

ORIGINAL

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IN REPLY REFER TO:

Ansley Watson, Jr.  
P.O. Box 1531  
Tampa, Florida 33601  
e-mail: [aw@macfar.com](mailto:aw@macfar.com)

July 12, 2006

VIA FEDEX

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

060496-60

COMMISSION  
CLERK

06 JUL 13 AM 9:34

RECEIVED-PPSC

**Re: Application for approval of new depreciation rates, by Peoples Gas System**

Dear Ms. Bayo:

Enclosed for filing on behalf of Peoples Gas System, please find the original and fifteen (15) copies of (A) the captioned application and (B) the information required by paragraphs (6)(a) through (6)(f) and (6)(h) of Rule 25-7.045, *Florida Administrative Code*. Also enclosed are three (3) copies of the information required by paragraph (6)(g) of Rule 25-7.045.

Please acknowledge your receipt of the enclosures (together with the docket number assigned to the application) on the duplicate copy of this letter which is also enclosed. Your assistance is always appreciated.

Sincerely,



ANSLEY WATSON, JR.

AWjr/a  
Enclosures

cc: Mrs. Kandi M. Floyd

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE

06135 JUL 13 06

FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Application for approval of )  
new depreciation rates, by )  
Peoples Gas System )  
\_\_\_\_\_)

Docket No. 060496-GW  
Submitted for Filing:  
7-13-06

**APPLICATION OF PEOPLES GAS SYSTEM**

Peoples Gas System ("Peoples" or the "Company"), files its application for approval of new depreciation rates, and in support thereof states:

1. The name and address of the Company is:

Peoples Gas System  
Post Office Box 2562  
Tampa, Florida 33601-2562

2. The names and mailing addresses of the persons authorized to receive notices and communications with respect to this application are:

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

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

3. Peoples requests the Commission's approval of the proposed depreciation rates shown on Exhibit A attached hereto and made a part hereof. The proposed rates shown on Exhibit A are the result of a depreciation study performed by the Company in accordance with the requirements of Rule 25-7.045, *Florida Administrative Code*.

4. The data submitted herewith is based on the Company's projected plant in service and depreciation reserves at December 31, 2006.

5. Peoples requests that the proposed depreciation rates reflected on Exhibit A be approved for implementation effective January 1, 2007.

DOCUMENT NUMBER-DATE

06135 JUL 13 06


FPSC-COMMISSION CLERK

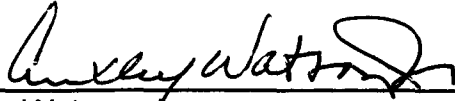
6. The depreciation study on which the proposed new depreciation rates are based (*i.e.*, the information required by Rule 25-7.045(6), *Florida Administrative Code*), is submitted for filing with this application.

WHEREFORE, Peoples respectfully requests that the Commission enter its order finding the proposed depreciation rates set forth on Exhibit A attached hereto to be just and reasonable, and approving said proposed depreciation rates for implementation effective January 1, 2007.

Respectfully submitted,

**PEOPLES GAS SYSTEM**

By:   
\_\_\_\_\_  
Bruce Narzissenfeld  
Assistant Controller

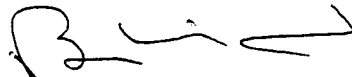
  
\_\_\_\_\_  
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Facsimile: (813) 273-4396 or -4397  
Attorneys for Peoples Gas System

**STATE OF FLORIDA**

**COUNTY OF HILLSBOROUGH**

Before me, the undersigned authority, personally appeared Bruce Narzissenfeld who, being by me first duly sworn, says that he is Assistant Controller of Peoples Gas

System; that he is duly qualified and acting in that capacity; that he is authorized to execute the foregoing application and to make this oath thereto; that the matters and things stated in said application are, insofar as they come within his knowledge and belief, true; and that insofar as they are derived from or dependent upon the knowledge of others, he believes them to be true.



