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Public Service Commission

October 21, 2011

Mr. Cong Nguyen, CPA
Brimmer, Burek and Keelin LLP
5601 Mariner Street, Suite 200
Tampa, FL 33609

Re: Docket No. 110233-GU Sebring Gas Systems 2011 Depreciation Study

Dear Mr. Nguyen:

Enclosed is the Staff Report regarding the Sebring depreciation study filed in the above referenced docket. Please provide your response to the attached report by November 23, 2011. In your response, please identify areas of concurrences or differences, and feel free to provide additional input.

Should you have any questions, or need further information, please do not hesitate to contact Devlin Higgins at (850) 413-6433 or David Dowds at (850) 413-6542.

Sincerely,

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

Dave Dowds

Supervisor, Cost Analysis Section

Attachment

cc: Office of the Commission Clerk
Office of the General Counsel (Barerra)
Jerry Melendy

DOCUMENT NUMBER - DATE

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Sebring Gas System
2011 Depreciation Study
Docket No. 110233-GU
Staff Report

As a general statement, the only areas addressed in the staff report are those areas where staff disagrees with Sebring's (or Company) proposals, or where there is a need for further clarification or information. Staff also notes that adjustments and transfers of property in and out of accounts are best handled as Transfers or Adjustments in the respective columns provided on the Company's Annual Status Report, not as reductions to investment amounts (or retirements).

Distribution Plant

Account 376.1, Mains – Steel

1. Does Sebring have a steel replacement program in place for Account 376.1, Mains – Steel? If yes, please describe Sebring's steel replacement program. If no, does Sebring plan to implement a steel replacement program? Please explain your answer.
2. According to the Annual Status Report, Analysis of Plant in Service Accounts, 2007, page 1, there was a \$765 retirement in Account 376.1, Mains – Steel. Please explain why there is no corresponding amount shown in the Analysis of Entries in Accumulated Depreciation and Amortization.

Account 378.1, Measuring & Regulating Equipment – New

3. Does Sebring believe this Account should be retained? Please explain why or why not.

Account 380.1, Services – Steel

4. Does Sebring have a steel replacement program in place for Account 380.1, Services – Steel? If yes, please describe Sebring's steel services replacement program. If no, does Sebring plan to implement a steel replacement program? Please explain your answer.
5. The age for this Account, as calculated by staff, is 43.0 years; however, the average service life (ASL) is 40 years. Staff notes that there were \$0 retirements and \$1,295 in additions in this Account between 2006 – 2010. Staff believes that it is reasonable to lengthen the ASL for this Account. Assuming no retirements or additions, the average age will be approximately 48.0 years at the time of Sebring's next depreciation study. Absent a current or near term (i.e., beginning in 2012) steel replacement program, staff believes that a 48-year average service life is appropriate for this Account.

General Plant

Account 390 - Leasehold Improvements

6. Is an average service life of 40 years for this Account appropriate?

Account 391.1 – Office Furniture

7. Staff has calculated an average age of 19.6 years for this Account. The Company has proposed an average service life of 18 years. Staff believes a 25-year ASL for this Account better reflects the actual mortality experience.

Account 391.2 – Office Equipment

8. Staff has calculated an average age of 9.8 years for this Account. The Company has proposed an average service life of 12 years. Staff believes a 15-year ASL for this Account better reflects the actual mortality experience.

Account 396 – Power Operating Equipment (New)

9. Staff has calculated an average age of 9.7 years for this Account. Given a zero net salvage percentage, and a 15-year ASL, staff has calculated the ARL to be 5.4 years. Please explain why the Company is proposing a 13.5-year ARL.

Account 397 – Communication Equipment

10. Staff has calculated the average age of this Account to be 13.5 years. The Company has proposed an average service life of 12 years. Staff believes a 18-year average service life is more appropriate.