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March 8, 2006

## VIA E-FILING

Blanca S. Bayo, Director  
Division of Commission Clerk & Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

**Re: Petition for waiver of depreciation study filing requirement in Rule 25-7.045(8)(a), F.A.C., by Peoples Gas System**

Dear Ms. Bayo:

Enclosed for filing with the Commission on behalf of Peoples Gas System, please find the original of Peoples' petition referenced above.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a  
Enclosures

cc: Joint Administrative Procedures Committee  
Mrs. Donna Hobkirk  
Mrs. Kandi M. Floyd

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Petition for waiver of depreciation )  
study filing requirement in Rule 25-7.045 )  
(8)(a), F.A.C., by Peoples Gas System )  
\_\_\_\_\_ )

Docket No.

Submitted for Filing:  
3-8-06

**PETITION OF PEOPLES GAS SYSTEM  
FOR WAIVER OF RULE 25-7-045(8)(a), F.A.C.**

Peoples Gas System ("Peoples" or the "Company"), by its undersigned attorneys and pursuant to Section 120.542, *Florida Statutes*, and Rule 28-104.002, F.A.C., hereby petitions the Commission for a waiver of the requirement established by Rule 25-7.045(8)(a), F.A.C. that Peoples file its next depreciation study within five years from the date of filing its previous study, and for authorization to file its next depreciation study by July 14, 2006. In support of this petition, Peoples states:

1. The name, address, telephone number and fax number of the petitioner are:

Peoples Gas System  
P. O. Box 2562  
Tampa, Florida 33601-2562  
Phone: (813) 228-4111  
Fax: (813) 228-4742

2. The names and mailing addresses of the persons to whom notices, orders and correspondence regarding this petition are to be sent are:

Ansley Watson, Jr.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601-1531

Ms. Angela Llewellyn  
Regulatory Affairs  
Peoples Gas System  
P. O. Box 2562  
Tampa, Florida 33601-2562

3. Peoples is a public utility subject to the Commission's regulatory jurisdiction under Chapter 366, *Florida Statutes*.

4. Rule 25-7.045(8)(a), F.A.C., provides: "Each company shall file a study for each category of depreciable property for Commission review at least once every five years from the submission date of the previous study unless otherwise required by the Commission." Peoples filed its last depreciation study pursuant to the rule on April 3, 2001. Therefore, absent a waiver, the Company is required to file its next depreciation study by April 3, 2006. Peoples seeks a temporary waiver of this rule, authorization to file its next depreciation study by July 14, 2006, and succeeding depreciation studies by July 14 at least every five years thereafter.

5. Pursuant to Section 120.542(2), *Florida Statutes*, the Commission may grant a waiver of the filing requirement of the referenced rule when the application of the rule would create a substantial hardship or violate principles of fairness, and when it is demonstrated that the purpose of the underlying statute has been or will be achieved by other means.

6. A depreciation study is a comprehensive, difficult, and time-consuming exercise. Pursuant to Rule 25-7.045(6), F.A.C., a depreciation study must include:

(a) A comparison of current and proposed depreciation rates and components for each category of depreciable plant. Current rates must be identified as to the effective date and proposed rates as to the proposed effective date.

(b) A comparison of annual depreciation expense resulting from current rates with those produced by the proposed rates for each category of depreciable plant. The plant balances may involve estimates. Submitted data including plant and reserve balances or company planning involving estimates must be brought to the effective date of the proposed rates.

(c) Each recovery and amortization schedule currently in effect should be included with any new filing showing total amount amortized, effective date, length of schedule, annual amount amortized and reason for the schedule.

(d) A comparison of the accumulated book reserve to the prospective theoretical reserve based on proposed rates and components for each category of depreciable plant to which depreciation rates are to be applied.

(e) A general narrative describing the service environment of the applicant company and the factors (e.g., growth, technology, physical conditions) leading to the present application for a revision in rates.

(f) An explanation and justification for each study category of depreciable plant defining the specific factors that justify the life and salvage components and rates being proposed. Each explanation and justification shall include substantiating factors utilized by the utility in the design of the depreciation rates for the specific category (e.g., company planning, growth, technology, physical conditions, trends). The explanation and justification shall discuss any proposed transfers of reserve between categories or accounts intended to correct deficient or surplus reserve balances. It should also state any statistical or mathematical methods of analysis or calculation used in design of the category rate.

(g) The filing shall contain all calculations, analysis and numerical basic data used in the design of the depreciation rate for each category of depreciable plant. Numerical data shall include plant activity (gross additions, adjustments, retirements, and plant balance at end of year) as well as reserve activity (retirements, accruals for depreciation expense, salvage, cost of removal,

adjustments, transfers and reclassifications and reserve balance at end of year) for each year of activity from the date of the last submitted study to the date of the present study. To the degree possible, data involving retirements should be aged.