BRUCE NARZISSENFELD

Sworn to and subscribed before me this 12th day of July, 2006.



NOTARY PUBLIC  
STATE OF FLORIDA AT LARGE

My Commission Expires:



PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY

FOR PERIOD ENDING DECEMBER 2005

PLANT ACCT#	DESCRIPTION	CURRENT AVERAGE S/L-YRS	CURRENT NET SALV. %	CURRENT DEPRC. RATE-%	PROPOSED CURVE R/L-YRS	PROPOSED NET SALV. %	PROPOSED DEPRC. RESV. %	PROPOSED R/L RATE-%
37500	STRUCTURES AND IMPROVEMENTS	40.0	0.0%	2.7%	28.5	0.0%	21.9%	2.7%
37600	MAINS - OTHER THAN PLASTIC	40.0	-45.0%	3.7%	25.2	-50.0%	50.9%	3.9%
37602	MAINS - PLASTIC	40.0	-10.0%	2.8%	31.1	-15.0%	24.0%	2.9%
37800	MEAS. & REG. STA. EQPT-GENERAL	31.0	-5.0%	3.9%	23.9	-5.0%	25.0%	3.4%
37900	MEAS. & REG. STA. EQPT-CITY GATE	31.0	-5.0%	3.0%	23.9	-5.0%	24.4%	3.4%
38000	SERVICES - OTHER THAN PLASTIC	32.0	-80.0%	6.6%	12.5	-90.0%	87.5%	8.2%
38002	SERVICES - PLASTIC	32.0	-35.0%	4.4%	23.4	-50.0%	32.1%	5.0%
38100	METERS	23.0	5.0%	5.4%	11.3	3.0%	22.6%	6.6%
38200	METER INSTALLATIONS	27.0	-18.0%	4.3%	17.3	-20.0%	32.7%	5.0%
38300	REGULATORS	28.0	0.0%	4.6%	17.3	0.0%	38.6%	3.6%
38400	REGULATOR INSTALLATIONS	27.0	-18.0%	4.4%	18.9	-20.0%	28.4%	4.9%
38500	INDUSTRIAL MEAS. & REG. STA. EQPT	32.0	0.0%	3.0%	20.1	-3.0%	34.4%	3.4%
38700	OTHER DISTRIBUTION EQUIPMENT	16.0	0.0%	7.9%	9.2	0.0%	47.7%	5.7%
39000	STRUCTURES AND IMPROVEMENTS	40.0	0.0%	2.7%	28.9	0.0%	17.1%	2.9%
39100	OFFICE FURNITURE	15.0	0.0%	9.7%	6.9	0.0%	33.6%	9.6%
39101	COMPUTER EQUIPMENT	8.0	0.0%	19.8%	3.1	0.0%	77.7%	7.2%
39102	OFFICE MACHINES	15.0	0.0%	6.6%	8.2	0.0%	43.6%	6.9%
39201	AUTOS & TRUCKS UP TO 3/4 TON	8.0	10.0%	14.3%	4.1	10.0%	47.4%	10.4%
39202	AUTOS & TRUCKS 3/4 & 1 TON	8.0	10.0%	11.3%	3.9	10.0%	32.1%	14.8%
39203	AIRPLANES	15.0	75.0%	1.7%	10.5	75.0%	5.5%	1.9%
39204	OTHER TRANSPORTATION EQPT	20.0	14.0%	3.9%	8.5	14.0%	51.0%	4.1%
39205	TRUCKS OVER 1 TON	12.0	12.0%	7.3%	3.7	10.0%	53.2%	9.9%
39300	STORES EQUIPMENT	25.0	0.0%	11.3%	2.3	0.0%	95.6%	1.9%
39400	TOOLS-SHOP & GARAGE EQUIPMENT	15.0	0.0%	6.7%	6.4	0.0%	61.6%	6.0%
39500	LABORATORY EQUIPMENT	20.0	na	5.0%	11.6	na	39.0%	5.3%
39600	POWER OPERATED EQUIPMENT	15.0	5.0%	6.3%	4.1	5.0%	73.6%	5.2%
39700	COMMUNICATIONS EQUIPMENT	12.0	0.0%	9.7%	5.8	0.0%	34.2%	11.4%
39800	MISCELLANEOUS EQUIPMENT	17.0	0.0%	3.2%	9.7	0.0%	57.7%	4.4%

