

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate
increase by Tampa Electric
Company d/b/a Peoples Gas
System.

DOCKET NO. 020384-GU
ORDER NO. PSC-02-1227-FOF-GU
ISSUED: September 9, 2002

The following Commissioners participated in the disposition of
this matter:

LILA A. JABER, Chairman
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

ORDER SUSPENDING PEOPLES GAS SYSTEM'S
PROPOSED PERMANENT RATE INCREASE AND
GRANTING REQUEST FOR INTERIM RATE INCREASE

BY THE COMMISSION:

This proceeding commenced on June 27, 2002, with the filing of
a petition for a permanent rate increase by Tampa Electric Company
d/b/a Peoples Gas System (Peoples or company). Peoples requested
a permanent rate increase of \$22,615,228 in additional annual
revenues. The company based its request on a 13-month average rate
base of \$522,393,278 for a projected test year ending December 31,
2003. The requested overall rate of return is 9.29% based on an
11.75% return on equity.

The company also requested an interim increase of \$5,421,000.
Peoples calculated the interim increase using a 13-month average
rate base of \$471,679,000, at an 8.02% rate of return using a
10.25% return on equity. The interim test year is the period ended
April 30, 2002.

The Commission last granted Peoples an \$11,861,944 rate
increase in Docket No. 911150-GU. By Commission Order No. PSC-92-
0924-FOF-GU, issued September 3, 1992, the Commission found the
company's jurisdictional rate base to be \$220,919,953 for the

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FPSC-COMMISSION CLERK

projected test year ending September 30, 1993. The allowed rate of return was found to be 9.75% based on a 12% return on equity. Subsequently, by Order No. PSC-93-1773-FOF-GU, issued December 10, 1993, in Docket No. 931101-GU, Peoples and the Commission reached an agreement to reduce the company's authorized return on equity to a range of 10.25% to 12.25%, with a midpoint of 11.25% for all regulatory purposes beginning January 1, 1994. The Commission also reviewed Peoples' 1996 earnings by Order No. 98-0329-FOF-GU, issued February 24, 1998, in Docket No. 971310-GU.

Since the company's last rate case, Peoples, through growth and acquisition, has expanded its pipeline system from approximately 5,000 miles to approximately 9,000 miles, and has added more than 100,000 customers. Effective June 30, 1997, Peoples acquired via merger the former West Florida Natural Gas Company together with all of its natural gas distribution assets.

Pursuant to Section 366.06(4), Florida Statutes, Peoples requested to proceed under the rules governing changes in rates and charges. Under that section, the Commission must enter its vote within 8 months of the date on which a complete set of minimum filing requirements (MFRs) were filed with the Commission.

Suspension of Proposed Permanent Rate Increase

Peoples filed its petition and a complete set of MFRs on June 27, 2002. The company requested a permanent rate increase of \$22,615,228, which would produce a 9.29% overall return on its 13-month average adjusted rate base. This overall rate of return was calculated using an 11.75% return on equity. The company also requested interim rate relief in accordance with Section 366.071, Florida Statutes.

We must take action to suspend the permanent rates and act on the interim request within 60 days of the filing, which is on or before August 26, 2002. The permanent rates will take effect February 27, 2003, absent Commission vote.

Therefore, in order to allow staff time to complete its review of the company's MFRs, we hereby suspend the requested permanent increase in rates and charges of \$22,615,228 for Peoples.

Interim Test Year Rate Base

Peoples proposed an interim test year rate base of \$471,679,000. We find that the appropriate interim test year rate base for Peoples is \$469,965,000. The adjustments used to determine the interim test year rate base of \$469,965,000 are discussed below. The rate base adjustments made in the company's last rate proceeding, as well as in the current filing, were reviewed to determine if the current case was filed consistent with the findings in Order No. PSC-98-0329-FOF-GU. We find the company's adjustments to be consistent with the last rate proceeding. A schedule of the interim rate base is included in Attachment 1. Upon review of the MFRs, we also find the adjustments summarized below appropriate. These adjustments are shown in Attachment 1A.

Adjustment 1: Intercompany Payables - In Peoples' 1996 earnings docket, the Commission made a specific adjustment to short-term debt to allow the company to recover the appropriate cost rate associated with the company's intercompany payables. In its interim capital structure filing, the company no longer incurs a cost for intercompany payables. The company included intercompany payables in its interim filing as an increase to capital structure on a pro rata basis over all sources of capital. Consistent with Commission practice, the \$1,647,000 intercompany payables was removed from the pro rata capital structure adjustment, and working capital and rate base were reduced by the same amount.

