

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: 1996 Depreciation filing) DOCKET NO. 960775-GU
by Sebring Gas System, Inc.) ORDER NO. PSC-97-0276-FOF-GU
_____) ISSUED: March 11, 1997

The following Commissioners participated in the disposition of this matter:

JULIA L. JOHNSON, Chairman
SUSAN F. CLARK
J. TERRY DEASON
JOE GARCIA
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING DEPRECIATION FILING

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.

DECISION

Sebring Gas Systems, Inc. ("Sebring") filed its 1996 study in compliance with Rule 25-7.045, Florida Administrative Code, requiring natural gas companies to file a comprehensive depreciation study once every five years.

On December 9, 1991, we issued Order No. 25454, establishing initial rates for Sebring with an effective date of April 20, 1992. On June 6, 1996, Sebring filed a depreciation study in accordance with Rule 25-7.045, Florida Administrative Code. The earliest practicable date for utilizing the revised rates and schedules is January 1, 1997.

We reviewed Sebring's depreciation study. Attachment A shows the rates approved for each depreciable category.

This filing was essentially a staff-assisted study. Sebring provided the raw data with regard to additions and retirements, both actual and forecasted. The Commission staff determined the

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appropriate service life, remaining life, net salvage, average age, reserve position, and curve shape parameters based on the data provided and discussions with Sebring. As a result of the review and analytical process, we agree with Sebring on lives, net salvages, and resultant depreciation rates for all accounts.

The accounts with a substantial change in depreciation expense are outlined below. In summary these changes can be attributed to two factors - staff recalculated ages, and/or changes in the reserve.

Account 376 - Mains (Steel and Plastic) - Because of the size of the investments for these accounts, any changes in the prescribed parameters affect the depreciation expense. The effect on the depreciation expense is a result of bringing the average age of the account forward to January 1, 1997. The current service life and net salvage parameters for these accounts will be maintained.

Account 380 - Services (Steel and Plastic) - As in the case of Mains, any changes to the currently prescribed factors will have an impact on the depreciation expense due to the size of the investments. Therefore, the effect on the depreciation expense is merely due to an average age recalculation and the resultant remaining life based on the updated age. The existing service life and net salvage parameters for these accounts will be maintained.

Account 392.2 - Transportation - Trucks - This account represents the largest general plant investment for Sebring accounting for 62% of the total investment for general plant assets. The impact on the depreciation expense is due to the average age recalculation.

Since we revised Sebring's depreciation rates, Sebring's rate of ITC amortization and flowback of excess deferred income taxes will change. Section 46(f)(6) of the Internal Revenue Code (IRC) states that the amortization of ITCs should be determined by the period of time used in computing depreciation expense for purposes of reflecting regulated operating results of the utility. Consequently, it is appropriate to change the amortization of ITCs.

Section 203(e) of the Tax Reform Act of 1986 (TRA) prohibits rapid write-back of protected (depreciation related) deferred taxes. In addition, Rule 25-14.013, Accounting for Deferred Income Taxes under SFAS 109, Florida Administrative Code, prohibits, without good cause shown, excess deferred income taxes associated with temporary differences from being reversed any faster than allowed under Section 203(e). Therefore, both the TRA and Rule 25-14.013, Florida Administrative Code, prohibit faster write-off of protected excess deferred taxes. Thus, the flowback of excess

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deferred taxes should be altered to comply with the TRA and Rule 25-14.013, Florida Administrative Code.

The current amortization of ITCs and the flowback of excess deferred income taxes shall reflect the approved depreciation rates and recovery schedules. Also, Sebring shall file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the time it files its December 1997 surveillance report.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the current depreciation rates for Sebring Gas Systems, Inc. shall be changed, as discussed above. It is further

ORDERED that Sebring Gas Systems, Inc.'s new rates shall be implemented January 1, 1997. It is further

ORDERED that Sebring Gas Systems, Inc.'s current amortization of ITCs and the flowback of excess deferred income taxes shall reflect the approved depreciation rates and recovery schedules, as discussed above. It is further

ORDERED that Sebring Gas Systems, Inc. shall file detailed calculations of the revised ITC amortization and flowback of excess deferred taxes at the time it files its December 1997 surveillance report.

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 11th
day of March, 1997.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Lynn
Chief, Bureau of Records

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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 or judicial review of Commission orders that is available under Sections 120.57 or 120.68, 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 or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on April 1, 1997.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

**SEBRING GAS SYSTEMS, INC.
 1996 STUDY
 RATES AND COMPONENTS**

DISTRIBUTION PLANT

376.1 - Mains - Steel
 376.2 - Mains - Plastic
 378 - Measuring and Regulating Equipment - General
 379 - Measuring and Regulating Equipment - City Gate
 380.1 - Services - Steel
 380.2 - Services - Plastic
 381 - Meters
 382 - Meter Installations
 383 - House Regulators
 384 - House Regulator Installation
 386 - Property on Customers' Premises
 387 - Other Equipment

GENERAL PLANT

391.1 - Office Furniture
 391.2 - Office Equipment
 392.2 - Transportation - Trucks
 394 - Tools, Shop & Garage Equipment
 396 - Power Operated Equipment

COMMISSION APPROVED			
AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 01/01/97 RESERVE (%)	REMAINING LIFE RATE (%)
17.5	(30.0)	79.40	2.9
35.0	(30.0)	26.53	3.0
25.0	(2.0)	74.99	1.1
26.0	(2.0)	33.88	2.6
10.9	(30.0)	97.08	3.0
29.0	(30.0)	47.10	2.9
15.6	0.0	49.25	3.3
22.0	(5.0)	57.80	2.1
22.0	0.0	39.77	2.7
21.0	(3.0)	63.52	1.9
17.5	0.0	18.00	4.7
18.4	0.0	39.02	3.3
13.9	0.0	20.89	5.7
4.7	0.0	25.56	15.8
3.0	15.0	55.88	9.7
10.3	0.0	29.67	6.8
5.6	0.0	88.02	2.1