CURRENT RATES EFFECTIVE: JAN 2003

PROPOSED EFFECTIVE DATE: JAN 2007

PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY

Using Estimated Balances as of December 2006

PLANT ACCT#	DESCRIPTION	DEPRECIATION CURRENT RATE	DEPRECIATION PROPOSED R/L RATE
37500	STRUCTURES AND IMPROVEMENTS	391,999.85	391,999.85
37600	MAINS - OTHER THAN PLASTIC	9,234,451.84	9,733,611.40
37602	MAINS - PLASTIC	6,842,512.02	7,086,887.45
37800	MEAS. & REG.STA.EQPT-GENERAL	228,478.10	199,186.03
37900	MEAS. & REG.STA.EQPT-CITY GATE	250,857.63	284,305.31
38000	SERVICES - OTHER THAN PLASTIC	2,456,622.12	3,052,166.88
38002	SERVICES - PLASTIC	6,805,429.03	7,733,442.08
38100	METERS	1,807,201.44	2,208,801.76
38200	METER INSTALLATIONS	1,488,412.12	1,730,711.77
38300	REGULATORS	443,619.47	347,180.45
38400	REGULATOR INSTALLATIONS	561,544.33	625,356.19
38500	INDUSTRIAL MEAS. & REG.STA.EQPT	281,007.40	318,475.05
38700	OTHER DISTRIBUTION EQUIPMENT	137,278.54	99,049.07
39000	STRUCTURES AND IMPROVEMENTS	31,759.69	34,112.26
39100	OFFICE FURNITURE	301,255.42	298,149.69
39101	COMPUTER EQUIPMENT	1,901,888.63	691,595.86
39102	OFFICE MACHINES	43,017.27	44,972.60
39201	AUTOS & TRUCKS UP TO 3/4 TON	1,053,999.51	766,545.10
39202	AUTOS & TRUCKS 3/4 TO 1 TON	416,108.79	544,992.04
39203	AIRPLANES	102,505.17	114,564.61
39204	OTHER TRANSPORTATION EQPT	10,590.92	11,134.04
39205	TRUCKS OVER 1 TON	76,576.01	103,849.66
39300	STORES EQUIPMENT	6,381.48	1,072.99
39400	TOOLS-SHOP & GARAGE EQUIPMENT	262,131.15	234,744.32
39500	LABORATORY EQUIPMENT	6,478.88	6,867.62
39600	POWER OPERATED EQUIPMENT	118,862.98	98,109.13
39700	COMMUNICATIONS EQUIPMENT	547,233.51	643,140.42
39800	MISCELLANEOUS EQUIPMENT	12,528.61	17,226.84
		35,820,731.90	37,422,250.46

Filing Requirement 6 (c)

PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY

RECOVERY SCHEDULES CURRENTLY IN EFFECT

NONE

PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY

PLANT ACCT#	DESCRIPTION	DEPRECIATION RESERVE	THEORETICAL RESERVE	FN
37500	STRUCTURES AND IMPROVEMENTS	(3,173,227.98)	(4,174,072.44)	
37600	MAINS - OTHER THAN PLASTIC	(127,025,771.37)	(138,516,777.66)	
37602	MAINS - PLASTIC	(58,535,385.50)	(62,529,562.96)	
37800	MEAS. & REG. STA. EQPT-GENERAL	(1,464,691.82)	(1,408,853.78)	
37900	MEAS. & REG. STA. EQPT-CITY GATE	(2,038,572.47)	(2,010,907.13)	
38000	SERVICES - OTHER THAN PLASTIC	(32,574,934.52)	(43,095,572.70)	
38002	SERVICES - PLASTIC	(49,599,582.58)	(62,350,876.73)	
38100	METERS	(7,576,453.09)	(9,535,915.91)	
38200	METER INSTALLATIONS	(11,335,016.94)	(14,922,581.44)	
38300	REGULATORS	(3,722,460.93)	(3,685,348.05)	
38400	REGULATOR INSTALLATIONS	(3,623,764.19)	(4,594,453.64)	
38500	INDUSTRIAL MEAS. & REG. STA. EQPT	(3,224,033.49)	(3,587,820.47)	
38700	OTHER DISTRIBUTION EQUIPMENT	(828,902.46)	(738,523.79)	
39000	STRUCTURES AND IMPROVEMENTS	(201,029.40)	(326,419.08)	
39100	OFFICE FURNITURE	(1,042,959.82)	(1,677,092.02)	
39101	COMPUTER EQUIPMENT	(7,461,278.50)	(5,883,367.59)	
39102	OFFICE MACHINES	(284,485.63)	(295,472.14)	
39201	AUTOS & TRUCKS UP TO 3/4 TON	(3,496,477.99)	(3,233,862.13)	
39202	AUTOS & TRUCKS 3/4 TO 1 TON	(1,183,701.51)	(1,467,690.93)	
39203	AIRPLANES	(328,692.07)	(452,228.71)	
39204	OTHER TRANSPORTATION EQPT	(138,431.09)	(134,287.44)	
39205	TRUCKS OVER 1 TON	(558,528.42)	(652,994.08)	
39300	STORES EQUIPMENT	(54,007.85)	(51,277.70)	
39400	TOOLS-SHOP & GARAGE EQUIPMENT	(2,411,937.64)	(2,243,112.36)	
39500	LABORATORY EQUIPMENT	(50,481.62)	(54,422.62)	
39600	POWER OPERATED EQUIPMENT	(1,389,199.27)	(1,302,461.54)	
39700	COMMUNICATIONS EQUIPMENT	(1,927,245.63)	(2,914,817.68)	
39800	MISCELLANEOUS EQUIPMENT	(226,082.10)	(168,122.86)	
		(325,477,335.89)	(372,008,895.58)	



Filing Requirement 6 (e)

PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY

There have been no significant changes that have taken place since Peoples Gas System, Inc.'s last filing. The Company's objective is to provide efficient, reliable natural gas service to new and existing residential, commercial and industrial customers within our service area so as to achieve customer satisfaction while earning an acceptable rate of return on invested capital. Our service area is comprised of sixteen separate geographical areas of the state. Each of these sixteen Divisions serves one or more franchised areas. Our Divisions are: North Miami, Tampa, St. Petersburg, Orlando, Eustis, Jacksonville, Miami, Lakeland, Daytona, Avon Park, Sarasota, West Pasco, Palm Beach Gardens, Panama City, Ocala, and Southwest Florida. The Company Headquarters, located in Tampa, house corporate officers and staff, who provide support for the Divisions.

Peoples Gas System, Inc.  
Depreciation Study  
For Period Ending December 31, 2005

Explanation for Each Category of Depreciable Plant

ACCOUNT 37500 – STRUCTURES AND IMPROVEMENTS

The study indicated an average service life of 12.5 years. We feel this indication is too short due to the retirement of only minor items of property that were removed; with the exception of two buildings that were retired due to a decision to relocate. We therefore propose the use of an average service life of 40 years, which would be more realistic and as previously prescribed. Since the sale of the buildings produced all of the salvage, we propose use of the previously prescribed 0% net salvage.

