

COMMISSIONERS:
MATTHEW M. CARTER II, CHAIRMAN
LISA POLAK EDGAR
KATRINA J. MCMURRIAN
NANCY ARGENZIANO
NATHAN A. SKOP

STATE OF FLORIDA



TIMOTHY DEVLIN, DIRECTOR
DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

June 30, 2008

RECEIVED--FPSC
08 JUN 30 PM 2: 20
COMMISSION
CLERK

Mr. Brian Powers
Indiantown Gas Company
Post Office Box 8
Indiantown, Florida 34956

Re: Docket No. 080170-GU - 2008 depreciation study by Indiantown Gas Company

Dear Mr. Powers:

Staff's initial review regarding Indiantown Gas Company's Depreciation Study filed in the above referenced docket is attached. In order to complete the review and meet a December 16, 2008, agenda date, please provide the Company's response by August 30, 2008.

Should you have any questions, or need further information, please do not hesitate to contact Teira E. Farley at (850) 413-6447.

Sincerely,

A handwritten signature in cursive script that reads "John Slemkewicz".

John Slemkewicz
Public Utilities Supervisor

JS/TeF:sc

Attachment

cc: Office of the General Counsel (Brown)
Office of Commission Clerk
Office of Public Counsel
Division of Economic Regulation (Devlin, Willis, Bulecza-Banks)

DOCUMENT NUMBER - DATE
05662 JUN 30 8
FPSC - COMMISSION CLERK

Initial Review Questions

Staff compared the company's Annual Status Reports, for years 2002-2007, with Exhibits A-1 through A-18 of the Depreciation Study, which was filed on March 21, 2008. The following discrepancies were identified after examination of the plant and reserve accounts:

Account Number 376.1 - Mains – Plastic

1. In 2002, the beginning of year plant balance, shown in Exhibit A-1, does not coincide with the end of year plant balance, which is reflected within the filed 2001 Annual Status Report. Please explain this adjustment, in detail.
2. In 2003, the filed Annual Status Report shows a transfer of \$85,637 out of the reserve account; however, Exhibit A-1 reflects a transfer out of \$85,429.46. Please explain this adjustment, in detail, and/or reconcile this amount.
3. In 2003, the filed Annual Status Report shows an accrual amount of \$4,333 for the reserve account. Exhibit A-1 shows an accrual amount of \$4,125 in the same account. Please explain this adjustment, in detail, and/or reconcile this amount.
4. In 2004, the filed Annual Status Report shows an adjustment of \$21,681 for the reserve account. Exhibit A-1 reflects an adjustment of \$22,106.25 for the same account. Please explain this adjustment, in detail, and/or reconcile this amount.
5. In 2004, the filed Annual Status Report shows an accrual amount of \$4,617 for the reserve account. Exhibit A-1 shows an accrual amount of \$4,192 for the same account. Please explain this adjustment, in detail, and/or reconcile this amount.
6. In 2005 and 2006, the gross additions of each plant account, which are reflected in Exhibit A-1 of the Depreciation Study, do not coincide with those shown in the filed Annual Status Reports for the same years. Please reconcile these accounts.
7. In 2006, the filed Annual Status Report shows 244 plant retirements. No retirements are reflected in Exhibit A-1 of the study. Please reconcile the two submitted reports.

Account Number 376.2 - Mains – Steel

1. In 2002, the beginning of year plant balance, shown in Exhibit A-1, does not coincide with the end of year plant balance, as reflected within the filed 2001 Annual Status Report. Please explain this adjustment, in detail.
2. In 2003, Exhibit A-2 shows an adjustment of \$3,479.68 into the reserve account; however, this transfer is not reflected in the Annual Status Report of the same year. Please identify the nature of the adjustment and/or reconcile this account.

