



# Peoples Gas System, Inc.

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Francis J. Sivard  
Vice President - Accounting

January 9, 1995

Ms. Blanca S. Bayo  
Director, Division of Records & Reporting  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

Re: Docket No. <sup>950003-64</sup> 940003--GU Peoples Gas System, Inc.  
PGA Audit Report-Period Ended September 30, 1994

Dear Ms. Bayo:

Enclosed for filing in the above referenced docket is the original and 12 copies of Peoples Gas System, Inc.'s response to Audit Exception No. 1 in the PGA Audit Report for the period ending September 30, 1994.

Please acknowledge your receipt of the enclosures on the duplicate copy of this letter enclosed for that purpose, and return the same to me in the enclosed preaddressed envelope.

Sincerely,

Francis J. Sivard

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Enclosures

- ACK
- AFA
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG
- LEI
- LRB
- OPC \_\_\_\_\_
- ROE \_\_\_\_\_
- SEC
- WAC \_\_\_\_\_
- OTH \_\_\_\_\_

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**PEOPLES GAS SYSTEM, INC.  
DOCKET NO. 940003-GU**

**RESPONSE TO  
AUDIT EXCEPTION NO. 1**

The Statement of Facts contained in the Audit Report is correct -- as far as it goes. While it is correct that SAB No. 36 defines Lobbying expenses as "those made for the purpose of influencing the opinion or decisions of public officials," it also states that Lobbying expense

" . . . does not include such expenditures which are directly related to the communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations." (emphasis supplied)

Further, SAB No. 36's requirement that Lobbying expenses be charged to a "below-the-line" account is applicable only in connection with the Rate of Return Report filed by the utility with the Commission. In other cases, such as proceedings involving Peoples' recovery of its costs of purchased gas, the burden is on Peoples to justify any expenses for which recovery is sought.

Peoples' statement that the purpose of the expenditures in question related to the "proactive role" Peoples intended to take in regulatory proceedings before the FERC which might have an impact on Peoples' gas acquisition cost does not make the expenses in question Lobbying expenses. The expenses incurred are clearly within the exception from Lobbying expenses quoted above, in that they were directly related to the filing of pleadings and other communications with, and appearances before, the FERC in administrative litigation directly affecting Peoples' present and future operations and the cost thereof. The matters included pipeline rate cases, pipeline purchased gas cost recovery proceedings, pipeline expansions which included issues related to the costs to be borne by Peoples, and pipeline tariffs which directly impact the costs incurred by Peoples as a pipeline customer. The proceedings in which the expenses were incurred are virtually identical to rate cases, PGA proceedings and tariff filings which Peoples might prosecute or oppose before this Commission. Expenses incurred by Peoples in similar cases before this Commission would not be considered "lobbying", and the reasonable expenses incurred in such cases would be recoverable by Peoples from its ratepayers either as a part of its cost of service, or as a part of the cost of its gas/capacity acquisition.

That Peoples made "similar payments" before September 1991 which were not included in Peoples' PGA filings with the Commission is irrelevant, because it does not change the nature of the expenses. To the extent that the expenses were incurred in

proceedings which directly affect Peoples' cost of acquiring gas, the expenses should probably have been included in the past in Peoples' PGA filings. That it failed to include such expenses in the past does not mean it is now inappropriate to do so. The point is that Peoples is entitled to recover the expenses in question either as a part of its cost of service or through the PGA. Peoples excluded all expenses of the type in question from cost of service in its most recent rate case before the Commission with the intention of recovering them in the future through the PGA, which seemed more appropriate since the expenses were incurred in connection with Peoples' acquisition of gas supply and capacity for its delivery to Peoples' system.

Audit Exception No. 1 should be rejected because the expenses to which it is directed are excluded from the definition of "Lobbying expense" set forth in SAB No. 36.