Adjustment 2: Conservation Overrecovery - The company removed \$67,000 from working capital for conservation related overrecoveries. This treatment is consistent with our decision in Peoples' last rate case. Subsequently, we reviewed the company's last rate case in the company's 1996 earnings investigation, and found that we had inadvertently allowed the company to remove the conservation overrecovery from working capital. We stated in that order that it is the Commission's long standing practice to include cost recovery clause overrecoveries as a reduction to working capital.

The rationale for including overrecoveries as a reduction to working capital is: (1) to provide an incentive to utilities to

make their projections as accurate as possible, and (2) to protect the ratepayer from paying interest on the overrecovery.

We found in the company's 1996 earnings docket that the current policy of including overrecoveries in working capital for purposes of determining earnings shall not be changed. Thus, the \$67,000 in conservation related overrecoveries shall be included in working capital as a liability. This inclusion reduces working capital, and rate base, by \$67,000.

Therefore, we find that the appropriate interim test year rate base for Peoples is \$469,965,000.

Interim Test Year Net Operating Income

Peoples proposed an interim test year net operating income of \$34,530,000. We find the appropriate interim test year net operating income to be \$36,755,000. The adjustments used to determine the approved interim test year net operating income of \$36,755,000 are outlined below. The net operating income adjustments made in the company's last rate proceeding, as well as in the current filing, were reviewed to determine if the current case was filed consistent with the findings in Order No. PSC-98-0329-FOF-GU. We find the company's adjustments to be consistent with the last rate proceeding except as noted below. These adjustments are shown on Attachment 2.

Adjustment 3: Depreciation Expense - In its filing, the company inadvertently failed to remove the depreciation expense related to its non-utility plant adjustment. The company's filing indicated that approximately \$56,000 was non-utility in nature. Therefore, we find that depreciation expense shall be reduced by \$56,000.

Adjustment 4: Tax Effect of Above Adjustment - We made an adjustment to increase the company's income tax expense by \$1,413,000. This adjustment is a fallout based on the above depreciation expense adjustment and the adjustment increasing revenues for off-system sales.

Adjustment 5: Interest Synchronization Adjustment - We made an adjustment to increase the company's income tax expense by \$24,000. Based on our adjustments to capital structure, interest expense

used in calculating income taxes decreased. As a result, income tax expense increased.

Adjustment 6: Gain on Off-System Sales - In its filing, the company made an adjustment to reduce operating revenues by \$3,606,000 to remove certain revenues generated by its Off-System Sales (OSS) Rate Schedule. Pursuant to the company's OSS rate schedule, 50% of certain gains are booked as revenues above the line to help meet the Company's revenue requirements. The remaining 50% of the gain flows back to the ratepayers as a credit in the Purchased Gas Adjustment Clause. The \$3,606,000 represents revenues that are included in operating revenues pursuant to the provisions of the OSS rate schedule that explicitly state that "Fifty percent (50%) of all net revenues shall be retained by Company above the line as **regulated revenues**" (emphasis added) There is no justification for excluding these tariffed and regulated revenues from the determination of the appropriate net operating income. Therefore, we have reversed the company's adjustment and increased operating revenues by \$3,606,000.

Consequently, we find that the appropriate interim test year net operating income for Peoples is \$36,755,000.

Interim Return on Equity and Overall Rate of Return

Peoples proposed an interim return on equity of 10.25% and overall rate of return of 8.02%. Based on our adjusted capital structure, the appropriate return on equity is 10.25% and the appropriate overall rate of return is 8.01% for interim purposes.

The last rate proceeding for Peoples was an earnings review addressed in Order No. PSC-98-0329-FOF-GU. In that docket, a specific adjustment was made to short-term debt so that the company could recover the appropriate cost rate associated with its intercompany payables. In the current interim capital structure filing, the company no longer assigns a cost rate to intercompany payables. Additionally, the company included intercompany payables as a pro rata increase over all sources in its interim capital structure. Consistent with Commission practice, we have removed the \$1,647,000 intercompany payables from the company's pro rata

adjustment, and reduced working capital by the same amount. In addition, as discussed in Adjustment 2, we removed the company's pro rata conservation overrecovery adjustment of \$67,000 from the capital structure.

