COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF B & H GAS COMPANY, INC. FOR A RATE ADJUSTMENT PURSUANT TO THE ALTERNATIVE RATE FILING PROCEDURE FOR SMALL UTILITIES)	CASE NO. 91-127

O R D E R

On August 16, 1991, B & H Gas Company, Inc. ("B & H") filed its application for Commission approval of a proposed increase in its rates for gas service. Commission staff, having performed a limited financial review of B & H's operations, has prepared the attached staff report containing staff's findings and recommendations regarding B & H's proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 15 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have 15 days from the date of this Order to provide written comments regarding the attached staff report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, then this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 13th day of December, 1991.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director

COMMONWEALTH OF KENTUCKY

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STAFF REPORT

December 11, 1991

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STAFF REPORT

ON

B & H GAS COMPANY, INC.

CASE NO. 91-127

A. Preface

On August 16, 1991, B & H Gas Company, Inc. ("B & H") filed an application for a rate adjustment pursuant to 807 KAR 5:076, the Alternative Rate Filing Procedure for small utilities ("ARF"). B & H did not propose an effective date to place rates into effect. Consequently, the Commission did not suspend the proposed rates. The proposed rates would generate additional revenues of $10,210 annually, representing an increase of approximately 9 percent over reported test-year actual gas sales revenues.

As a part of its endeavor to shorten and simplify the regulatory process for utilities, the Commission chose to perform a financial review of B & H's operations for the test period, the 12-month period ending December 31, 1990. Tammy Cheatham and Rebecca McDowell of the Commission's Rates and Tariffs Division conducted a financial review on September 10 and 11, 1991 at the offices of B & H in Harold, Kentucky. This report was prepared by Ms. Cheatham and Ms. McDowell, with the exception of sections dealing with Normalized Revenues and Required Rates, which were prepared by Jordan Neel of the Commission's Research Division.

The review was expanded to gather information in order to develop Commission Staff's ("Staff") proposed pro forma adjustments.

Background Information

Mr. Ulice B. Rife, Jr. purchased 100 percent of the outstanding stock in B & H in 1989. B & H serves approximately 314 customers in the towns of Stanville, Tram, Toms Creek, Mare Creek, and Betsy Layne.

B. Test-Year Restatements

Review Summary

The records supporting the financial statements contained in B & H's application were the primary financial documents analyzed in this review. The account classifications used by B & H to record its transactions and compile its financial statements are generally in conformity with the Uniform System of Accounts ("USoA") for gas utilities. B & H maintains its records on the accrual basis of accounting. Staff has adopted the financial statements supplied by B & H as the test period for rate-making purposes with the following modifications:

Utility Plant In Service

During Staff's review of the plant account records of B & H, certain errors were found. First, as part of a 1986 transfer approved by this Commission in Case No. 9584[1], certain items of plant totalling $19,948 were not transferred to the new owners. However, the annual report for 1986 and forward included the

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1 Case No. 9584, Joint Application of Harmon and Bradley to Sell and Purchase B & H Gas Company.

original cost of this plant in the plant accounts. Staff analyzed the plant account records beginning with the transfer approved in Case No. 9584 as detailed in Appendix A. The $19,948 consisted of a ditchwitch and a back hoe with original costs of $6,692 and $13,256 respectively. As a result of Staff's analysis, these items have been removed by Staff from the plant account balance resulting in an adjusted balance of $78,993 at December 31, 1986. The corresponding accumulated depreciation of $8,785 has also been removed by Staff for the reasons discussed in a following section of this report titled "Accumulated Depreciation."

Secondly, as of the end of the 1990 test year, B & H reported a balance of $3,696 in non-utility property, net of depreciation. During Staff's review it was discovered that this represented office furniture, software, and other miscellaneous equipment that should have been recorded at original cost in the following utility plant accounts:

Account No. 391, Office Furniture	$5,299
Account No. 398, Software	844
Account No. 399, Other Equipment	200

Staff has reclassified these assets to utility plant in service bringing the utility plant in service balance at December 31, 1990 to $108,326 as detailed in Appendix A. The corresponding staff-computed accumulated depreciation totalling $1,870 related to the misclassified assets has also been added to the accumulated depreciation balance as will be discussed in the Accumulated Depreciation section of this report.

