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# Public Service Commission

December 1, 2011

Paula K. Brown  
Regulatory Affairs  
Peoples Gas System  
P.O. Box 2562  
Tampa, FL 33601-2562

**Re: Docket No. 110232-GU: Peoples Gas System's Petition for Approval of its 2011 Depreciation Study**

Dear Ms. Brown:

Enclosed is the Staff Report regarding your depreciation study filed in the above referenced docket. Please provide your response to the attached report by January 20, 2012. In your response, please identify areas of concurrences or differences, and any additional input.

If there are any questions, please contact Sue Ollila at (850) 413-6540.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Dowds".

Dave Dowds  
Supervisor, Cost Analysis Section

Attachment

cc: Division of Economic Regulation (Ollila, L'Amoreaux)  
General Counsel (Brown)  
**Office of the Commission Clerk**  
Office of Public Counsel  
Ansley Watson, Jr.

DOCUMENT NUMBER DATE

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**Peoples Gas System  
2011 Depreciation Study  
Docket No. 110232-GU  
Staff Report**

As a general statement, the only areas addressed in the staff report are those areas where staff disagrees with Peoples Gas System's (PGS or Company) proposals, or where there is a need for further clarification, information or input. In your response, please identify areas of concurrences and differences, and any additional input that PGS believes would be pertinent.

**1. Reserve Transfers**

PGS' proposed reserve transfers result in the reserves for all accounts being brought to their theoretical levels (based on PGS' proposed inputs to depreciation rates) except for Accounts 376 (Mains – Steel), 376.02 (Mains – Plastic), 380 (Services – Steel), and 380.02 (Services – Plastic).

- a. Please explain PGS' philosophy with regard to reserve transfers when there is insufficient reserve to bring every account to its theoretical level.
- b. To the extent not already answered, please explain why PGS did not bring any of the mains and services accounts to its theoretical reserve.
- c. Is \$6,150,000 still the correct amount to transfer into the reserve per Order No. PSC-11-0111-PAA-GU, issued February 10, 2011 in Docket No. 100462-GU and the letter dated June 17, 2011 from Jeffrey S. Chronister to Marshall Willis in the same docket?

**2. Remaining Life Calculation**

Staff spot-checked a few of the Company's remaining life calculations and found some differences. In Table 1, staff compares its calculation of remaining lives with PGS' calculation, including a column that subtracts staff's remaining lives from PGS' remaining lives. In order to calculate remaining life, staff inputs the average service life, curve, and age into an Excel-based program. Staff verified its program by calculating remaining lives using the Iowa Curve Projected Life Tables, finding occasional minimal differences (0.3 year or less) between the two.

The vast majority of the differences between staff and the Company are one year or less. Staff is willing to accept PGS' calculation of the remaining life for each account where the difference is one year or less. However, there are seven accounts where the difference is greater than one year. We request that the Company explain the reason for the differences and provide any proposals to address the differences for the seven accounts that have differences greater than one year. These accounts are bolded in Table 1.

Table 1: Comparison of Remaining Life Calculations

Account No.	Account Name	Staff's Remaining Life Results	Peoples Gas' Remaining Life Results	Difference
374.02	Land Rights	59	59	0
375.00	Structures and Improvements	26	27	1.0
376	Steel Mains	24	25	1.0
376.02	Plastic Mains	29	30	1.0
378	Measuring & Regulating – General	25	25	0
379	Measuring & Regulating – City Gate	25	25	0
<b>380</b>	<b>Steel Services</b>	<b>10.9</b>	<b>13.6</b>	<b>2.7</b>
380.02	Plastic Services	21	21	0
381	Meters	10.4	11.1	0.7
<b>382</b>	<b>Meter Installations</b>	<b>15.4</b>	<b>16.5</b>	<b>1.1</b>
383	House Regulators	16.3	17.1	0.8
384	House Regulator Installations	16.0	16.6	0.6
385	M & R Station	15.3	15.7	0.4
387	Other Equipment	8.9	9.9	1.0
390	Structures and Improvements	36	36	0
391	Office Furniture	11.9	12.4	0.5
391.01	Computer Equipment	2.5	3.1	0.6
391.02	Office Equipment	7.2	7.8	0.6
392.01	Vehicles up to ½ Ton	4.3	4.8	0.5
392.02	Vehicles from ½ Ton – 1 Ton	3.0	3.3	0.3
<b>392.04</b>	<b>Trailers and Others</b>	<b>5.9</b>	<b>7.1</b>	<b>1.2</b>
<b>392.05</b>	<b>Vehicles over 1 Ton</b>	<b>3.2</b>	<b>4.7</b>	<b>1.5</b>
<b>393</b>	<b>Stores Equipment</b>	<b>1.4</b>	<b>2.5</b>	<b>1.1</b>
<b>394</b>	<b>Tools, Shop &amp; Garage Equipment</b>	<b>6.5</b>	<b>7.8</b>	<b>1.3</b>
395	Laboratory Equipment	8.2	8.3	0.1
<b>396</b>	<b>Power Operated Equipment</b>	<b>4.0</b>	<b>5.8</b>	<b>1.8</b>
397	Communication Equipment	4.0	5.0	1.0
398	Miscellaneous Equipment	6.6	7.1	0.5

### 3. Distribution

- a. Account 374.02 – Land Rights – Please indicate the currently approved average service life, average remaining life, net salvage, reserve dollars, and remaining life rate for this account. In addition, if possible, please identify the docket number and order number that addressed the above values.

- b. Account 386 – Other Property Customer Premise – Please refer to PGS’ response to staff’s First Data Request, No. 31. According to this response, PGS stated that it “does not expect to use this account in the future.” Please explain why PGS believes it is appropriate to retain this account, and why the Commission should set depreciation parameters for an account for which the Company has no identified investment plans. Staff notes that, if there were investment or investment plans for this account, an average service life of 15 years would have been appropriate.

**4. General**

- a. Account 392.02 – Airplanes – PGS states in its study that the airplane was retired in 2009. Currently, there are no assets in this account and PGS apparently has no plans for additional investment. Please explain why PGS believes it is appropriate to retain this account, and why the Commission should set depreciation parameters for an account for which the Company has no identified investment plans.