Consistent with the last rate proceeding, the company made a specific adjustment to common equity to remove non-utility investments from the company's capital structure. Also, as in the last rate proceeding, we reversed the company's pro rata adjustment over all sources of capital, and made pro rata adjustments only over investor sources to reconcile the company's per book capital structure to the company's adjusted rate base.

Based on Commission Rule 25-7.083(5)(a), Florida Administrative Code, the company used a 6.00% cost rate for residential customer deposits and a 7.00% cost rate for commercial customer deposits. Based on our analysis, we find that a 3.21% cost rate for short-term debt and a 7.61% cost rate for long-term debt is appropriate. The company's last authorized rate of return on common equity was 11.25%, with a range from 10.25% to 12.25%. Using a 10.25% cost of equity and our adjusted capital structure, we calculated an overall weighted cost of capital for the interim test year of 8.01%. A schedule of the interim capital structure is included in Attachment 3.

As a result, we find that the appropriate return on equity is 10.25% and the appropriate overall rate of return is 8.01% for interim purposes.

Interim Revenue Expansion Factor

Peoples proposed an interim revenue expansion factor of 1.6435. Upon review of the company's expansion factor calculation, we find that the company's proposed expansion factor of 1.6435, as shown in Attachment 4, is appropriate.

Interim Rate Increase

The company requested \$5,421,000 in interim revenue relief for

the historical base year ended April 30, 2002. Based on the company's calculations and adjustments, this would have allowed the company to earn an overall rate of return of 8.02%. Based on the adjustments discussed above, we have determined the interim rate base is \$469,965,000, and the net operating income is \$36,755,000. Applying an 8.01% overall rate of return, we find that the company is therefore entitled to \$1,461,000 in interim relief, as shown in Attachment 5.

Allocation of Interim Rate Increase

As shown on Attachments 6(a) & 6(b), we have determined the cents-per-therm increases to be applied to each rate class based on the approved interim increase of \$1,461,000. The increases were calculated using the methodology contained in Rule 25-7.040, Florida Administrative Code, which requires that any increase be applied evenly across the board to all rate classes based on their base rate revenues.

The interim rates shall be effective for all meter readings made on or after September 19, 2002. The company is required to give appropriate notice to customers, commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose, and effect of the increase. A copy of the notice must be submitted to the Division of Economic Regulation for administrative approval prior to its use.

Security to Guarantee the Amount Subject to Refund

Interim rates are subject to refund with interest, pending a final order in the permanent rate relief request. As a result, Peoples must provide appropriate security to guarantee the amount subject to refund. We find that Peoples can support a corporate undertaking in the amount of \$730,500. This treatment is consistent with prior Commission practice.

The criteria for a corporate undertaking includes sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. Peoples' 1999, 2000, and 2001 annual reports were used to determine the financial condition of

the company. We approved an interim revenue increase of \$1,461,000. In order to determine the amount of revenues held subject to refund, we divided Peoples' total interim revenue increase amount of \$1,461,000 by 12 months, and the quotient is then multiplied by the monthly length of the interim period. Six months will pass between the interim period and final Commission order, therefore the total amount of corporate undertaking will be \$730,500. Therefore, we find that a corporate undertaking in the amount of \$730,500 guaranteed by Peoples is appropriate security to guarantee the amount subject to refund.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Tampa Electric Company d/b/a Peoples Gas System's request for a permanent rate increase is hereby suspended. It is further

ORDERED that Attachments 1-5 are herein incorporated by reference. It is further

ORDERED that Tampa Electric Company d/b/a Peoples Gas System is hereby granted an interim rate increase of \$1,461,000 to be allocated to each rate class as outlined in Attachments 6(a) and 6(b) to this Order, which are herein incorporated by reference, effective for all meter readings made on or after September 19, 2002. It is further

ORDERED that Tampa Electric Company d/b/a Peoples Gas System shall provide a corporate undertaking in the amount of \$730,500 as security for the potential refund of the interim rate increase granted in this Order. It is further

ORDERED that Tampa Electric Company d/b/a Peoples Gas System shall give appropriate notice to customers, commencing with the first bill for service which reflects the increase authorized by this Order, explaining the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to the Division of Economic Regulation for administrative approval prior to its use. It is further

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ORDERED that this docket shall remain open pending the final resolution of the company's requested permanent rate increase.