Acquisition Adjustment

During Staff's analysis of B & H's plant records, errors were discovered related to past transfers of the utility. First, as a result of a 1976 transfer, B & H recorded an acquisition adjustment of $33,408 that was amortized over a 10 year period and should have been removed from B & H's books in 1986. Staff has made this adjustment as detailed in Appendix A.

As a result of the 1986 transfer in Case No. 9584, B & H was directed to record an acquisition adjustment of $63,415 to be amortized over 15 years. Staff has recorded this adjustment as detailed in Appendix A. The amortization of this adjustment will be discussed in a following section. As a result of these corrections, the acquisition adjustment balance for the test year ended December 31, 1990 is $63,415.

The corrections to the Utility Plant in Service and Acquisition Adjustment accounts results in a $171,741 Gross Utility Plant balance for the test year ended December 31, 1990.

Accumulated Depreciation

As a result of the corrections made by Staff to the plant account records of B & H, corresponding corrections are necessary to properly reflect the accumulated depreciation account. As explained in the prior section, certain equipment that was originally recorded as transferring in 1986 did not transfer and Staff has made an adjustment to correct this error. The accumulated depreciation accruing to these items totalled $8,785 at the time of the transfer in 1986. Staff has reduced the depreciation expense for 1986 by $8,785 to arrive at the corrected accumulated depreciation balance of $64,565 for the year ended December 31, 1986 as detailed in Appendix A.

The second correction made by Staff to the accumulated depreciation account balance reflects the reclassification of company recorded nonutility plant to utility plant accounts. B & H had recorded these assets net of depreciation. Staff has properly recorded the reclassified plant at original cost. Therefore, an adjustment must be made to reflect the accumulated depreciation on these plant assets. According to Staff's analysis, a total of $1,870 in accumulated depreciation needs to be recorded in the records of B & H relative to the reclassified plant up through the end of the 1990 test year. This includes the Staff computed test-year depreciation expense of $1,252 per detail in Appendix B. All other plant that was on B & H's books prior to 1990 was fully depreciated by the end of 1989.

In addition to the errors previously noted, Staff has recomputed the depreciation expense recorded by B & H for $22,989 in plant additions made during the test year using the lives traditionally found reasonable by this Commission as detailed in Appendix B. As a result of Staff's analysis, the 1990 depreciation expense accruing to the accumulated depreciation account on the plant additions totals $356.

As a result of all of the above corrections, the Staff computed depreciation expense should be $1,608. The balance in the accumulated depreciation account has been corrected to reflect a total of $81,219 as of December 31, 1990.

Amortization of Acquisition Adjustments

As previously discussed in the acquisition adjustment section, B & H should have recorded a $63,415 acquisition adjustment in 1986 and amortized it over 15 years. Staff has computed the amount that B & H should have amortized, allowing 1/2 year amortization in 1986 to arrive at a total of $19,022 accumulated amortization through 1990, per detail in Appendix A.

As a result of the foregoing corrections, Staff has arrived at a Net Utility Plant of $71,500 through the end of the test year, December 31, 1991.

Common Stock

As reported in the annual report by B & H, Common Stock totalled $40,000. During Staff's review, it was determined that this amount was incorrect. Ms. Mary Ann Coleman, CPA, informed Staff that Common Stock was incorrectly reported and should be reported at $8,000. This is the amount reported in the corporate federal tax returns and reflects actual investment. Staff recommends that Common Stock be restated on the balance sheet to reflect the actual $8,000 investment level.

Retained Earnings

As a result of all of the adjustments previously discussed, Retained Earnings has been restated to reflect the correct balance of ($118,119). This balance reflects various prior period adjustments as well as the Staff-computed test-year Net Loss of $50,722.

In summary, B & H's restated Balance Sheet and Income Statement are as follows:

B & H Gas Company, Inc.
Balance Sheet
December 31, 1990

ASSETS

	Per Annual Report	Staff Adjust- ments	Staff Adjusted Test Year
Utility Plant:			
Gas Plant in Service	$ 42,458	$ 65,868	$ 108,326
Plus: Gas Plant Acquisition Adjustment	89,531	<26,116>	63,415
Less: Accumulated Provision for Depreciation, Depletion, and Amortization	40,047	60,194	100,241
Net Utility Plant	91,942	<20,442>	71,500
Other Property & Investments:			
Non-Utility Property - Net	3,696	<3,696>	0
Other Investments	25	0	25
Total Other Property and Investments	3,721	<3,696>	25
Current Assets:			
Cash	2,509	0	2,509
Customer Accounts Receivable	22,297	0	22,297
Materials and Supplies	5,243	0	5,243
Total Current Assets	30,049	0	30,049
Total Assets	125,712	<24,138>	$ 101,574