ACCOUNT 37600 - MAINS, OTHER THAN PLASTIC

The study indicated an average service life of 20.3 years. Mains of recent vintage were retired due to governmental improvements at some of our divisions. This tends to shorten the average service life and is not indicative of the overall majority of steel mains. We therefore propose the use of an average service life of 40 years as previously prescribed. The study indicated net salvage of 52.3%. This is lower than normal due to salvage received on two retirements. We have experienced an increase in normal removal cost and propose an increase to 50%. Additionally, we propose receipt of a reserve transfer from accounts 37800 and 37900 in the total amount of \$500k.

ACCOUNT 37602 - MAINS, PLASTIC

The study indicated an average service life of 11.6 years. This was caused by the young age of plastic mains that were retired due to government improvements. These early retirements have biased the calculation and indicate a service life that is too short. Given this, we propose the use of an average service life of 40 years as prescribed previously. We propose an increase in negative net salvage to 15% from the current rate of 10%.

ACCOUNT 37800 - MEASURING & REGULATING STATION EQUIPMENT-GENERAL

The study indicated an average service life of 14.5 years. We propose remaining with an average service life of 31 years as previously prescribed due to the majority of the retirements being minor items for this type of equipment. The study indicated negative net salvage of 24.5%. This is due to special disposal of 2 older odorant injection systems, as well as the closing of an entire substation at the request of JEA (Jacksonville Energy Authority). While we will continue special disposal of odorant injection systems, the percent of removal cost should not be as high. The costs of retirement vs. disposal cost in these cases were extremely low due to the age of the systems. Based on the above and the reserve surplus in this account, we propose the continued use of 5%. Additionally, we propose a transfer of reserve in the amount of \$200k to account 37600.

ACCOUNT 37900 – MEASURING & REGULATING STATION EQUIPMENT-CITY GATE

The study indicated an average service life of 17.0 years. There are many minor items of property being retired due to upgrades in this account and is not indicative of the overall account. We propose the use of an average service life of 31 years as previously prescribed. The study indicated negative net salvage of 51.5%. Like account 37800, this is due to special disposal of older injection systems. Based on the above and the reserve surplus in this

account, we propose the continued use of 5%. Additionally, we propose a transfer of reserve in the amount of \$300k to account 37600.

#### ACCOUNT 38000 – SERVICE LINES, OTHER THAN PLASTIC

The study indicated an average service life of 20.9 years. Service lines of recent vintage have been retired due to demolition, upgrades and inactivity. This tends to shorten average service life and is not indicative of the overall nature of steel service lines for our system. Therefore, we propose the continued use of an average service life of 32 years as previously prescribed.

The study indicated a removal cost of 153.2%. There are several reasons for this high cost:

1. We are still in the cast iron replacement program. Due to the galvanic action of dissimilar metals, this requires us to cut the line at the main rather than the property line. This increases our amount of pavement restoration.

2. Removal costs reflect current day dollar costs, while a majority of the service line retirement costs reflect labor & material costs of over 30 years ago.

Although we do not feel an increase to the 153.2% would be appropriate, we realize that item 2 above will continue and propose an increase to 90% negative net salvage.

#### ACCOUNT 38002 - SERVICE LINES, PLASTIC

The study indicated an average service life of 13.4 years. This is caused by the unusual retirement of young age plastic services, which indicates a service life that is too short. These retirements represent only 2% of this plant account. We therefore propose the continued use of an average service life of 32 years. The study indicates negative net salvage of 64.8%.

Explanation 2. Plant Account 38000 applies to plastic services as well. We therefore propose an increase in negative net salvage to 50% from the current rate of 35%.

#### ACCOUNT 38100 - METERS

In the previous study, we discussed the outsourcing of the meter shop creating a change to location rather than cradle-to-grave life. There was not sufficient history to determine the proper life, but a recommended life of 23 years with 5% salvage until the full effect of the new program could be determined was approved. The current study reflects an average life of 11.7. While we agree that the ASL is probably something less than 23 years, we realize that the retirements from which the ASL is derived is only a percentage of this plant account; we have some meters in service as old as 31 years. Therefore, we recommend an average service life of 16 years. The study indicated salvage of 0%. This is due to a programming issue created during a 2003 enhancement made to our software that stopped salvage on blanket accounts from clearing through the reserve. This has been corrected and the additional salvage was unitized in April of 2006. Additionally, we propose receipt of a reserve transfer in the amount of \$600k from account 38300.