By ORDER of the Florida Public Service Commission this 9th day of September, 2002.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records and Hearing
Services

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 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 this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to Rule 25-22.060, Florida Administrative Code, or (2)

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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 or wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

COMPARATIVE AVERAGE RATE BASES
(\$ in thousands)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 1
09-Sep-2002
INTERIM

| ADJ NO | COMPANY AS FILED | | | COMMISSION APPROVED | |
|-----------|--|-----------------|---------------------|---------------------|------------------------|
| | TOTAL PER BOOKS | COMPANY ADJS | COMPANY ADJUSTED | COMMISSION ADJS. | COMMISSION ADJUSTED |
| | PLANT IN SERVICE | | 668,711 | | |
| | Remove property not used in utility operations | | (999) | | |
| | ACQUISITION ADJUSTMENT | | 5,249 | | |
| | Remove unapproved acq. adj. - West Florida | | (2,947) | | |
| | PLANT HELD FOR FUTURE USE | | 229 | | |
| | Remove property held for future use | | (229) | | |
| | CONSTRUCTION WORK IN PROGRESS | | 39,196 | | |
| | TOTAL PLANT | | <u>\$713,385</u> | <u>(\$4,175)</u> | <u>\$709,210</u> |
| | DEDUCTIONS: | | | | |
| | ACCUMULATED DEPRECIATION AND AMORTIZATION | | 236,981 | | |
| | Remove property not used in utility operations | | (323) | | |
| | Remove unapproved acq. adj - West Florida | | (1,374) | | |
| | CUSTOMER ADVANCES FOR CONSTRUCTION | | 1,796 | | |
| | TOTAL DEDUCTIONS | | <u>\$238,777</u> | <u>(\$1,697)</u> | <u>\$237,080</u> |
| | NET UTILITY PLANT | | <u>\$474,608</u> | <u>(\$2,478)</u> | <u>\$472,130</u> |
| | WORKING CAPITAL ALLOWANCE | | <u>(\$97,337)</u> | <u>\$96,886</u> | <u>(\$451)</u> |
| | TOTAL RATE BASE | | <u>\$377,271</u> | <u>\$94,408</u> | <u>\$471,679</u> |
| | | | | <u>(\$1,714)</u> | <u>\$469,965</u> |

COMPARATIVE WORKING CAPITAL COMPONENTS

(\$ in thousands)

PEOPLES GAS SYSTEM
 DOCKET NO 020384-GU
 HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 1A
 09-Sep-2002
 INTERIM

| ADJ NO | COMPANY AS FILED | | | COMMISSION APPROVED | |
|-----------|------------------------------------|-------------------|---------------------|---------------------|------------------------|
| | TOTAL PER BOOKS | COMPANY ADJS | COMPANY ADJUSTED | COMMISSION ADJS. | COMMISSION ADJUSTED |
| | WORKING CAPITAL | (97,337) | | | |
| | Temp. Cash Investments | | (916) | | |
| | Notes Receivable | | (596) | | |
| | Other Accounts Receivable | | (864) | | |
| 1 | Receivable Assoc. Co. | | 632 | (632) | |
| | Merchandise | | (44) | | |
| | Accounts Rec. - Comp. Rate Adjust. | | (5,171) | | |
| | Derivative Asset | | (5) | | |
| | Unamort Debt Expense | | (1,301) | | |
| | Unbundling Transition Costs | | (1,696) | | |
| | Unamort. Rate Case Expense | | (1) | | |
| | Notes Payable | | 54,742 | | |
| 1 | Accounts Payable - Assoc. Co | | 1,015 | (1,015) | |
| | Customer Deposits - Current | | 2,607 | | |
| | Dividends Declared | | 2,539 | | |
| | Inactive Deposits | | 141 | | |
| 2 | Conservation Cost True-up | | 67 | (67) | |
| | Accum Deferred Income Tax | | 19,313 | | |
| | Deferred ITC | | 279 | | |
| | Customer Advances for Construction | | 1,796 | | |
| | Customer Deposits | | 24,349 | | |
| | TOTALS | <u>(\$97,337)</u> | <u>\$96,886</u> | <u>(\$451)</u> | <u>(\$1,714)</u> |
| | | | | | <u>(\$2,165)</u> |