**Liabilities and Other Credits*

	Per Annual Report	Staff Adjust- ments	Staff Adjusted Test Year
Proprietary Capital:			
Common Stock	$ 40,000	$<32,000>	$ 8,000
Unappropriated Retained Earnings	<125,956>	7,862	<118,094>
Total Proprietary Capital	<85,956>	<24,138>	<110,094>
Long-Term Debt	74,917	0	74,917
Current and Accrued Liabilities:			
Accounts Payable	134,331	0	134,331
Customer Deposits	1,810	0	1,810
Interest Accrued	610	0	610
Total Current and Accrued Liabilities	136,751	0	136,751
Total Liabilities and Other Credits	$125,712	$<24,138>	$ 101,574

B & H Gas Company, Inc.
Income Statement
For the year ended 12/31/90

Accounts	Test Year End Balances 12/31/90	Staff Test-Year Adjustments	Staff Restated Test Year
Total Gas Service Revenues	114,036	-0-	114,036
Operating Expenses:			
Natural Gas Purchases	104,747	-0-	104,747
Distribution Expenses	5,391	-0-	5,391
Meter Reading Labor	3,600	-0-	3,600
Accounting and Collecting Labor	8,380	-0-	8,380
Uncollectible Accounts	96	-0-	96
Administrative and General Salaries	11,478	-0-	11,478
Office Supplies and Expenses	2,896	-0-	2,896
Outside Services Employed	4,214	-0-	4,214
Transportation Expenses	4,096	-0-	4,096
Total Operating and Maintenance Expense	144,898	-0-	144,898
Depreciation Expense	5,044	(3,436)	1,608
Amortization Expense	4,227	-0-	4,227
Taxes Other than Income Taxes	2,191	-0-	2,191
Total Operating Expenses	156,360	(3,436)	152,924
Net Operating Income	(42,324)	3,436	(38,888)
Other Deductions:			
Interest on Long-Term Debt	9,625	-0-	9,625
Non Utility Deductions	2,209	-0-	2,209
Net Income	$ (54,158)	$ 3,436	$(50,722)

C. Recommended Rate-Making Adjustments

Normalized Revenues from Sales

Staff projects B & H's normalized sales revenues to be $127,768 based on sales of 22,555 Mcf. This amount is supported by an analysis of average billing and is based on retail rates in effect at the time the rate case was filed, as approved in Case No. 8735-M.[2]

Purchased Gas Adjustment Clause

The most current purchased gas adjustment approved by the Commission prior to the issuance of the final Order in this case should be incorporated into normalized revenues and natural gas purchases at the time the final Order is issued.

Natural Gas Purchases

During the test period, B & H had gas purchases of 28,879 Mcf and gas sales of 22,555 Mcf. This represents a line loss of approximately 21.9 percent. This percentage of line loss exceeds the range traditionally allowed by this Commission. Staff has adjusted gas purchases to 23,742 Mcf, which reflects an allowance of 5 percent line loss. B & H's normalized purchased gas expense of $89,334 is based on rates reflected in Case No. 8735-M.

Administrative and General Salaries

During the test year, B & H reported $11,478 in Administrative and General Salary paid to Bud Rife, Jr. This total compensation package consisted of $1,525 in W-2 wages, life

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2 Case No. 8735-M, The Notice of Purchased Gas Adjustment Filing of B & H Gas Company, Inc., Order dated July 1, 1991.

insurance of $3,622 and an allocation of a debt repayment of $6,331. Staff has reviewed this compensation package and recommends that the $6,331 allocated to Mr. Rife as part of a debt repayment be excluded for rate-making purposes. This repayment represents a pro-rata share of the total repayment made by B & H during the test year on a loan taken out by the company in 1989 as part of a stock transfer approved by this Commission in Case No. 89-018.[3] The principal amount of the original debt was $116,260 of which 27 percent was used by Mr. Rife to pay for 100 percent of the stock in B & H. The company remits 100 percent of the loan repayment and then allocates 27 percent of the repayment as compensation to Mr. Rife. Staff does not believe that B & H's ratepayers should be required to pay for Mr. Rife's purchase of B & H through operating expenses. Instead, Staff believes an owner should recover his or her investment through the equity growth resulting from a well managed company.

