition of Atlantic Utilities, a Florida Division of Southern Union Company d/b/a South Florida Natural Gas.

DOCKET NO. 020340-GU  
ORDER NO. PSC-02-0906-PAA-GU  
ISSUED: July 8, 2002

The following Commissioners participated in the disposition of this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI  
RUDOLPH "RUDY" BRADLEY

NOTICE OF PROPOSED AGENCY ACTION  
ORDER APPROVING THE CONSOLIDATION OF DEPRECIATION RATES FOR  
THE COMBINED ASSETS OF FLORIDA PUBLIC UTILITIES COMPANY AND  
SOUTH FLORIDA NATURAL GAS COMPANY

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.

Background

On December 15, 2001, Florida Public Utilities Company (FPUC or the Company) acquired the distribution and general plant assets of South Florida Natural Gas Company (SFNG). On April 18, 2002, FPUC submitted the instant request for consolidated depreciation rates for the combined assets of FPUC and SFNG, effective January 1, 2002. Also, FPUC requests it be allowed to use these

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FPSC-CONTRIBUTION CLERK

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consolidated depreciation rates until its next scheduled depreciation review, which is due by March 10, 2004.

The instant request does not reflect an overall review of life, salvage, and reserve parameters but merely represents a composite of the currently prescribed rates of each company. FPUC's current depreciation rates were approved by Order No. PSC-00-1082-PAA-GU, issued June 5, 2000, in Docket No. 990302-GU. The rates were effective January 1, 2000. SFNG's current depreciation rates were approved by Order No. PSC-98-1763-FOF-GU, issued December 30, 1998, in Docket No. 980700-GU. Its rates were implemented effective July 1, 1998. By Rule 25-7.045(8)(a), Florida Administrative Code, FPUC is required to file its next overall review of depreciation parameters on or before March 10, 2004. At that time, a comprehensive review of the overall capital recovery position of the combined assets will be made.

The books and records of SFNG are being combined with those of FPUC. For this reason, FPUC has requested that the currently approved depreciation rates for each company be consolidated for the combined assets. The company has developed a consolidated depreciation rate for each individual account using acceptable weighting principles.

The total investment of the FPUC and SFNG combined assets is \$62,444,288. Only 7%, or \$4,197,252, represents the SFNG assets. For this reason, there is relatively little impact on depreciation expense due to the merger of the two companies, as is indicated on Attachment B, page 7. The consolidated rates will remain in effect until FPUC's next depreciation review.

The consolidation of depreciation rates for the combined assets of FPUC and SFNG, as shown on Attachment A, page 6, is hereby approved.

#### Implementation Date

FPUC has proposed January 1, 2002, as the implementation date for the new consolidated depreciation rates. The calculations to combine the rates of FPUC and SFNG are based on an acquisition date of December 14, 2001, for the SFNG assets and November 30, 2001, for the existing FPUC assets since that was the balance sheet date

closest to the acquisition date. January 1, 2002, is the first full month representing the combined FPUC and SFNG assets. We find that the proposed date is the earliest practicable date for utilizing the consolidated rates, and it is hereby approved.

Comprehensive Depreciation Study

Pursuant to Rule 25-7.045(8)(a), Florida Administrative Code, FPUC is required to file its next comprehensive depreciation review by March 10, 2004.

The instant filing simply represents a compositing of the currently prescribed depreciation rates for FPUC and SFNG based on the combined investments for the consolidated company. It is not a comprehensive review of life, salvage, or reserve factors. Depreciation parameters for FPUC were last reviewed in a study filed on March 10, 1999. Under Rule 25-7.045(8)(a), Florida Administrative Code, gas companies are to file a comprehensive depreciation study at least once every five years from the date of the last submitted study. Therefore, the next comprehensive depreciation study shall be filed no later than March 10, 2004.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's request for the consolidation of depreciation rates for the combined assets of Florida Public Utilities Company and South Florida Natural Gas Company is hereby approved. It is further

ORDERED that the implementation date for the new consolidated depreciation rates shall be January 1, 2002. It is further

ORDERED that Florida Public Utilities Company shall file its next comprehensive depreciation study by March 10, 2004. It is further

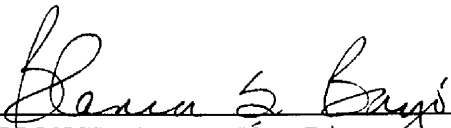
ORDERED that Attachment A, attached hereto, is incorporated herein by reference. It is further

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ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 8th day of July, 2002.

  
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BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

( S E A L )

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

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Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on July 29, 2002.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

ATTACHMENT A

Florida Public Utilities Company  
Commission Approved Consolidated Depreciation Rates

Account	Commission Approved
	Consolidated Remaining <u>Life Rate</u> (%)
<b>Distribution Plant</b>	
375.0 Structures & Improvements	2.9
376.1 Mains-Plastic	2.5
376.2 Mains-Steel	2.7
378.0 Measuring & Regulating Eqpt.-General	3.6
379.0 Measuring & Regulating Eqpt.-City Gate	3.6
380.1 Services-Plastic	3.5
380.2 Services-Steel	5.9
381.0 Meters	3.4
382.0 Meter Installations	3.2
383.0 House Regulators	3.6
384.0 Regulator Installations	3.1
385.0 Industrial M & R Station Eqpt.	3.8
387.0 Other Eqpt.	3.9
<b>General Plant</b>	
390.0 Structures & Improvements	2.6
391.1 Office Furn.	4.6
391.2 Office Machines & Eqpt.	7.7
391.3 Computers	8.7
392.1 Trans.-Autos	11.3
392.2 Trans.-Light Trucks	4.7
392.3 Trans.-Trailers	2.7
393.0 Stores Eqpt.	5.8
394.0 Tools, Shop, Garage Eqpt.	6.5
395.0 Laboratory Eqpt.	2.2
396.0 Power Operated Eqpt.	6.4
397.0 Communication Eqpt.	7.2
398.0 Misc. Eqpt.	5.3