Indiantown Gas Company
2007 Depreciation Study
June 30, 2008

3. In 2004, the Annual Status Report on file identifies an adjustment of \$81,347 transferred out of the plant account. This adjustment is not reflected in Exhibit A-2 of the Depreciation Study. What is the nature of this transfer? Please clarify the adjustment and/or reconcile this account.
4. In 2004, the Annual Status Report on file reflects a transfer of \$82,818 out of the reserve account; however, this amount is not reflected in Exhibit A-2 of the Depreciation Study. What is the nature of this transfer? Please clarify this adjustment and/or reconcile this account.
5. In 2004, the Annual Status Report on file shows \$13,748 accruals transferred into the reserve account. Exhibit A-2 of the Depreciation Study shows \$10,471 for the same year. Please reconcile this account.
6. In 2005, Exhibit A-2 of the Depreciation study shows a gross addition of \$270 into the plant account. This addition was not reported in the filed 2005 Annual Status Report. Please identify the nature of this addition.

Account Number 380.1 - Services – Plastic

1. In 2002, the beginning of year plant balance, shown in Exhibit A-4, does not coincide with the end of year plant balance, as reflected in the filed 2001 Annual Status Report. Please explain this adjustment, in detail.
2. In 2002, the beginning of year reserve balance, shown in Exhibit A-4, does not coincide with the end of year reserve balance, as reflected in the filed 2001 Annual Status Report. Please explain this adjustment, in detail.
3. In 2002, Exhibit A-4 of the Depreciation Study reports a \$55.14 transfer out of this reserve account. This transfer is not reflected in the filed 2002 Annual Status Report. Please identify the nature of this transfer.
4. In 2003, the Annual Status Report on file identifies \$685 of accruals into the reserve account. Exhibit A-4 of the Depreciation Study identifies \$740 of accruals for the same year. Please reconcile this account.

Account Number 381 - Meters

1. In 2002, Exhibit A-5 of the Depreciation Study reports a \$114.83 transfer out of the reserve account. This transfer is not reflected in the 2002 Annual Status Report, which is on file. Please identify the nature of this transfer.
2. In 2002, Exhibit A-5 of the Depreciation Study reports accruals of \$1,493 into the reserve account. The filed 2002 Annual Status Report shows the accrual as \$1,378. Please reconcile the amount of the accrual.

Indiantown Gas Company
2007 Depreciation Study
June 30, 2008

Account Number 383 - Regulators

1. In 2003, Exhibit A-7 of the Depreciation Study reports a \$13.18 transfer out of the reserve account. This transfer is not reflected on the 2003 Annual Status Report, which is on file. Please identify the nature of this transfer.
2. In 2003, Exhibit A-7 of the Depreciation Study reports accruals of \$356 into the reserve account. The filed 2003 Annual Status Report shows an accrual of \$343. Please elaborate on the discrepancy between the two submitted reports.

Account Number 385 - Industrial Measure & Regulating Station Equipment

1. In 2003, Exhibit A-8 of the Depreciation Study reports a \$57.37 transfer out of this reserve account. This transfer is not reflected on the 2003 Annual Status Report, which is on file. Please identify the nature of this transfer.
2. In 2003, Exhibit A-8 of the Depreciation Study reports accruals of \$3,501 into the reserve account. The filed 2003 Annual Status Report shows an accrual as \$3,443. Please elaborate on the discrepancy between the two submitted reports.

Account Number 390 - Structures & Improvements

1. Please clarify the account title. The Depreciation Study and the filed Annual Status Reports, which are on file, identify different names for this account.
2. In 2003, Exhibit A-9 of the Depreciation Study reports a \$702 transfer out of this reserve account. This transfer is not reflected in the 2003 Annual Status Report, which is on file. Please identify the nature of this transfer.
3. In 2003, Exhibit A-9 of the Depreciation Study reports accruals of \$4,999 into the reserve account. The filed 2003 Annual Status Report shows accruals of \$4,297. Please elaborate on the discrepancy between the two submitted reports.