(h) The mortality and salvage data used by the company in the depreciation rate design must agree with activity booked by the utility. Unusual transactions not included in life or salvage studies, e.g., sales or extraordinary retirements, must be specifically enumerated and explained.

In addition, pursuant to Rule 25-7.045(7)(a), F.A.C., a utility must provide in its filing calculations of depreciation rates for each category of depreciable property using both the whole life and remaining life methods, and is permitted to submit additional studies or methods for consideration by the Commission.

7. Peoples' fiscal year coincides with the calendar year, both ending December 31, so additions and retirements to plant-in-service and depreciation reserves critical to a comprehensive depreciation study for the year ended December 31, 2005 do not become available until some time after the year end. Peoples' staff responsible for plant accounting is limited and the year-end closing involves a much heavier workload for this staff than does monthly closings throughout the other months of each year. Further, immediately after closing the year-end, external auditors are present at the Company to audit its books, and since the Sarbanes Oxley legislation became effective, the intensity of the auditing has increased substantially. The same Peoples staff responsible for year-end closing and assistance to outside auditors is also responsible for the preparation of other regulatory reports required by the U.S. Department of Transportation and this Commission, uniform statistical and annual reports and internal reporting data for other departments within the Company. Unfortunately, these are the same people responsible

for conducting the depreciation studies required by Rule 25-7.045, F.A.C., studies which must be prepared for filing during the affected staff's busiest time of each year. To produce depreciation studies in compliance with the requirements of the Commission's rule with the appropriate analysis and research requires more than the three-month period immediately following the Company's year end.

8. Peoples submits that the April timing, as it specifically relates to Peoples, of the depreciation study filing required by Rule 25-7.045(8)(a), F.A.C., the Company's limited staff and the increase in their workload following each year end, imposes substantial hardship within the meaning of Section 120.542(2), *Florida Statutes*.

9. Rule 25-7.045, F.A.C., implements a number of Florida Statutes, including Sections 350.115 and 366.06(1). Section 350.115 authorizes the Commission to "prescribe by rule uniform systems and classifications of accounts for each type of regulated company and approve or establish adequate fair and reasonable depreciation rates and charges." Section 366.06(1) authorizes the Commission to "investigate and determine the actual legitimate costs of the property of each utility company, actually used and useful in the public service, and to keep a current record of the net investment of each public utility company and such property which value, as determined by the Commission, shall be used for ratemaking purposes and shall be the money honestly and prudently invested by the public utility company in such property used and useful in serving the public, less accrued depreciation and shall not include any goodwill or going concern value or franchise value in excess of the payment made therefore."

10. Rule 25-7.045(6), F.A.C., implements the above referenced statutory requirements. The waiver sought by Peoples via this petition serves the purposes of the underlying statutes by providing the data required by the Commission rule which is

necessary to meet the requirements of the rule on a cost effective basis. The grant of the requested waiver would allow for the filing of the data and calculations included in Peoples' depreciation studies without imposing undue hardship on the Company.

11. Peoples is seeking the grant of a waiver for the upcoming depreciation study which is scheduled to be filed in April 2006. If the waiver is granted by the Commission, Peoples would request to comply with the five year requirement in the future by making such future depreciation study filings on or before July 14 of the year in which each successive study is to be filed. It will be able to do so without the undue hardship imposed on the Company and its limited staff, which will have the time required to conduct the studies required by the rule. For example, if the Commission grants a waiver permitting Peoples to file the Company's study on July 14, 2006, Peoples would be able to make such filing, as well as the filing due on July 14, 2011.

12. Peoples submits that the facts presented herein demonstrate that the application of the rule creates a substantial hardship on the Company and its limited staff, that the purpose of the underlying statute(s) will be achieved by the filing of Peoples' depreciation study on or before July 14, 2006, and that grant of the requested waiver by the Commission is justified.

WHEREFORE, Peoples respectfully requests that the Commission:

A. Grant a waiver of the above-described requirements of Rule 25-7.045(8)(a), F.A.C.;

B. Authorize Peoples to file with the Commission a depreciation study in compliance with the remaining requirements of Rule 25-7.045, F.A.C., no later than July 14, 2006; and

C. Order, in granting the waiver, that Peoples comply with the five-year filing requirement of Rule 25-7.045(8)(a), F.A.C., in making all future depreciation study filings.

Respectfully submitted,



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E-Mail: [aw@macfar.com](mailto:aw@macfar.com)

Attorneys for Peoples Gas System

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true copy of the foregoing Petition has been furnished via regular U.S. Mail this 8<sup>th</sup> day of March, 2006, to the Joint Administrative Procedures Committee, Room 120, The Holland Building, Tallahassee, Florida 32399-1300.



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Ansley Watson, Jr.