COMPARATIVE NET OPERATING INCOMES
(\$ in thousands)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 2
Page 1 of 2
09-Sep-2002
INTERIM

| ADJ NO. | COMPANY AS FILED | | | COMMISSION APPROVED | |
|------------|--|-----------------|---------------------|---------------------|------------------------|
| | TOTAL PER BOOKS | COMPANY ADJS | COMPANY ADJUSTED | COMMISSION ADJS. | COMMISSION ADJUSTED |
| | OPERATING REVENUES | | | | |
| | | | 302,410 | | |
| | Remove fuel revenues | | (139,056) | | |
| | Remove energy conservation revenues | | (10,839) | | |
| | Remove franchise/gross receipts tax | | (10,835) | | |
| 6 | Remove off-system sales | | (3,606) | 3,606 | |
| | TOTAL OPERATING REVENUES | | <u>\$302,410</u> | <u>\$3,606</u> | <u>\$141,680</u> |
| | OPERATING EXPENSES: | | | | |
| | OPERATION & MAINTENANCE EXPENSE | | 202,314 | | |
| | Remove fuel expenses | | (138,364) | | |
| | Remove energy conservation expenses | | (10,839) | | |
| | Employee activity expense | | (183) | | |
| | AGA dues | | (3) | | |
| | Civic and social club dues | | (10) | | |
| | TOTAL OPERATION & MAINTENANCE EXPENSE | | <u>\$202,314</u> | <u>\$0</u> | <u>\$52,915</u> |
| | DEPRECIATION & AMORTIZATION | | 28,904 | | |
| | Acquisition adj amortization - West Florida | | (80) | | |
| 3 | Remove property not used in utility operations | | | (56) | |
| | TOTAL DEPRECIATION & AMORTIZATION EXPENSE | | <u>\$28,904</u> | <u>(\$56)</u> | <u>\$28,768</u> |

COMPARATIVE NET OPERATING INCOMES
 (\$ in thousands)

PEOPLES GAS SYSTEM
 DOCKET NO 020384-GU
 HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 2
 Page 2 of 2
 09-Sep-2002
 INTERIM

| ADJ NO | COMPANY AS FILED | | | COMMISSION APPROVED | |
|-----------|--------------------------------------|------------------|---------------------|---------------------|------------------------|
| | TOTAL PER BOOKS | COMPANY ADJS. | COMPANY ADJUSTED | COMMISSION ADJS. | COMMISSION ADJUSTED |
| | TAXES OTHER THAN INCOME | | | | |
| | | 20,498 | | | |
| | Revenue tax on fuel | | (692) | | |
| | Remove franchise/gross receipts tax | | (10,835) | | |
| | TOTAL TAXES OTHER THAN INCOME | \$20,498 | (\$11,527) | \$0 | \$8,971 |
| | INCOME TAX EXPENSE | 14,117 | | | |
| 4 | Tax effects of above adjustments | | (1,285) | 1,413 | |
| 5 | Interest synchronization adjustment | | 2 | 24 | |
| | TOTAL INCOME TAXES | \$14,117 | (\$1,283) | \$1,437 | \$14,271 |
| | TOTAL OPERATING EXPENSES | \$265,833 | (\$162,289) | \$1,381 | \$104,925 |
| | NET OPERATING INCOME | \$36,577 | (\$2,047) | \$2,225 | \$36,755 |

COMPARATIVE AVERAGE CAPITAL STRUCTURES
(\$ in thousands)

PEOPLES GAS SYSTEM
DOCKET NO 020384-GU
HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 3
09-Sep-2002
INTERIM

