

Blanca S. Bayo, Director
November 15, 2002
Page 2

cc: Parties of Record
Ms. Angela Llewellyn
Matthew R. Costa, Esquire

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by :
Tampa Electric Company d/b/a Peoples :
Gas System :

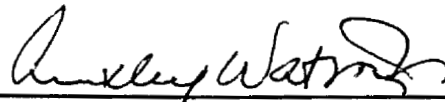
Docket No. 020384-GU

Submitted for Filing:
11-18-02

**PEOPLES' NOTICE OF SERVICE OF ANSWERS TO
CITIZENS' THIRD SET OF INTERROGATORIES (Nos. 66-73)**

Peoples Gas System, by its undersigned attorneys, files this its Notice of Service of Answers to the Florida Citizens' ("Citizens") Third Set of Interrogatories to Peoples Gas System (Nos. 66-73).

Dated this 15th day of November, 2002.



Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531
(813) 273-4321

and

Matthew R. Costa
Legal Department
TECO Energy, Inc.
P. O. Box 111
Tampa, Florida 336-1-0111

Attorneys for Peoples Gas System

DOCUMENT NUMBER 020384-GU

12526 NOV 15 2002

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a copy of the foregoing Notice, and the original of Peoples' Answers to the Citizens' Third Set of Interrogatories to Peoples Gas System (Nos. 66-73), have been furnished by Federal Express to H. F. Rick Mann, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, and that a copy of the foregoing Notice and said Answers have been furnished by regular U.S. mail or Federal Express** to the following, this 15th day of November, 2002:

John W. McWhirter, Jr., Esquire
McWhirter, Reeves, McGlothlin *et al.*
P. O. Box 3350
Tampa, Florida 33601-3350

Donna DeRonne**
Larkin & Associates, PLLC
15728 Farmington Road
Livonia, Michigan 48154

Adrienne E. Vining, Esquire**
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

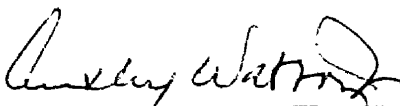
Vicki Gordon Kaufman, Esquire
Timothy J. Perry, Esquire
McWhirter, Reeves, McGlothlin *et al.*
117 S. Gadsden Street
Tallahassee, Florida 32301

Robert Scheffel Wright, Esquire
Diane K. Kiesling, Esquire
John T. Lavia, III, Esquire
Landers & Parsons, P.A.
310 W. College Avenue
Tallahassee, Florida 32301

Joseph A. Regnery
Senior Counsel
Calpine Eastern Corporation
2701 N. Rocky Point Drive
Suite 1200
Tampa, Florida 33607

Jim Downs
Manager, Fuels Regulatory
Calpine Energy Services, L.P.
700 Louisiana Street - Suite 2700
Houston, Texas 77002

Roman J. Bakke
Manager, Fuels Supply
Calpine - Eastern Regional Office
The Pilot House - 2nd Floor
Lewis Wharf
Boston, Massachusetts 02110



Ansley Watson, Jr.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application for a rate increase by :
Tampa Electric Company d/b/a Peoples :
Gas System :

Docket No. 020384-GU

Served:
11-15-02

**ANSWERS TO CITIZENS'
THIRD SET OF INTERROGATORIES
TO PEOPLES GAS SYSTEM (Nos. 66-73)**

**PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 66
PAGE 1 OF 1**

66. Payroll – Provide a reconciliation of the 2001 Annual Report gross payroll of \$30,578,260 to the 2001 gross payroll of \$28,041,065 shown in the response to Citizens' 1st Set of Interrogatories, No. 46.

A.	Gross Payroll per Annual Report:	\$30,578,260
	Less: Accts Receivable Assoc. Companies	(4,665,337)
	Add: Incentive pay not included in Annual Report	2,162,609
	Less: Other	<u>(34,467)</u>
	Adjusted Annual Report	\$28,041,065

Payroll charged to associated companies was not included in the Peoples' response to OPC's 1st Set of Interrogatories, No. 46; however, it is requested in the Annual Report.

Incentive Pay was not included in the Annual Report. The payroll information for the annual report is gathered from a payroll report that excludes journal entries, incentive accruals, and account allocations. As incentive payments are made, a payroll liability account is charged; therefore, the incentive payments were omitted.

Other miscellaneous journal entries and allocations that occur outside the payroll system will account for the remaining variance. (B. Narzissenfeld)

**PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 67
PAGE 1 OF 1**

67. Payroll – Provide a reconciliation of the 2001 Annual Report total Operation and Maintenance payroll expense of \$19,530,659 to the 2001 expense of \$20,648,853 shown in the response to Citizens' 1st Set of Interrogatories, No. 47.

