

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation into the) DOCKET NO. 931101-GU
appropriate equity return for) ORDER NO. PSC-93-1773-FOF-GU
PEOPLES GAS SYSTEM, INC.) ISSUED: 12/10/93
_____)

The following Commissioners participated in the disposition of this matter:

- J. TERRY DEASON, Chairman
- SUSAN F. CLARK
- JULIA L. JOHNSON
- LUIS J. LAUREDO
- DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER REDUCING AUTHORIZED RETURN ON EQUITY AND AUTHORIZING
ACCELERATED AMORTIZATION OF ENVIRONMENTAL CLEAN-UP COSTS FOR
PEOPLES GAS SYSTEM, INC.

BY THE COMMISSION:

Notice is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for formal proceeding pursuant to Rule 25-22.029, Florida Administrative Code.

On October 22, 1993, Commission Staff (staff) contacted the Florida investor-owned natural gas distribution companies to see if the companies would agree to authorized returns on equity (ROEs) more reflective of current market conditions.

At the request of staff; representatives of Peoples Gas System, Inc. (Peoples), the Office of Public Counsel (OPC) and staff met on November 8, 1993 to discuss Peoples' currently authorized ROE of 12.00% which was approved by Order No. 92-0924, issued on September 3, 1992. Since the time that order was issued, the cost of capital has declined significantly. We note that the bellwether 30 year treasury bond rate has declined from 7.54% in October 1992 to 5.93% in October 1993. Projections for the next two years indicate 30 year treasury bond rates will continue to be at approximately that level. Moody's Bond Survey indicates that there has also been a decline in utility bond interest rates. Further, as of October 1993, staff's internal models indicated the range of cost of equity for gas companies has dropped 115 to 180 basis points.

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By letter dated November 19, 1993, Peoples offered to reduce its authorized rate of return on equity to an 11.25% midpoint, with a range from to 10.25% to 12.25%. This offer was contingent upon the Commission authorizing Peoples to accelerate the amortization of \$2,496,000 in environmental cleanup costs associated with old manufactured gas plant sites.

These environmental clean-up costs have been addressed in Peoples' last two rate cases and were being amortized at the rate of \$1,248,000 a year (See Order No. 23858, Docket No. 891353-GU). It is beneficial to remove these costs from the books as soon as practicable. Therefore, we believe that the acceleration of their amortization is reasonable.

We find that the offer should be accepted. Peoples' authorized return on equity shall be reduced to 11.25% plus or minus 100 basis points on January 1, 1994 for all regulatory purposes. Peoples is authorized to fully amortize the \$2,496,000 balance of environmental clean-up costs by September 30, 1994.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc.'s authorized return on equity shall be reduced to 11.25% plus or minus 100 basis points for all regulatory purposes beginning January 1, 1994. It is further

ORDERED that Peoples Gas System, Inc. is authorized to fully amortize \$2,496,000 in environmental clean-up costs by September 30, 1994. It is further

ORDERED that if there is no protest to this proposed agency action within the time frame set forth below, this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 10th day of December, 1993.

STEVE TRIBBLE, Director
Division of Records and Reporting

by: Kay Flynn
Chief, Bureau of Records

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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 120.57 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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 3, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water 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 of the effective date 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.