| | COMPANY ADJUSTMENTS | | | RATE BASE ADJUSTMENTS | | | COMMISSION ADJUSTED | RATIO | COST RATE | WEIGHTED COST | | |
|---------------------------------|---------------------|------------------|------------------|-----------------------|--------------------------|-------------------------------|---------------------|------------------|------------------|---------------|----------|----------|
| | PER BOOKS | SPECIFIC | PRO RATA | ADJUSTED PER BOOKS | REVERSE COMPANY PRO RATA | COMMISSION ADJUSTED PER BOOKS | | | | | SPECIFIC | PRO RATA |
| COMMON EQUITY | 236,171 | (2,624) | (2,974) | 230,573 | 2,974 | 233,547 | (3,979) | 229,568 | 48.85% | 10.25% | 5.01% | |
| LONG TERM DEBT | 142,896 | (1,301) | (1,795) | 139,800 | 1,795 | 141,595 | (2,413) | 139,182 | 29.62% | 7.61% | 2.25% | |
| SHORT TERM DEBT | 54,742 | | (694) | 54,048 | 694 | 54,742 | (933) | 53,809 | 11.45% | 3.21% | 0.37% | |
| CUSTOMER DEPOSITS - RESIDENTIAL | 5,735 | | (73) | 5,662 | 73 | 5,735 | (98) | 5,637 | 1.20% | 6.00% | 0.07% | |
| CUSTOMER DEPOSITS - COMMERCIAL | 21,221 | | (269) | 20,952 | 269 | 21,221 | (362) | 20,859 | 4.44% | 7.00% | 0.31% | |
| INACTIVE DEPOSITS | 141 | | (2) | 139 | 2 | 141 | | 141 | 0.03% | 0.00% | 0.00% | |
| TAX CREDITS - ZERO COST | 0 | 1,178 | (15) | 1,163 | 15 | 1,178 | | 1,178 | 0.25% | 0.00% | 0.00% | |
| DEFERRED INCOME TAX | 19,592 | (2) | (248) | 19,342 | 248 | 19,590 | | 19,590 | 4.17% | 0.00% | 0.00% | |
| | <u>\$480,498</u> | <u>(\$2,749)</u> | <u>(\$6,070)</u> | <u>\$471,679</u> | <u>\$6,070</u> | <u>\$477,749</u> | <u>\$0</u> | <u>(\$7,784)</u> | <u>\$469,965</u> | 100.0% | | 8.01% |
| | | | | EQUITY RATIO | | 54.33% | | 54.33% | | | | |

NET OPERATING INCOME MULTIPLIER

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 4
09-Sep-2002
INTERIM

| <u>DESCRIPTION</u> | <u>COMPANY AS FILED</u> | <u>COMMISSION APPROVED</u> |
|---------------------------------|-----------------------------|--------------------------------|
| REVENUE REQUIREMENT | 100.0000% | 100.0000% |
| GROSS RECEIPTS TAX RATE | 0.0000% | 0.0000% |
| REGULATORY ASSESSMENT RATE | 0.5000% | 0.5000% |
| BAD DEBT RATE | 0.4429% | 0.4429% |
| NET BEFORE INCOME TAXES | <u>99.0571%</u> | <u>99.0571%</u> |
| STATE INCOME TAX RATE | 5.5000% | 5.5000% |
| STATE INCOME TAX | 5.4481% | 5.4481% |
| NET BEFORE FEDERAL INCOME TAXES | <u>93.6090%</u> | <u>93.6090%</u> |
| FEDERAL INCOME TAX RATE | 35.0000% | 35.0000% |
| FEDERAL INCOME TAX | 32.7631% | 32.7631% |
| REVENUE EXPANSION FACTOR | <u>60.8458%</u> | <u>60.8458%</u> |
| NET OPERATING INCOME MULTIPLIER | <u>1.6435</u> | <u>1.6435</u> |

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

(\$ in thousands)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
HISTORIC BASE YEAR ENDED APRIL 30, 2002

ATTACHMENT 5
09-Sep-2002
INTERIM

| | COMPANY AS FILED | COMMISSION APPROVED |
|-----------------------------|---------------------|------------------------|
| RATE BASE (AVERAGE) | \$471,679 | \$469,965 |
| RATE OF RETURN | X 8.02% | X 8.01% |
| REQUIRED NOI | 37,829 | 37,644 |
| Operating Revenues | 138,074 | 141,680 |
| Operating Expenses: | | |
| Operation & Maintenance | 52,915 | 52,915 |
| Depreciation & Amortization | 28,824 | 28,768 |
| Taxes Other Than Income | 8,971 | 8,971 |
| Income Taxes | 12,834 | 14,271 |
| Total Operating Expenses | 103,544 | 104,925 |
| ACHIEVED NOI | 34,530 | 36,755 |
| NET REVENUE DEFICIENCY | 3,299 | 889 |
| Revenue Tax Factor | 1.6435 | 1.6435 |
| TOTAL REVENUE DEFICIENCY | \$5,421 | \$1,461 |