Staff further recommends disallowing an additional $978 which represents 27 percent of the life insurance paid for by B & H for a policy on Bud Rife. This insurance was a requirement of the loan agreement with the Fist Guaranty National Bank of Martin, Kentucky. Mr. Rife used 27 percent of the proceeds of this loan to purchase stock. Staff does not believe the ratepayers should be required to pay for that portion of the life insurance premium

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3 Case No. 89-018, The Joint Application of Ulice Bud Rife, Jr., and John M. Bradley and Debbie L. Bradley for the Approval of the Acquisition of B & H Gas Company, Inc. of Stanville, Floyd County, Kentucky, by Ulice Bud Rife, Jr.

that supports the portion of the loan used by Mr. Rife for a personal transaction. Therefore, Staff has reduced the test-year administrative and general salaries by a total of $7,309. This results in a total Staff adjusted level of administrative and general salary of $4,169.

Office Supplies and Expenses

Office Supplies. B & H did not propose an adjustment to office supplies. Staff has reviewed invoices supporting the balance in the annual report and recommends a reduction to office supplies expense of $470. This recommendation is based on the exclusion of 3 expenditures totalling $327 to Pace and one expenditure of $143 to Hickory Farms for which no support was provided.

Distribution Expenses

No adjustment was proposed to this account. However, after reviewing the invoices charged to this account, Staff is recommending a reduction of $500 to exclude expenses for which no support was provided.

Depreciation Expense

B & H did not propose to adjust the test-year recorded depreciation expense of $5,044. Staff however, recommends that test-year depreciation expense totalling $1,608 be normalized to reflect a full year's depreciation on 1990 plant additions. As a result of this normalization, Staff has determined that the restated annual depreciation expense of $1,608 should be increased by $372 resulting in a total, normalized annual depreciation expense of $1,980.

Amortization Expense

B & H recorded $4,227 in amortization expense during the test year. Staff recalculated the amortization expense based on the amount of the acquisition adjustment approved in Case No. 9584[4] and recommends accepting this amount as the annual amortization expense. However, Staff recommends excluding this amortization expense for rate-making purposes. B & H has provided no justification for including the amortization nor could Staff determine any benefit to the ratepayers as a result of the transfer that created the acquisition adjustment. In the absence of any substantiated benefit to justify recovery, Staff recommends excluding the $4,227 of amortization expense for rate-making purposes.

Taxes Other than Income Taxes

B & H reported $2,191 in test-year taxes other than income taxes which consisted of payroll taxes of $695, Public Service Commission ("PSC") Assessment of $379, franchise tax of $551, property tax of $412 and miscellaneous taxes of $154.

B & H did not propose any adjustments for these expenses. Staff, however, recommends that two adjustments be made. First, payroll taxes need to be calculated on Mr. Rife's Staff-adjusted salary level of $4,169. This calculation results in a payroll tax expense of $369. During the Test year, $135 in payroll taxes were withheld on Mr. Rife's W-2 reported salary. Therefore, Staff

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4 Joint Application of Harmon and Bradley to Sell and Purchase B & H Gas Company.

recommends increasing taxes other than income taxes by $234 to reflect payroll tax on the full amount of Mr. Rife's Staff's recommended salary level.

Secondly, Staff has computed the PSC assessment based on B & H's normalized revenues as computed by Staff using the 1991 assessment rate of .001516. This resulted in a $194 assessment. B & H paid $148 in assessments during the test year; therefore, Staff recommends increasing the assessment by $46. Combining these adjustments results in a Staff adjusted level of taxes other than income taxes of $2,471.

Nonutility Deductions

B & H recorded $2,209 in Nonutility Deductions during the test year. B & H did not propose any adjustment to this account. Staff, however, recommends excluding these deductions for rate-making purposes. B & H provided no support for these deductions nor could Staff determine any basis for their inclusion in the revenue requirements determination.

