

ORIGINAL

GATLIN, SCHIEFELBEIN & COWDERY, P.A.

Attorneys at Law

**The Mahan Station
1709-D Mahan Drive
Tallahassee, Florida 32308**

B. KENNETH GATLIN
WAYNE L. SCHIEFELBEIN
KATHRYN G.W. COWDERY

TELEPHONE (850) 877 5609
TELECOPIER (850) 877 9031
E-MAIL: bkgatlin@netally.com

OF COUNSEL
THOMAS F. WOODS

October 9, 1997

Blanca S. Bayo, Director
Division of Reports and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

HAND DELIVERY

RE: Docket No. **970420-GU**
1996 Depreciation Filing by Florida Division of
Chesapeake Utilities Corporation

Dear Ms. Bayo:

Enclosed on behalf of Chesapeake Utilities Corporation for
filing in the above docket are an original and 15 copies of the
Response to PSC Staff Report.

Please acknowledge receipt of the foregoing by stamping the
enclosed extra copy of this letter and returning same to my
attention. Thank you for your assistance.

Sincerely,



Wayne L. Schiefelbein

ACK
A: 1
Lee

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WLS/gkw
Enclosures

cc w/enclosure: Patricia S. Lee
US/C Engineer Supervisor
Florida Public Service Commission
Division of Auditing & Financial Analysis

RECEIVED
[Signature]
E.P.S.

DOCUMENT NUMBER-DATE

10396 OCT-97

FPSC-RECORDS/REPORTING

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNTS 375 and 390**

Based on telephone conversations with Staff, we were asked to provide our comments with respect to salvage value for accounts 375 and 390. We agree that -15% salvage is appropriate for account 375, however, we believe -5% salvage would be more appropriate for account 390.

Account 375 is primarily comprised of the Company's operations facilities including a steel storage building, a pipe shed, a warehouse, a meter shed, and a steel operations office building. These facilities are located on a large lot in an industrial section of town. Any renovations to these buildings would most likely involve the demolition and replacement of certain buildings or structures, or portions thereof.

Account 390 is primarily comprised of the Company's business office located in Winter Haven, Florida. The building is a two story brick structure located in a business/commercial section of town. We do not foresee an event which would result in retirement of our existing office building, other than by sale. Changes in administrative space requirements may necessitate remodeling or similar expenses; however, we would not expect the cost of retiring existing portions of investment in this account to exceed 5%.

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNT 385
INDUSTRIAL M&R STATIONS**

The Florida Division of Chesapeake Utilities Corporation has approximately 57 large industrial customers that contribute the majority of our throughput. As we add new customers, lose customers, add load at existing customers, or lose load at existing customers, this account is affected. During 1997, we have added or anticipate adding 6 industrial customers, which account for approximately \$108,000 of the additions in 1997. We are replacing 5 stations this year to accommodate changes in customers' loads as well as upgrading to current Company standards at an approximate cost of \$62,000. The associated retirements are approximately \$51,000 and have been reflected in our December 31, 1997 projected balance. The remaining additions for 1997 were budgeted to cover activity in this account which was not specifically identified at the time our budgets were prepared (approximately \$58,000).

Given the nature of our industrial load and the changes currently occurring in the natural gas industry, we would expect this account to experience similar activity during the next five years. In fact, as these type of changes occur, we anticipate a decreasing service life in this account.

With respect to cost of removal in this account, as situations occur that require changes in the equipment serving our industrial customers, we remove and replace equipment. After discussions with our engineering manager, we believe 4.5% cost of removal is more appropriate for this account than the 7% originally estimated in our response to staff's initial review.

CHESAPEAKE UTILITIES CORPORATION
 1996 DEPRECIATION STUDY
 DOCKET NO. 970428-GU
 RESPONSE TO PSC STAFF REPORT
 ACCOUNT 387

The following list of additions for 1997 is indicative of items currently residing in this account. We have revised the average age calculation for this account which incorrectly showed vintages still surviving for the 1960's. Those items were retired in 1992. A revised schedule is attached.

<u>1997 Additions</u>	<u>Amount of Addition</u>	<u>Status</u>	<u>In Service Date</u>	<u>Retirement Amount</u>	<u>Age at Retirement</u>
Gas Trac	\$916	To Replace	6/87	\$557	10
CGI	926	To Replace	1/89	587	8
Bacharac	863	To Replace	8/94	778	3
Grease Gun-Hand Pump (2)	1,620	To Replace	Original Purchase Expensed		
Grease Gun-Air Pump	1,605	New			
Mueller D-5 Tapping Machine	2,665	Cancelled			
3" Mud Hog Pump	1,499	New			
Honda Generator (2)	5,224	To Replace	1988	1,588	9
Winch (2)	2,574	Cancelled			
Jack Hammer	874	To Replace	6/87	945	10
PLX2 Radio Detect Locator	2,877	Cancelled			
Total	<u>\$21,643</u>			<u>\$4,455</u>	

