

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Depreciation Study of) DOCKET NO. 920315-GU
Florida Division of Chesapeake) ORDER NO. PSC-93-0025-FOF-GU
Utilities Corporation) ISSUED: 01/05/93
_____)

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
SUSAN F. CLARK
J. TERRY DEASON
BETTY EASLEY
LUIS J. LAUREDO

NOTICE OF PROPOSED AGENCY ACTION

ORDER REVISING DEPRECIATION
RATES AND RECOVERY SCHEDULE

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 adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

By Order No. 23166, we approved the consolidation of Central Florida and Plant City Natural Gas Companies to form the Florida Division of Chesapeake Utilities Corporation (Chesapeake). The formation of a new corporate entity and other changes in activity necessitated changes in Chesapeake's depreciation rates. At that time we decided that the depreciation rates for the consolidated company would be those rates previously established for Central Florida Gas Company, until Chesapeake submitted a consolidated study. On April 6, 1992, Chesapeake filed the consolidated study to revise its depreciation rates, in compliance with Rule 25-7.045, Florida Administrative Code, and Order No. 23166.

We have conducted a comprehensive review of Chesapeake's depreciation study. We will prescribe the depreciation rates and components as shown on Attachment 1, and the transfer and capital recovery schedules as shown on Attachment 2.

We accept our staff's recommendation, as shown on Attachment 2, to make a reserve transfer of \$20,135 from Account 397, Communication Equipment, to Account 375, Structures and Improvements, to reduce the deficit amount for which recovery is required to \$62,965. Recovery of this amount shall be over a five

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year period which amounts to an annual expense amount of \$12,593, as shown on Attachment 2.

We also adopt the component and resultant depreciation rates as shown on Attachment 1. These rates differ somewhat from those proposed by Chesapeake. For all accounts we used the half-year convention to determine average age. This methodology is an averaging technique by which the investment during a year is assumed to occur evenly throughout the year, so that the average year-end of that investment is 1/2 year. The method used by Chesapeake attributes a year-end age of one year to all investment made during the year, as if the investment had occurred on the first day of that year.

In those cases where the account reserves are negative because of activity associated with recent retirements, Chesapeake's proposal would result in recovery over the remaining life of the account. Our position provides for a more immediate correction. Also, Chesapeake has undertaken a physical inventory for several accounts since the study was filed; the resulting true-up of these accounts has altered its recovery position.

Finally, the retirement activity for some accounts in this small company does not conclusively indicate the life and salvage values that can be expected. In those cases, we used information from other Florida companies in the industry. This approach has led to conclusions which vary from Chesapeake's proposal in some instances.

Chesapeake requested a January 1, 1992, date to implement the revised depreciation rates for Chesapeake. The data provided by Chesapeake goes through December 31, 1991 and provides the necessary and sufficient basis for the required calculation of the recovery position. Therefore, we accept this implementation date.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the remaining lives, net salvage values, reserve values, and resultant depreciation rates shown on Attachment 1 are approved for Florida Division of Chesapeake Utilities Corporation. It is further

ORDERED that the recovery schedules shown on attachment 2 are hereby approved for Florida Division of Chesapeake Utilities Corporation. It is further

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ORDERED that the effective date for the revised depreciation rates shall be January 1, 1992. It is further

ORDERED that if no substantially affected person timely files a request for a hearing this docket shall be closed.

By ORDER of the Florida Public Service Commission this 5th day of January, 1993.



STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

NRF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), 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 at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 26, 1993.

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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 adversely 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.

ATTACHMENT 1

CHESAPEAKE UTILITIES CORPORATION
1992 STUDY

ACCOUNT	COMMISSION APPROVED				
	AVERAGE REMAINING LIFE (yrs)	NET SALVAGE (%)	BOOK RESERVE (%)	REMAINING LIFE RATE (%)	
<u>DISTRIBUTION PLANT</u>					
375	Structures & Improvements	38.0	(15)	0.0	3.0
376	Mains - Plastic	37.0	(30)	9.1	3.3
376	Mains - Steel	30.0	(30)	27.5	3.4
376	Mains - Total	--	--	--	--
378	M & R Eqpt. - General	27.0	0	5.2	3.5
379	M & R Eqpt. - City Gate	23.0	(7)	20.2	3.8
380	Services - Plastic	32.0	(25)	11.6	3.5
380	Services - Steel	24.0	(52)	14.6	5.7
380	Services - Total	--	--	--	--
381	Meters	15.7	0	29.8	4.5
382	Meter Installations	28.0	(5)	16.1	3.2
383	House Regulators	24.0	0	18.0	3.4
384	Regulator Installations	--	--	26.0	--
385	M & R Eqpt. - Industrial	27.0	0	8.1	3.4
387	Other Equipment	22.0	0	16.8 @	3.8
Total Distribution Plant					
<u>GENERAL PLANT</u>					
390	Structures & Improvements	36.0	(5)	11.9	2.6
391.1	Data Processing Eqpt.	3.5	2	71.4	7.6
391.2	Office Furniture	9.2	0	36.7	6.9
391.3	Office Equipment	7.2	0	32.5 @	9.4
391.4	Vax System Eqpt.	5.8	0	35.3	11.2
392.1	Cars & Light Trucks	3.4	12	7.1	23.8
392.2	Heavy trucks	10.0	20	--	8.0 **
392.3	Transportation Eqpt. - Other	7.2	10	48.9	5.7
393	Stores Equipment	25.0	0	-- @	4.0 **
394	Tools and Work Eqpt.	15.0	0	13.9 @	5.7
396	Power Operated Eqpt.	8.4	0	32.9 @	8.0
397	Communication Eqpt.	14.6	0	2.2 *	6.7
398	Miscellaneous Eqpt.	8.5	0	69.3 @	3.6

@ Denotes restated reserve after 1992 physical inventory.
* Denotes restated reserve after 1992 inventory and transfer of \$20,135 to Account 375, Structures and Improvements.
** Denotes whole life rate.

COMMISSION APPROVED RECOVERY SCHEDULES
FOR FLORIDA DIVISION OF CHESAPEAKE UTILITIES CORPORATION

ACCOUNT	UNRECOVERED INVESTMENT	1992 EXPENSE	1993 EXPENSE	1994 EXPENSE	1995 EXPENSE	1996 EXPENSE
375 Structures & Improvements Retirements '90 & '91	\$ 62,964 *	\$ 12,593	\$ 12,593	\$ 12,593	\$ 12,593	\$ 12,592
393 Stores Equipment	\$ 15	\$ 15				
Coal-Tar Removal and Clean-up Recovery-Order No. 18202	\$69,546	\$69,546				
Recovery-Post 1986 Costs	\$217,337	\$1,568	\$71,114	\$71,114	\$71,114	\$2,427
TOTAL RECOVERY SCHEDULE EXPENSE	<u>\$349,862</u>	<u>\$83,722</u>	<u>\$ 83,707</u>	<u>\$ 83,707</u>	<u>\$ 83,707</u>	<u>\$ 15,019</u>

* Includes transfer of reserve surplus from Account 397,
Communication Equipment, in the amount of \$20,135.

Recovery Below the Line: Telemetry Equipment	\$ 184,234	\$ 36,847	\$ 36,847	\$ 36,847	\$ 36,847	\$ 36,846
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