#### ACCOUNT 38200 – METER INSTALLATIONS

An average service life of 5.8 years and negative net salvage of 31.8% was indicated in the study. In the previous two studies, Peoples argued for a shorter service life due to the use of a new tracking system that allows us to track meter installations on a detailed basis. In preparing this study it became obvious that there was corrupt data. It was found that the tracking system works correctly, but the report written from the system is incorrect.

In addition, staff correctly stated that "Installations are rarely retired prior to the date the service ends or the meter is removed due to inactivity. Peoples' policy is to retire the meter and regulator at the time the service ends, regardless of the prospect for reuse."

This was the decision of previous management at Peoples. Current management agrees with staff that the life of meter and regulator installations should follow that of service lines. Current management also agrees that installations could conceivably live five years less than the life of the service, but not be less than the service life of the meter. The asset records have become corrupt due to the use of above report. We have information available to

recreate aged records and request permission to do so. We propose use of the previously prescribed ASL of 27 years and an increase in negative net salvage to 20% from 18%.

#### ACCOUNT 38300 - REGULATORS

An average service life of 27.4 years was indicated in the study. We propose the continued use of an average service life of 28 years as previously prescribed. We propose the use of net salvage of 0% as previously prescribed. It was found that the 2.7% removal cost indicated in the study is labor that was charged incorrectly and should be spread between meter and regulator installations account. Additionally, we propose a transfer of reserve in the amount of \$600k to account 38100.

#### ACCOUNT 38400 – REGULATOR INSTALLATIONS

An average service life of 6.3 years and negative net salvage of 108.4% was indicated in the study. In the previous two studies, Peoples argued for a shorter service life due to the use of a new tracking system that allows us to track regulator installations on a detailed basis. In preparing this study it became obvious that there was corrupt data. It was found that the tracking system works correctly, but the report written from the system is incorrect. This high negative net salvage is due to inaccurate allocation of removal cost and retirement dollars as the denominator from the corrupt report. We have information available to recreate aged records of what we currently have in the field and request permission to do so.

In addition, staff correctly stated in the previous study: “Installations are rarely retired prior to the date the service ends or the meter is removed due to inactivity. Peoples’ policy is to retire the meter and regulator at the time the service ends, regardless of the prospect for reuse.”

This was the decision of previous management at Peoples. Current management agrees with staff that the life of meter and regulator installations should follow that of service lines. Current management also agrees that installations could conceivably live five years less than the life of the service, but not be less than the service life of the meter. The asset records have become corrupt due to the use of above report. We propose use of the previously prescribed ASL of 27 years and an increase in negative net salvage to 20% from 18%.

#### ACCOUNT 38500 – INDUSTRIAL INSTALLATIONS

An average service life of 19 years was indicated in the study. Only minor items of property were retired due to upgrades. We therefore propose the continued use of an average service life of 32 years. We determined that the 2.5% removal cost indicated in the study is accurate and therefore propose the use of negative net salvage of 3%.

#### ACCOUNT 38700 – OTHER DISTRIBUTION EQUIPMENT

The study indicated 17.0 years average service life. The majority of items retired were minor in nature. Therefore we propose the continued use of 16 years average service life. We propose the continued use of net salvage of 0% as indicated in the study and previously prescribed.

#### ACCOUNT 39000 – STRUCTURES AND IMPROVEMENTS

We presently have items in this account in our West Florida Gas divisions. There have not been sufficient retirements in this account to alter the current rates. We propose the use of a 40-year service life and 0% salvage as previously prescribed.

#### ACCOUNT 39100 – OFFICE FURNITURE

An average service life of 27.8 years was indicated in the study. These retirements were minor in nature and therefore propose the continued use of an average service life of 15 years. The study indicated net salvage of .1%. We propose the continued use of net salvage of 0%.