PEOPLES GAS SYSTEM
ALLOCATION OF INTERIM RATE INCREASE
 DOCKET NO. 020384-GU

ATTACHMENT 6(a)

| (1) RATE CODE | (2) RATE SCHEDULE | PRESENT BASE RATE REVENUE | | | | APPROVED INTERIM INCREASE | | | |
|---------------------------|---------------------------------|---------------------------|-----------------------|---------------------------|-------------------------|-----------------------------|--------------------------------|-------------------------------|---|
| | | (3) BILLS | (4) THERM SALES | (5) CUSTOMER CHARGE | (6) ENERGY CHARGE | (7) \$(4) + (5) TOTAL | (8) \$(6) X (8) INCREASE | (9) %(7) / (6) INCREASE | (7) / (3) / 100 INCREASE CENTS PER THERM |
| RS-WF | RESIDENTIAL SERVICE | 396,132 | 8,731,059 | \$2,772,924 | \$2,839,777 | \$5,612,701 | \$62,223 | 1.11% | 0.713 |
| CS-WF | COMMERCIAL SERVICE | 32,400 | 12,930,398 | \$324,000 | \$2,117,741 | \$2,441,741 | \$27,069 | 1.11% | 0.209 |
| LCS-WF | COMMERCIAL SERVICE LARGE VOLUME | 144 | 3,698,262 | \$7,200 | \$511,839 | \$519,039 | \$5,754 | 1.11% | 0.156 |
| FIS-WF | INDUSTRIAL SERVICE | 132 | 7,940,786 | \$13,200 | \$387,272 | \$400,472 | \$4,440 | 1.11% | 0.056 |
| IS-WF | INTERRUPTIBLE SERVICE | 36 | 15,314,898 | \$18,000 | \$425,907 | \$443,907 | \$4,921 | 1.11% | 0.032 |
| TOTAL WEST FLORIDA | | 428,844 | 48,615,403 | \$3,135,324 | \$6,282,536 | \$9,417,860 | \$104,408 | 1.11% | |
| RS | RESIDENTIAL SERVICE | 2,513,100 | 47,207,105 | \$17,591,700 | \$19,410,145 | \$37,001,845 | \$410,207 | 1.11% | 0.869 |
| SGS | SMALL GENERAL SERVICE | 58,932 | 2,979,236 | \$883,980 | \$1,005,135 | \$1,889,115 | \$20,943 | 1.11% | 0.703 |
| GS | GENERAL SERVICE | 208,164 | 114,022,091 | \$3,538,788 | \$27,791,744 | \$31,330,532 | \$347,335 | 1.11% | 0.305 |
| GSLV1 | GENERAL SERVICE - LG VOL 1 | 25,140 | 137,898,562 | \$628,500 | \$30,144,626 | \$30,773,126 | \$341,155 | 1.11% | 0.247 |
| GSLV2 | GENERAL SERVICE - LG VOL 2 | 696 | 32,640,108 | \$31,320 | \$5,273,009 | \$5,304,329 | \$58,805 | 1.11% | 0.180 |
| CSLS | COMMERCIAL STREET LIGHTING | 1,056 | 1,352,441 | \$0 | \$127,765 | \$127,765 | \$1,416 | 1.11% | 0.105 |
| NGVS | NATURAL GAS VEHICLES | 264 | 834,478 | \$6,600 | \$55,242 | \$61,842 | \$686 | 1.11% | 0.082 |
| WHS | WHOLESALE SERVICE | 24 | 1,384,717 | \$0 | \$194,774 | \$194,774 | \$2,159 | 1.11% | 0.156 |
| SIS | SMALL INTERRUPTIBLE | 720 | 60,954,384 | \$108,000 | \$4,427,726 | \$4,535,726 | \$50,284 | 1.11% | 0.082 |
| IS | INTERRUPTIBLE | 240 | 163,053,720 | \$54,000 | \$5,987,333 | \$6,041,333 | \$66,975 | 1.11% | 0.041 |
| ISLV | INTERRUPTIBLE LARGE VOLUME | 84 | 466,888,836 | \$18,900 | \$5,089,088 | \$5,107,988 | \$56,628 | 1.11% | 0.012 |
| TOTAL PEOPLES | | 2,808,420 | 1,029,215,678 | \$22,861,788 | \$99,506,589 | \$122,368,377 | \$1,356,592 | 1.11% | |
| TOTAL SYSTEM | | 3,237,264 | 1,077,831,081 | \$25,997,112 | \$105,789,125 | \$131,786,237 | \$1,461,000 | | |