A.	2001 Annual Report Total O&M Payroll:	\$19,530,659
	Add: 2001 Bonus Accrual	2,162,609
	Less: non-productive time allocated to non-O&M	(663,291)
	Less: payroll related to Cost of Gas, acct 804	(361,036)
	Less: Other	<u>(20,088)</u>
	2001 Annual Report Adjusted Total O&M Payroll:	\$20,648,853

Incentive Pay was not included in the Annual Report. The payroll information for the annual report is gathered from a payroll report that excludes journal entries, incentive accruals, and account allocations. As incentive payments are made, a payroll liability account is charged; therefore, the incentive payments were omitted from the annual report.

All non-productive time was included in O&M on the 2001 Annual Report. Non-productive payroll dollars are charged to account 998 via employees' timesheets, and allocated to capital and O&M accounts through an allocation process. The source used for the Annual Report excludes the allocation journal. The dollars reported in Peoples' response to OPC's Interrogatory No. 47 are final payroll dollars, including allocations and journals outside of the payroll system.

Payroll charged to account 804, cost of gas, is included with the O&M on the Annual Report, but is not included in the Peoples' response to OPC's Interrogatory No. 47.

Other miscellaneous journal entries and allocations that occur outside the payroll system will account for the remaining variance. (B. Narzissenfeld)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 68
PAGE 1 OF 1

68. Payroll – Provide an explanation as to why Schedule G-2, 2001 payroll for the following accounts is different from the response to Citizens' 1st Set of Interrogatories, No. 47:

<u>Account</u>	<u>Filing</u>	<u>Response</u>	<u>Difference</u>
920	\$7,673,734	\$7,724,204	(\$50,470)
926	349,419	-0-	349,419

- A. The variance in account 920 resulted from a journal entry that credited allocations. As account 920 is intended solely for payroll, this credit was included in MFR Schedule G-2, Page 17 as "payroll trended". Total payroll expensed in account 920 was \$7,724,204, reduced slightly by this credit such that the balance in account 920 in total was \$7,673,734.

In account 926, the amount of \$349,419 is "payroll trended" as indicated on Schedule G-2. Here, there is a distinction between "payroll trended" and "payroll". The amount in question represents expenses for life insurance and salary savings, not actual payroll dollars. While these expense accounts are expected to fluctuate with changes in payroll dollars since they are related to payroll, they are nonetheless not payroll in nature.

(P. Higgins)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 69
PAGE 1 OF 1

69. Payroll – Explain why Schedule G-2 of the filing reflects payroll dollars in Accounts 912 and 913 when all sales functions were, as we understand it, transferred to TECO partners except for Lance Horton who we were told charges his time to administrative.
- A. There are payroll dollars in 2001 in accounts 912 and 913 in the amount of \$275,378 and \$393, respectively. These charges are from the operating locations (“regions”) and were incorrectly charged. Adjusting entries for 2002 have been made moving the expenses to account 920.

Although these expenses should not have been included in these accounts, they do represent appropriate utility expenditures for payroll. Accordingly, applying the trend factors used in Schedule G-2 to the historic base year dollars represents a reasonable estimate of these expenses for the projected test year 2003.

(P. Higgins)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 70
PAGE 1 OF 1

70. Are the costs associated with the Gulfstream pipeline project in this proceeding going to provide any benefit to Tampa Electric and/or TECO Energy? If so, identify the anticipated amount of gas to be provided to the respective operations and the cost paid to Peoples for that service and/or the amount of contribution for plant costs. Also, indicate whether revenue projections and/or plant cost contributions have been reflected in the filing.
- A. The costs associated with the Gulfstream pipeline project in this proceeding will not benefit Tampa Electric or TECO Energy as the construction of the pipeline and associated market area delivery points will be utilized to provide gas deliveries on behalf of Peoples Gas' system supply and transportation customers.

Accordingly, there are no revenues or plant contributions derived from Tampa Electric or TECO Energy reflected in the filing. However, the Company has included 5 percent growth in its projected revenues, which contemplates service to customers who will receive supply from the Gulfstream system. (W. Grimard)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 71
PAGE 1 OF 1

71. Payroll – Explain why the response to Citizens' Interrogatory No. 31 does not identify an expense in 2001 for RSVP+ even though each of the 2001 monthly variance reports provided in response to Citizens' Production of Document Request No. 3 indicate an unfavorable variance "As a result of the RSVP Plus (\$500k) paid in January."
- A. This discrepancy is the result of the timing of this incentive payment and the difference between the estimated incentive accrual and the actual incentive payout. This payment, which relates to the year 2000 (as shown in the Company's answer to OPC's Interrogatory No. 31), actually occurred in January 2001. While the Company accrued an estimated amount in December 2000 for incentive payments, the actual payout in January 2001 was higher than the accrued amount, resulting in the expense variance mentioned in the monthly variance reports. (B. Narzissenfeld)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 72
PAGE 1 OF 1

72. Severance – Please refer to the June 2002, monthly variance report provided in response to Citizens' Production of Document Request No. 3, that identifies severance payments as a cause for a budget variance. Provide complete details regarding the severance payments including the number of employees that have left or will be leaving the Company.

