



Public Service Commission
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TALLAHASSEE, FLORIDA 32399-0850

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COMMISSION CLERK

DATE: MARCH 6, 2003

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (MAUREY) *ALM DM*
OFFICE OF THE GENERAL COUNSEL (Vining) *AEV JDT*

RE: DOCKET NO. 020384-GU - PETITION FOR RATE INCREASE BY PEOPLES GAS SYSTEM.

AGENDA: 3/18/03 - REGULAR AGENDA - POST HEARING DECISION - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: RECOMMENDATION SHOULD BE ADDRESSED BY COMMISSIONERS JABER, DEASON, BAEZ, AND BRADLEY.

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020384.RCM

CASE BACKGROUND

This proceeding was initiated on June 27, 2002, with the filing of a petition for a permanent rate increase by Peoples Gas System (Peoples or the Company). Peoples requested a permanent rate increase of \$22.6 million in additional annual revenue.

In Order No. PSC-02-1227-FOF-GU, issued September 9, 2002, the Commission suspended Peoples' proposed permanent rate increase and granted the Company an interim rate increase of \$1.46 million.

A hearing was convened on December 13, 2002. However, instead of hearing testimony or taking evidence, the Commission approved a stipulation between Peoples and the parties that granted the Company a rate increase of \$12.05 million for the projected test year ending December 31, 2003. In Order No. PSC-03-0038-FOF-GU, issued January 6, 2003, the Commission memorialized the approved

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stipulation and final rates for Peoples. Parties to the proceeding were the Office of Public Council (OPC), the Florida Industrial Gas Users (FIGU), and Auburndale Power Partners (Auburndale).

Order No. PSC-03-0038-FOF-GU was silent regarding the allowed range around the authorized return on equity (ROE) of 11.25%. This recommendation addresses that oversight.

The Commission has jurisdiction over this request for a rate increase under Sections 366.06(2) and 366.07, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission clarify Order No. PSC-03-0038-FOF-GU to recognize an allowed range around the authorized return on equity (ROE) of 11.25%?

RECOMMENDATION: Yes. The Commission should clarify Order No. PSC-03-0038-FOF-GU to recognize an allowed range of plus or minus 100 basis points around the authorized ROE of 11.25%. (MAUREY)

STAFF ANALYSIS: At the December 13, 2002, hearing, the Commission approved an oral stipulation between Peoples and the parties that settled the majority of the issues in this proceeding. With respect to the authorized ROE, the normal practice of the Commission is to recognize an allowed range of plus or minus 100 basis points. Based upon discussions with the parties, since the existing ROE was not changed as a result of the stipulation, it was assumed the existing range also remained the same. However, in the process of reducing the oral stipulation to writing, discussion of the allowed range was inadvertently omitted.

Staff recommends the Commission issue an order specifying an allowed range around the authorized ROE of 11.25% of plus or minus 100 basis points. Staff has contacted each of the parties and none of the parties object to the Commission making this clarification to the final order.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. This docket should be closed after the time for filing an appeal has run. (VINING)

STAFF ANALYSIS: This docket should be closed after the time for filing an appeal has run.