**CENTRAL FLORIDA GAS COMPANY
 CALCULATION OF AVERAGE AGE OF PLANT
 AS OF DECEMBER 31, 1996**

ACCT NO: 387
 ACCT TITLE: OTHER EQUIPMENT

Revised

YEAR PLACED IN SERVICE	AMOUNT	YRS IN SERVICE	WEIGHT
1959		38	0
1960		37	0
1961		36	0
1962		35	0
1963		34	0
1964		33	0
1965		32	0
1966		31	0
1967		30	0
1968		29	0
1969		28	0
1970		27	0
1971		26	0
1972		25	0
1973	176	24	4,218
1974		23	0
1975	1,960	22	43,124
1976		21	0
1977		20	0
1978		19	0
1979		18	0
1980		17	0
1981		16	0
1982		15	0
1983		14	0
1984		13	0
1985		12	0
1986	10,388	11	114,265
1987	10,916	10	109,161
1988	28,767	9	258,900
1989	1,829	8	14,632
1990	20,495	7	143,465
1991	22,309	6	133,854
1992	9,361	5	46,805
1993	19,772	4	79,089
1994	17,640	3	52,920
1995	13,256	2	26,512
1996	4,206	1	4,206
TOTALS/AVERAGE	161,076	6	1,031,151

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNT 391.1**

Data Processing Equipment

The original vintage for the 1994 asset transfer of \$3,516 is 1993.

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNT 391.2**

Account 391.2 is evolving as the Company retires old, existing freestanding desks, chairs, and cabinets and replaces them with modular offices. The majority of the investment in this account since 1990 has been for modular office furniture. The Company's employees typically bid on individual desks, chairs, and cabinets. As these are all replaced, one would not expect to see employees bidding on modular furniture. With little experience with office furniture of this type, we do not know what the service life will be, but expect it to be in the range of 10-15 years.

**1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO P&C STAFF REPORT
ACCOUNTS 392.1**

In 1992, the entire balance of account 392.2 was transferred to 392.1 as the result of the last depreciation study. The assets which were transferred from account 392.2 have been included in their original vintage on the attached "revised" age calculation spreadsheet.

We have also included a schedule of retirements and salvage value realized in this account since the last study. The majority of Company vehicles are purchased by employees through a sealed bidding process. There has been no change in the Company's policies regarding vehicle retirements. However, in the period addressed by the last study, Chesapeake was still in the process of retiring older vehicles held by the Company's predecessors.

CENTRAL FLORIDA GAS COMPANY
CALCULATION OF AVERAGE AGE OF PLANT
AS OF DECEMBER 31,1996

ACCT NO: 392.1
 ACCT TITLE: TRANSPORTATION EQUIP-AUTOS AND TRUCKS

Revised

YEAR PLACED IN SERVICE	AMOUNT	YRS IN SERVICE	WEIGHT
1959		38	0
1960		37	0
1961		36	0
1962		35	0
1963		34	0
1964		33	0
1965		32	0
1966		31	0
1967		30	0
1968		29	0
1969		28	0
1970		27	0
1971		26	0
1972		25	0
1973		24	0
1974		23	0
1975		22	0
1976		21	0
1977		20	0
1978		19	0
1979		18	0
1980		17	0
1981		16	0
1982		15	0
1983		14	0
1984	12,752	13	165,776
1985		12	0
1986		11	0
1987	16,812	10	168,120
1988		9	0
1989		8	0
1990	11,717	7	82,019
1991	39,597	6	237,582
1992	126,580	5	632,800
1993	69,748	4	278,991
1994	78,016	3	234,048
1995	49,621	2	99,242
1996	129,172	1	129,172
TOTALS/AVERAGE	533,995	4	2,027,750

CHESAPEAKE UTILITIES CORPORATION
 1996 DEPRECIATION STUDY
 DOCKET NO. 970428-GU
 RESPONSE TO PSC STAFF REPORT
 ACCOUNT 392.1