ACCOUNT 39101 - COMPUTER EQUIPMENT

The study indicated an average service life of 6.9 years. The majority of retirements from this account were minor in nature such as computers. There are many longer life and higher value assets in this account than computers. We therefore propose the continued use of an average service life of 8 years and net salvage of 0%.

ACCOUNT 39102 – OFFICE MACHINES

An average service life of 15.1 years was indicated in the study. We therefore propose the continued use of an average service life of 15 years and negative net salvage of 0%.

ACCOUNT 39201 - AUTOS & TRUCKS UP TO ¾ TON

The study indicates an average service life of 7.7 years and net salvage of 9.3%. We therefore propose the continued use of an 8-year service life and 10% net salvage.

ACCOUNT 39202 - TRUCKS ¾ TO 1 TON

This account was initiated in the last study. The study indicated an average service life of 6.1 years and salvage of 11.4%. We propose a decrease in ASL to 7 years from the previously prescribed 8 and the continued use of net salvage of 10%.

ACCOUNT 39203 - AIRPLANES

The only asset retired in this account was the plane we purchased as the interim plane while our new one was being built. We propose the continued average service life of 15 years and salvage of 75%.

ACCOUNT 39204 – OTHER TRANSPORTATION EQUIPMENT (TRAILERS)

The study indicated an average service life of 18.1 years. However the retirement data is limited and may not be indicative of a proper service life. We propose the continued use of an average service life of 20 years and net salvage of 14% as previously prescribed.

ACCOUNT 39205 – TRUCKS OVER 1 TON

The study indicated an average service life of 11.1 years and net salvage of 7.4%. We propose the continued average service life of 12 years. We propose a decrease in net salvage to 10%, which is based on a 10-year period.

ACCOUNT 39300 - STORES EQUIPMENT

The study indicates an average service life of 26.2 years. We propose the continued use of an average service life of 25 years. We propose the use of net salvage of 0% as indicated in the study. This account is no longer fully depreciated due to the purchase of additional assets. We returned to the rate prescribed in the 1996 study upon purchase.

ACCOUNT 39400 - TOOLS, SHOP & GARAGE EQUIPMENT

An average service life of 15.9 years and net salvage of 1.3% was indicated in the study. We propose the continued use of an average service life of 15 years and 0% salvage as previously prescribed.

ACCOUNT 39500 - LABORATORY EQUIPMENT

There was no retirement data for this account. We propose the continued use of an average service life of 20 years and net salvage of 0% as previously prescribed for this type of equipment.

ACCOUNT 39600 – POWER OPERATED EQUIPMENT

An average service life of 11.2 years was indicated in the study. This is due to the retirement of a couple of relatively new, higher priced assets that weren't being used. We propose the continued use of an average service life of 15 years as previously prescribed. The study

shows salvage of 10.9%. We do not feel this is typical, therefore we propose the continued use of net salvage of 5% as previously prescribed.

ACCOUNT 39700 – COMMUNICATIONS EQUIPMENT

The study shows an average service life of 7.7 years. Many of the retirements that occurred in this account are minor and not indicative of the entire account. We propose the continued use of an average service life of 12 years and net salvage of 0% as previously prescribed.

ACCOUNT 39800 – MISCELLANEOUS EQUIPMENT

The study indicated an average service life of 30.6 years. However, the retirement data is limited and is not indicative of a proper service life for the remaining plant in this classification. We therefore propose the continued use of an average service life of 17 years and salvage of 0%.