Based on the recommendations proposed in this staff report, B & H's adjusted operations are as follows:

Accounts	Staff Restated Test Year	Staff Proposed Adjustments	Staff Adjusted Balances
Total Gas Service Revenues	$ 114,036	$ 13,732	$ 127,768
Operating Expenses:			
Natural Gas Purchases	104,747	(15,413)	89,334
Distribution Expenses	5,391	(500)	4,891
Meter Reading Labor	3,600	-0-	3,600
Accounting and Collecting Labor	8,380	-0-	8,380
Uncollectible Accounts	96	-0-	96
Administrative and General			

Salaries	11,478	(7,309)	4,169
Office Supplies and Expenses	2,896	(470)	2,426
Outside Services Employed	4,214	-0-	4,214
Transportation Expenses	4,096		4,096
Total Operating and Maintenance Expense	144,898	(23,692)	121,206
Depreciation Expense	1,608	372	1,980
Amortization Expense	4,227	(4,227)	-0-
Taxes Other than Income Taxes	2,191	280	2,471
Total Operating Expenses	152,924	(27,267)	125,657
Net Operating Income	(38,888)	40,999	2,111
Other Deductions:			
Interest on Long-Term Debt	9,625	-0-	9,625
Non-Utility Deductions	2,209	(2,209)	-0-
Net Income	$ (50,722)	$ 43,208	$ (7,514)

Revenue Requirements Determination

B & H provided no explanation of the methodology it employed in arriving at the proposed $10,210 revenue increase. Mr. Rife did advise Staff during their field review that he is requesting no greater increase since he felt a greater increase in rates would only erode the company's customer base which would be extremely detrimental to the company's future. Mr. Rife further explained that a significant portion of the current gas purchases are from B & S Oil Co., Inc. ("B & S"), a company that he owns. Mr. Rife is allowing B & H to accrue a significant debt to B & S now in hopes of getting B & H firmly established. Reasonable rates should provide recovery of reasonable costs and provide a reasonable return to the owners. The "Operating Ratio Method" is primarily used for determining revenue requirements when there is no sound basis for determining the revenue requirements of a utility using the "Rate of Return on Rate Base Method". This is the situation with B & H. In order for the rate of return on rate base to be conceptually valid, rate base must be closely supported by capital. However, B & H has a negative equity and is, therefore, highly debt-leveraged. Furthermore, B & H has a large plant acquisition adjustment balance, 89 percent of total plant, that Staff does not believe should be included in the rate base used in calculating the return. In these circumstances, Staff would normally use the operating ratio method for determining revenue requirements.

In cases where the operating ratio methodology is used to determine revenue requirements of the utility, the Commission generally uses an 88 percent operating ratio unless circumstances warrant a lower or higher ratio. In this instance, the 88 percent operating ratio would result in a revenue increase of $12,467, which is $2,257 more than the increase desired by B & H. Neither this amount of increase nor the amount requested by B & H will produce a positive cash flow. In order to produce a level of cash flow that would cover the normal operating costs found reasonable in this report, an 86.7 percent operating ratio is required. The revenue requirements based on an 86.7 percent operating ratio results in a revenue increase of $13,100 or $2,890 more than the increase desired by B & H.

In determining the reasonable revenue requirements of B & H to allow it sufficient revenues to meet its cash flow requirements Staff recommends an increase of $13,100 based on a total revenue requirement of $140,868. This amount of increase is computed as follows:

Total Operating Expenses	$125,657
Less: Purchased Gas	89,334
Subtotal	36,323
Operating Ratio	.86671
Subtotal	41,909
Add: Purchased Gas	89,334
Interest Expense	9,625
Revenue Requirement	140,868
Normalized Revenue	127,768
Increase Required	13,100

Rate Design

B & H proposed an extensive revision of its rate design, including establishing a customer service charge, separating residential and commercial customers into different classifications, and regrouping usage blocks. B & H did not provide any documentation in support of the revision. Staff believes that such an extensive revision would require in-depth analysis, including a cost-of-service study and an actualized billing analysis. It is, therefore, inappropriate to allow the changes in rate design within this abbreviated procedure. Staff recommends the retention of B & H's four-block declining rate structure.

Retail Rates

Staff recommends the following retail rates based upon approximated sales volumes of 7,800 Mcf, 13,300 Mcf, and 1,300 for the first, second, and third rate blocks, respectively. No usage was indicated for the fourth rate block. These estimates were calculated based on the billing analysis of average bills submitted by B & H in its application.

All customers, commercial and residential:

Rates

First 2 Mcf (Minimum Bill)	$13.2350
Next 8 Mcf	6.1994
Next 20 Mcf	5.7817
Over 30 Mcf	5.5309

These rates will generate approximately an 8.0 percent increase in revenue for B & H.