Account Number 391.3 - Office Computers

1. The Depreciation Study and Annual Status Reports, which are on file, identify different names for these accounts. Please clarify the account numbers and subaccount titles.
2. In 2002, the beginning of year plant balance, shown in Exhibit A-11, does not coincide with the end of year plant balance, as reflected in the filed 2001 Annual Status Report, which is on file. Please explain the nature of this adjustment, in detail.

Indiantown Gas Company
2007 Depreciation Study
June 30, 2008

Account Number 392 - Transportation Equipment

1. In 2002, Exhibit A-12 of the Depreciation Study reports a transfer of \$309.39 out of this reserve account. This transfer out is not reflected on the filed 2002 Annual Status Report. Please identify the nature of this transfer.
2. In 2003, Exhibit A-12 of the Depreciation Study reports a transfer in the amount of \$23,405 out of this account. The filed 2003 Annual Status Reports shows a transfer out of \$54,120. Please provide a detailed explanation for the discrepancy between the two submitted reports.
3. In 2003, Exhibit A-12 of the Depreciation Study reports retirements of \$49,258. The filed Annual Status Reports shows retirements of \$18,543. Please elaborate on the discrepancy between the two submitted reports. Also, please explain the discrepancy between plant and reserve retirements of \$49,258 versus \$36,158.
4. In 2003, Exhibit A-12 of the Depreciation Study shows a transfer out in the amount of \$13,988.94. The filed Annual Status Report shows a transfer out in the amount of \$29,823. Please provide a detailed explanation for the discrepancy between the two submitted reports.
5. In 2003, Exhibit A-12 of the Depreciation Study reports accruals of \$ 22,311 into the reserve account. The filed 2003 Annual Status Report shows accrual as \$22,002. Please provide a detailed explanation for the discrepancy between the two submitted reports.

Account Number 394 - Tools, Shop & Garage Equipment

1. In 2002, Exhibit A-13 of the Depreciation Study reports \$24.20 transfer out of the reserve account. The filed 2002 Annual Status Report does not reflect this transfer. Please identify the nature of this transfer.
2. In 2002, Exhibit A-13 of the Depreciation Study reports accruals of \$316 into the reserve account. The filed 2003 Annual Status Report for the same year shows accruals as \$292. Please elaborate on the discrepancy between the two submitted reports.
3. In 2003, Exhibit A-13 of the Depreciation Study reports a \$2.59 transfer out of the reserve account. This amount is not reflected on the 2003 Annual Status Report, which is on file. Please identify the nature of this transfer.
4. In 2003, the filed Annual Status Report shows 3 retirements out of the reserve account. This transfer is not reflected in Exhibit A-13 of the Depreciation Study. Please elaborate on the discrepancy between the two submitted reports.

Indiantown Gas Company
2007 Depreciation Study
June 30, 2008

Account Number 396 - Power Operated Equipment

1. In 2003, Exhibit A-14 of the Depreciation Study reports a \$5.71 transfer out of the reserve account. The 2003 Annual Status Report, which is on file, does not reflect this transfer. Please identify the nature of this transfer.
2. In 2003, Exhibit A-14 of the Depreciation Study reports accruals of \$654 into the reserve account. The 2003 Annual Status Report, which is on file, names accruals as \$648. Please elaborate on the discrepancy between the two submitted reports.

In addition to the above, staff noted significant discrepancies between the previously submitted 2002-2007 Annual Status Reports and Exhibit C, the Calculation Worksheets Pursuant to Filing, of the Depreciation Study. Staff recommends reconciling this section of the Study by verifying all account totals and average age calculations for each account. Please be sure that reporting methods (i.e. rounding) are consistent throughout the Exhibit. Also, please verify that the Exhibit properly reports additions and retirements in the year, in which they occurred. At minimum, please apply these specific recommendations to accounts 376-B, 378, 381, 382, 383, 390, 391-2, 391-3, 392 and 394.