PEOPLES GAS SYSTEM, INC.  
DEPRECIATION STUDY  
ITEMS DELETED FROM STUDY

Account	Reason	Original Cost	Reserve
<b>PLANT IN SERVICE</b>			
ACCOUNT 30100 ORGANIZATION	Non-Depreciable Plant	12,620.00	3,116.00
ACCOUNT 30200 FRANCHISES AND CONSENTS	Non-Depreciable Plant	427,466.00	361,647.00
ACCOUNT 30300 MISCELLANEOUS INTANGIBLE PLANT WFG	Non-Depreciable Plant	815,325.00	387,887.00
ACCOUNT 30301 CUSTOMIZED SOFTWARE	Non-Depreciable Plant	14,642,070.00	10,578,496.00
ACCOUNT 37400 LAND	Non-Depreciable Plant	2,336,530.00	-
ACCOUNT 37402 LAND RIGHTS	Non-Depreciable Plant	1,162,793.00	726,933.00
ACCOUNT 38608 NGV PROJECTS	Non-Depreciable Plant	51,942.00	15,149.00
ACCOUNT 39002 IMPROVEMENTS TO LEASED PROPERTY	Non-Depreciable Plant	39,043.00	30,148.00

Age	Description	Reason	Original Cost	Removal Cost	Salvage
<b>ACCOUNT 37600 MAINS OTHER THAN PLASTIC</b>					
46.5	Retire remaining Cast Iron for Jacksonville	Retired in previous years, never removed	391,951.74		
46.5	Retire remaining Cast Iron for Jacksonville	from books - distorts negative net salvage	191,136.70		
46.5	Retire remaining Cast Iron for Jacksonville	value	262,654.70		
46.5	Retire remaining Cast Iron for Jacksonville		24,958.19		
46.5	Retire remaining Cast Iron for Jacksonville		74,520.79		
16.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	21,150.84	121.28	16,854.98
16.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	1,616.49	9.27	1,288.28
14.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	900.08	4.35	603.88
14.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	10,450.19	4.35	603.88
14.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	8,715.65	94.14	13,084.08
11.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	3,219.78	18.15	2,522.88
9.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	7,540.82	66.19	9,199.12
7.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	14,508.20	42.59	5,918.03
7.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	18,524.47	72.13	10,024.42
6.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	4,697.88	16.19	2,247.78
4.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	36,589.22	156.33	21,726.29
3.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	13,405.09	62.81	8,729.43
3.5	Grande Lakes Resorts	Unusual transaction - distorts salvage & age	88,487.62	11,092.48	102,944.73
3.5	Grande Lakes Resorts	Unusual transaction - distorts salvage & age	6,616.20	829.37	7,697.14
2.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	1,561.93	12.16	1,690.87
2.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	15,282.28	67.83	9,427.25
			<b>1,198,488.86</b>	<b>12,669.62</b>	<b>214,563.04</b>
<b>ACCOUNT 37600 MAINS PLASTIC</b>					
9.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	50,663.36	443.51	61,636.09
5.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	57,621.14	259.88	36,118.76
3.5	Retire Lake Apopka Main Pipe	Unusual transaction - distorts salvage & age	5,801.07	27.19	3,777.61
			<b>114,085.57</b>	<b>730.58</b>	<b>101,532.46</b>
<b>ACCOUNT 37800 GATE STATIONS</b>					
9.5	Retire Lake Apopka Reg. Sta. See File Atch for detail.	Unusual transaction - distorts salvage & age	745.04	0.00	499.20
			<b>745.04</b>	<b>-</b>	<b>499.20</b>
<b>ACCOUNT 39201 AUTOS &amp; TRUCKS UP TO 1/2 TON</b>					
1.5	2003 Ford Ranger Truck	Vehicle totaled in accident	16,632.07	202.14	11,640.75
1.5	LP Conversion for vehicle 06-3033	Heritage asset found on PGS books	1,065.70	-	-
			<b>17,697.77</b>	<b>202.14</b>	<b>11,640.75</b>
<b>ACCOUNT 39204 TRANSPORTATION EQUIPMENT</b>					
1.5	10-FT Dump Trailer	Trailer stolen	3,354.76	-	-
			<b>3,354.76</b>	<b>-</b>	<b>0.00</b>