PEOPLES GAS SYSTEM
PRESENT AND COMMISSION APPROVED INTERIM RATES
DOCKET NO. 020384-GU

ATTACHMENT 6(b)

| RATE SCHEDULE | PRESENT RATE | COMMISSION APPROVED INTERIM INCREASE | COMMISSION APPROVED INTERIM RATE |
|---|--------------|--------------------------------------|----------------------------------|
| <u>RESIDENTIAL SERVICE (RS-WF)</u> | | | |
| CUSTOMER CHARGE | \$7.00 | N/A | \$7.00 |
| ENERGY CHARGE (cents/therm) | 32.525 | 0.713 | 33.238 |
| <u>COMMERCIAL SERVICE (CS-WF)</u> | | | |
| CUSTOMER CHARGE | \$10.00 | N/A | \$10.00 |
| ENERGY CHARGE (cents/therm) | 16.378 | 0.209 | 16.587 |
| <u>COMMERCIAL SERVICE LARGE VOLUME (LCS-WF)</u> | | | |
| CUSTOMER CHARGE | \$50.00 | N/A | \$50.00 |
| ENERGY CHARGE (cents/therm) | 13.840 | 0.156 | 13.996 |
| <u>INDUSTRIAL SERVICE (FIS-WF)</u> | | | |
| CUSTOMER CHARGE | \$100.00 | N/A | \$100.00 |
| ENERGY CHARGE (cents/therm) | 4.877 | 0.056 | 4.933 |
| <u>INTERRUPTIBLE SERVICE (IS-WF)</u> | | | |
| CUSTOMER CHARGE | \$500.00 | N/A | \$500.00 |
| ENERGY CHARGE (cents/therm) | 2.781 | 0.032 | 2.813 |
| <u>RESIDENTIAL SERVICE (RS)</u> | | | |
| CUSTOMER CHARGE | \$7.00 | N/A | \$7.00 |
| ENERGY CHARGE (cents/therm) | 41.117 | 0.869 | 41.986 |
| <u>SMALL GENERAL SERVICE (SGS)</u> | | | |
| CUSTOMER CHARGE | \$15.00 | N/A | \$15.00 |
| ENERGY CHARGE (cents/therm) | 33.738 | 0.703 | 34.441 |
| <u>GENERAL SERVICE (GS)</u> | | | |
| CUSTOMER CHARGE | \$17.00 | N/A | \$17.00 |
| ENERGY CHARGE (cents/therm) | 24.374 | 0.305 | 24.679 |
| <u>GENERAL SERVICE - LG VOL 1 (GSLV1)</u> | | | |
| CUSTOMER CHARGE | \$25.00 | N/A | \$25.00 |
| ENERGY CHARGE (cents/therm) | 21.860 | 0.247 | 22.107 |
| <u>GENERAL SERVICE - LG VOL 2 (GSLV2)</u> | | | |
| CUSTOMER CHARGE | \$45.00 | N/A | \$45.00 |
| ENERGY CHARGE (cents/therm) | 16.155 | 0.180 | 16.335 |
| <u>COMMERCIAL STREET LIGHTING (CSLS)</u> | | | |
| CUSTOMER CHARGE | \$0.00 | N/A | \$0.00 |
| ENERGY CHARGE (cents/therm) | 9.447 | 0.105 | 9.552 |
| <u>NATURAL GAS VEHICLES (NGVS)</u> | | | |
| CUSTOMER CHARGE | \$25.00 | N/A | \$25.00 |
| ENERGY CHARGE (cents/therm) | 6.620 | 0.082 | 6.702 |
| <u>WHOLESALE SERVICE (WHS)</u> | | | |
| CUSTOMER CHARGE | \$0.00 | N/A | \$0.00 |
| ENERGY CHARGE (cents/therm) | 14.066 | 0.156 | 14.222 |
| <u>SMALL INTERRUPTIBLE (SIS)</u> | | | |
| CUSTOMER CHARGE | \$150.00 | N/A | \$150.00 |
| ENERGY CHARGE (cents/therm) | 7.264 | 0.082 | 7.346 |
| <u>INTERRUPTIBLE (IS)</u> | | | |
| CUSTOMER CHARGE | \$225.00 | N/A | \$225.00 |
| ENERGY CHARGE (cents/therm) | 3.672 | 0.041 | 3.713 |
| <u>INTERRUPTIBLE LARGE VOLUME (ISLV)</u> | | | |
| CUSTOMER CHARGE | \$225.00 | N/A | \$225.00 |
| ENERGY CHARGE (cents/therm) | 1.090 | 0.012 | 1.102 |