A. In June 2002 an accrual was booked related to three individuals who terminated service with the Company. These individuals received severance packages which were simply cash payments with none of the characteristics of typical "early retirement plans."

Employee 1 -	\$38,903 retirement, \$26,089 severance paid 07/01/02
Employee 2 -	\$76,400 retirement, \$35,455 severance paid 07/01/02
Employee 3 -	\$28,926 severance paid 09/01/02

(B. Narzissenfeld)

PEOPLES GAS SYSTEM
DOCKET NO. 020384-GU
CITIZEN'S 3rd SET OF INTERROGATORIES
INTERROGATORY NO. 73
PAGE 1 OF 1

73. Payroll – Provide the percentage increase in wages and salary, by group, for 2002.

A. The payroll percentage increase for 2002 is as follows:

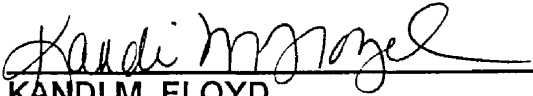
Salaried	3.28%
Hourly	3.10%
Union	3.00%

(B. Narzissenfeld)

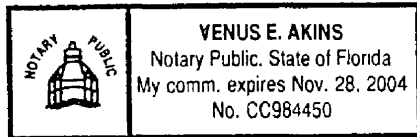
STATE OF FLORIDA

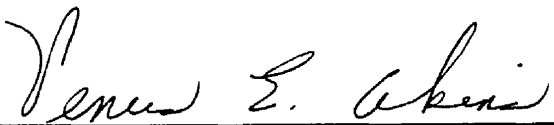
COUNTY OF HILLSBOROUGH

Before me, the undersigned authority, personally appeared Kandi M. Floyd who, being first duly sworn, says that she is the Regulatory Administrator of Peoples Gas System; that she is the person under whose supervision the foregoing Answers to the Citizens' Third Set of Interrogatories to Peoples Gas System (Nos. 66-73) have been prepared; that said Answers, insofar as said Answers are within her knowledge, are true; and that insofar as they are derived from or dependent upon the knowledge of others, she believes them to be true.


KANDI M. FLOYD

Sworn to and subscribed before me this 14th day of November, 2002.




Notary Public – State of Florida at Large

My Commission expires: Nov 28, 2004

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that the original of Peoples' Answers to the Citizens' Third Set of Interrogatories to Peoples Gas System (Nos. 66-73) has been furnished via Federal Express to H. F. Rick Mann, Esquire, Office of Public Counsel, c/o The Florida Legislature, 111 W. Madison Street, Room 812, Tallahassee, Florida 32399-1400, and that a copy of said Answers has been furnished by regular U.S. mail or Federal Express** to the following, this 15th day of November, 2002:

John W. McWhirter, Jr., Esquire
McWhirter, Reeves, McGlothlin *et al.*
P. O. Box 3350
Tampa, Florida 33601-3350

Donna DeRonne**
Larkin & Associates, PLLC
15728 Farmington Road
Livonia, Michigan 48154

Adrienne E. Vining, Esquire**
Office of the General Counsel
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

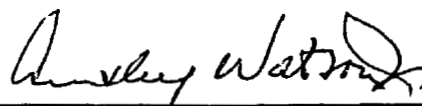
Vicki Gordon Kaufman, Esquire
Timothy J. Perry, Esquire
McWhirter, Reeves, McGlothlin *et al.*
117 S. Gadsden Street
Tallahassee, Florida 32301

Robert Scheffel Wright, Esquire
Diane K. Kiesling, Esquire
John T. Lavia, III, Esquire
Landers & Parsons, P.A.
310 W. College Avenue
Tallahassee, Florida 32301

Joseph A. Regnery
Senior Counsel
Calpine Eastern Corporation
2701 N. Rocky Point Drive
Suite 1200
Tampa, Florida 33607

Jim Downs
Manager, Fuels Regulatory
Calpine Energy Services, L.P.
700 Louisiana Street - Suite 2700
Houston, Texas 77002

Roman J. Bakke
Manager, Fuels Supply
Calpine - Eastern Regional Office
The Pilot House - 2nd Floor
Lewis Wharf
Boston, Massachusetts 02110



Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531
(813) 273-4321

Attorneys for Peoples Gas System