

MEMORANDUM

DECEMBER 15, 1996  
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FPSC-RECORDS/REPORTING

TO: DIVISION OF RECORDS AND REPORTING

FROM: DIVISION OF LEGAL SERVICES (CULPEPPER) *RUE*

RE: DOCKET NO. 961284-GU - APPLICATION FOR AUTHORITY TO ISSUE AND SELL UP TO \$40 MILLION IN LONG-TERM DEBT AND EQUITY SECURITIES AND HAVE OUTSTANDING A MAXIMUM OF \$40 MILLION IN SHORT-TERM UNSECURED PROMISSORY NOTES DURING THE YEAR ENDING DECEMBER 31, 1997, BY PEOPLES GAS SYSTEM, INC.

*1513-FLF*

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Attached is an ORDER AUTHORIZING SECURITY TRANSACTIONS to be issued in the above-referenced docket. (Number of pages in Order - 4)

BC/js

Attachment

cc: Division of Electric and Gas (Mills)

Division of Auditing and Financial Analysis (Jones)

I:961284OR.BC

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for ) DOCKET NO. 961284-GU  
authority to issue and sell up ) ORDER NO. PSC-96-1513-FOF-GU  
to \$40 million in long-term debt ) ISSUED: December 13, 1996  
and equity securities and have )  
outstanding a maximum of \$40 )  
million in short-term unsecured )  
promissory notes during the year )  
ending December 31, 1997, by )  
Peoples Gas System, Inc. )  

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The following Commissioners participated in the disposition of this matter:

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

ORDER AUTHORIZING SECURITY TRANSACTIONS

BY THE COMMISSION:

On October 25, 1996, Peoples Gas System, Inc. (Peoples or Company), filed an application for authority to issue and sell equity securities and long-term debt, as well as to issue and sell short-term unsecured promissory notes, neither to exceed \$40 million during the period ending December 31, 1997.

Peoples asserts that the proceeds from these transactions are necessary to ensure the proper performance by the Company as a public utility. Peoples states that it is presently trying to expand its service to a wide range of customers, which will ultimately benefit all of Peoples' customers. In order to serve its expanding customer base, Peoples is continuing construction, reconstruction, and the upgrading of facilities. The proceeds from these transactions will aid in the Company in these endeavors.

In addition, the net proceeds from the sale of these securities will be added to the Company's general funds and will be used for working capital requirements and other general business purposes. The proceeds may also be used to repay short-term unsecured promissory notes or the purchase of securities of the Company. Depending on market conditions, Peoples notes that it may

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refund short-term debt with new short-term debt or long-term debt. The Company does not expect to refund its long-term obligations because to do so would likely prove uneconomical. Should market conditions change, however, Peoples may refund such obligations.

The equity securities may be in the form of preferred stock, common stock, or stock options, with values, terms, and conditions as permitted by the Company's Articles of Incorporation. The long-term debt may be in the form of first mortgage bonds, debentures, notes, convertible securities, installment contracts, other obligations underlying industrial development revenue bonds, or options with respect to any of the foregoing.

The issuance and sale of the long-term debt may be through either negotiated underwritten public offering, public offering at competitive bidding, direct public or private sale, sale through agents, or distributions to security holder of the Company or affiliated companies. The short-term unsecured promissory notes may be sold to commercial banks and through the commercial paper market. A note sold directly to a bank may bear interest at prime, or its equivalent, or the interest rate may be negotiated and the time of issuance. A note sold in the commercial paper market may bear interest as determined by the market price at the date of issuance, including commissions. Notes sold directly to banks will mature not more than one year from the date of issuance, and those sold through the commercial paper market will mature not more than none months from the date of issuance.

Peoples estimates that the dividend rate and the interest rate for these securities is in the range of 7.0% and 8.0% for preferred stock, 7.5% and 8.5% for long-term debt, and 5.0% and 7.0% for short-term notes. The actual rates will, however, be determined by the market conditions at the time of issuance and sale of the securities.

Having reviewed the application, it is the finding of this Commission that the issuance and sale of the above discussed securities, within the limits described, will not impair the ability of Peoples Gas System to perform the services of a public utility. These transactions are for lawful purposes within Peoples's corporate powers and, as such, the application is granted subject to the conditions stated herein.

Based on the foregoing, it is therefore

ORDERED by the Florida Public Service Commission that the application for authority to issue and sell up to \$40 million in long-term debt and equity securities and have outstanding a maximum

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of \$40 million in short-term unsecured promissory notes during the year ending December 31, 1997, by Peoples Gas System, Inc., is approved. It is further

ORDERED that Peoples Gas System, Inc. shall file a consummation report in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which it issues securities authorized by this Order.

By ORDER of the Florida Public Service Commission, this 13th day of December, 1996.



BLANCA S. BAYÓ, Director  
Division of Records and Reporting

( S E A L )

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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 120.569 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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water and/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 after the issuance 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.