Other Issues

The Commission may want to give consideration to the owner's concern over losing customers if rates are increased above that which was requested. During Staff's review of the financial records of B & H, it was discovered that B & H is accruing significant past-due gas purchases. As of December 31, 1990, these payables totalled $122,868 consisting of $21,671 outstanding to Kentucky West Virginia Gas Company, Inc. and the balance, $98,197, outstanding to companies owned by Bud Rife, Jr. Staff is concerned that B & H is accruing such significant amounts of debt, since repayment of these large sums will necessitate the availability of a larger amount of cash flow in the future. This cash flow could only be generated through higher rates which Mr. Rife has already indicated would result in a smaller customer base. This, in turn, would necessitate an even higher rate, which would result in the loss of additional customers. Therefore, Staff recommends B & H strive to minimize the accruing of additional payables as repayment of such debts is doubtful given the current financial and economic condition of B & H.

D. Signatures

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B & H Gas Company, Inc.
Analysis of Utility Plant
1985 - 1990

Appendix A

	1985	1986 Adjustments	1986	1987	1988	1989	1990 Adjustments	1990
Gas Plant in Service	$ 98,941		$ 78,993	$ 78,993	$ 78,993	$ 78,993		$ 78,993
Less: Nontransferred Plant		<19,948>						
Add: Reclassified Plant							6,344	
Plant Additions							22,989	29,333
Subtotal, 1990								108,326
Gas Plant Acquisition Adjustment	33,408							
Less: Full Amortization		<33,408>						
Add: 1986 Transfer			63,415	63,415	63,415	63,415		63,415
Total Utility Plant, 1990								171,741
Less Accumulated Provision for:								
Depreciation on:								
Plant on Books, 1986 (See Note 1)	68,310	<3,745>	64,565	69,605	74,645	78,993		78,993
Reclassified Plant (See Appendix B)							1,870	
1990 Plant Additions (See Appendix B)							356	2,226
Total Accumulated Depreciation								81,219
Amortization of 1986 Acquisition Adjustment (See Note 2)			2,114	6,341	10,568	14,795	19,022	19,022
Total Accumulated Provision Accounts								100,241
Net Utility Plant in Service 12/31/90								71,500

NOTE 1

Depreciation Expense, 1986	$ 5,040
Less: Depreciation on Nontransferred Plant	<8,785>
Net Adjustment	$<3,745>
Accumulated Depreciation, 1986	$64,565
Plus: Depreciation Expense, 1987	5,040
Accumulated Depreciation, 1987	$69,605
Accumulated Depreciation Expense, 1987	$69,605
Plus: Depreciation Expense, 1988	$ 5,040
Accumulated Depreciation Expense, 1988	$74,645
Accumulated Depreciation 1988	$74,645
Plus: Depreciation Expense, 1989	4,348
Accumulated Depreciation 1989	$78,993

NOTE 2

Amortization Expense, 1986: $63,415 ÷ 15 = 4,227 ÷ 2 = 2,114, 1/2 year in 1st year.

Accumulated Amortization:	1986	$ 2,114
	1987	2,114 + 4,227 = $ 6,341
	1988	6,341 + 4,227 = $10,568
	1989	10,568 + 4,227 = $14,795
	1990	14,795 + 4,227 = $19,022

B & H Gas Company, Inc.
Analysis of Depreciation

Appendix B

1990 Plant Additions	Original Cost	Life in Years	Full Year Depreciation	Depreciation Expense 1990	1990 Accumulated Depreciation
Gas Lines	$ 20,494	35	586	293	293
Meter Installations	1,472	20	74	37	37
Regulators	1,023	20	51	26	26
Total	22,989		711	356[1]	356

Plant Reclassified	Original Cost	Life in Years	Full Year Depreciation	1989 Depreciation Expense	1990 Depreciation Expense	1990 Accumulated Depreciation
Office Furniture:						
1989	5,129	5	1,026	513[2]	1,026	1,539
1990	170	5	34	-0-	17[3]	17
Software, £1989	844	5	169	85[4]	169	254
Other Equipment, 1989	200	5	40	20[5]	40	60
Total	6,343		1,269	618	1,252	1,870

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1 Based on 1/2 year depreciation in 1st year.

2 _Id_.

3 _Id_.

4 _Id_.

5 _Id_.