Acct #	Description-Veh. #	In Service Date	Retirement Date	Age at Retirement	Original Cost	Salvage Value	Cost of Removal
1992 392.1,2	Dodge Van-#33	5/86	3/92	6	10,147.85	1,002.00	0.00
	GMC Pickup-#812	6/81	3/92	11	11,262.47	151.50	0.00
	Ford F150-#38	2/83	3/92	9	9,944.50	801.00	0.00
	Chevy Celebrity-#1	12/87	3/92	5	12,612.86	1,951.00	0.00
	Ford F150-#35	3/88	3/92	4	11,161.31	3,056.51	0.00
	GMC Sierra Pickup-#43	9/86	3/92	6	9,212.50	1,986.00	0.00
	Chevy Celebrity-#11851	7/85	4/92	7	11,455.45	573.20	0.00
	Pipe Traller	8/82	7/92	10	918.19	(1)	0.00
	Ford Tempo-#53	5/88	7/92	4	9,448.43	3,000.00	0.00
				<u>86,163.56</u>	<u>12,521.21</u>		
1993 392.1	Chevy S-10 -#861	6/86	5/93	7	6,873.42	2,656.00	0.00
	Ford Pickup-#39	3/88	5/93	5	10,532.67	2,625.00	0.00
	Ford 1 Ton-#8	6/87	8/93	6	16,252.99	2,500.00	0.00
				<u>36,459.08</u>	<u>7,781.00</u>		
1994 392.1	GMC Truck-#23	5/92	5/94	2	20,196.89	20,376.89(2)	0.00
	Ford Taurus-#3	6/90	4/94	4	13,236.52	(3)	0.00
	Ford F150 #69	11/88	8/94	6	12,659.18	3,000.00	0.00
				<u>46,092.59</u>	<u>23,376.89</u>		
1995 392.1	Ford Taurus-#91	1/90	8/95	5	14,391.03	3,500.00	0.00
	C-1500 1/2Ton Pickup-#7	9/90	8/95	5	12,500.00	2,502.99	0.00
	Chevy S-10 Pickup-#8	8/90	10/95	5	9,615.29	2,000.00	0.00
				<u>36,506.32</u>	<u>8,002.99</u>		
1996 392.1	Chevy C1500 Pickup-#4	8/90	3/97	7	9,615.29	2,626.50	0.00
	Vehicle-#11	2/91	4/97	6	14,643.00	3,805.00	0.00
	Vehicle-#10	1/91	4/97	6	9,671.29	1,500.00	0.00
	Vehicle-#12	2/91	5/97	6	10,094.00	3,005.00	0.00
	Vehicle-#18	1/92	4/97	5	14,387.91	3,016.00	0.00
	Ford Ranger Pickup-#2	8/88	3/97	9	9,203.61	2,351.51	0.00
				<u>67,615.10</u>	<u>16,304.01</u>		
			Avg. Age at Retirement	6.08			

* (1) Abandoned, no salvage.

(2) CNG vehicle abandoned, returned for original cost and tag expense to dealer.

(3) Vehicle valued at \$3,436 provided as compensation to employee.

CHESAPEAKE UTILITIES CORPORATION
 1996 DEPRECIATION STUDY
 DOCKET NO. 970428-GU
 RESPONSE TO PSC STAFF REPORT
 ACCOUNT 392.3

YEAR	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	TRANSFERS OR ADJUSTMENTS	ENDING BALANCE
1/1992	159,893				
1992 additions		7,395			
1992 addition transferred to 396 (trencher)		35,671			
1992 addition transferred to 394 (air compressor)		26,077			
		<u>69,143</u>			
Retire 1984 trencher			(18,837)		
Transfer 1992 trencher to 396				(35,671)	
Transfer 1992 air compressor to 394				(26,077)	
Transfer 1983 backhoe to affiliate company				<u>(27,107)</u>	
				(88,855)	
					121,344

Recalculate investment as of 12/31/92	
1978	7,500
1984	86,123
1986	20,326
1992	7,395
Total 12/31/92 Balance	<u>121,344</u>

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNT 396**

The following schedule lists the Company's additions and retirements for this account since the last depreciation study. Activity in 1992 includes retiring very old equipment previously owned by Plant City Natural Gas, which we believe should be disregarded in the calculation of future service life in this account. Similarly, activity in 1996 includes retiring very old items as a result of the CPR audit. These items had been physically removed from service at a prior date and should also be disregarded in the calculation of future service life.

We believe the equipment surviving in this account as of December 31, 1997 can be expected to have the same usefulness and life pattern as the retirements considered in the average age calculation below (8-10 years).

Description	In Service Date	Retirement Date	Age at Retirement	Additions Original Cost	Retirement Amount
Trencher and trailer	3/82			35,671.28	
Plant City Hydraulic Hammer	1975	1992	17		771.91 *
Plant City Crane Boom	1986	1992	6		1,349.31
Boring Machine	1975	7/92	17		2,053.17 *
Total 1992				35,671.28	4,174.39
Push Rod Machine Ditchwitch	2/93			12,190.00	
Case Trencher	8/93			33,646.98	
Sullair Compressor	8/93			11,951.50	
Plant City Ditchwitch	1988	8/93	7		11,800.88
Total 1993				57,788.48	11,800.88
Forklift	9/95			40,024.42	
Total 1995				40,024.42	0.00
Backhoe	2/96			57,189.30	
Pull Along Air Compressor	4/96			10,494.00	
Portable Ditcher	1977	10/96	19		1,000.00 *
Craftsman Saw	1978	10/96	18		200.00 *
Plant City Backhoe	1986	2/96	10		24251.09
Total 1996				67,683.30	25,451.09
Average age at Retirement			7.67		
Total				<u>201,167.48</u>	<u>41,426.36</u>

* not included in calculation of average age at retirement

**CHESAPEAKE UTILITIES CORPORATION
1996 DEPRECIATION STUDY
DOCKET NO. 970428-GU
RESPONSE TO PSC STAFF REPORT
ACCOUNT 397**

This account consists entirely of mobile radio systems for our vehicles and telephone systems for our buildings. As technology in telecommunications changes, we would expect this account to have a shorter life going forward. We are currently budgeting to replace our radio system in the year 2000. The radio system represents approximately 50% of the balance in this account and was put in service in 1991. At this time, there are no planned changes to our telephone system installed in 1993.