

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate  
increase by Peoples Gas System.

DOCKET NO. 020384-GU  
ORDER NO. PSC-03-0038-FOF-GU  
ISSUED: January 6, 2003

The following Commissioners participated in the disposition of  
this matter:

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

APPEARANCES:

ANSLEY WATSON, JR., ESQUIRE, Macfarlane Ferguson &  
McMullen, P. O. Box 1531, Tampa, Florida 33601-1531  
On behalf of Peoples Gas System (Peoples).

VICKI GORDON KAUFMAN, ESQUIRE, McWhirter, Reeves,  
McGlothlin, Davidson, Decker, Kaufman & Arnold, P. A.,  
117 South Gadsden Street, Tallahassee, Florida 32301  
On behalf of Florida Industrial Gas Users (FIGU).

ROBERT SCHEFFEL WRIGHT, ESQUIRE, Landers & Parsons, P.A.,  
310 West College Avenue, Tallahassee, Florida 32302  
On behalf of Auburndale Power Partners (Auburndale).

H. F. RICK MANN, ASSOCIATE PUBLIC COUNSEL, Office of  
Public Counsel, c/o The Florida Legislature, 111 W.  
Madison Street, Room 812, Tallahassee, Florida 32399-1400  
On behalf of the Citizens of the State of Florida (OPC).

ADRIENNE E. VINING, ESQUIRE, Florida Public Service  
Commission, 2540 Shumard Oak Boulevard, Tallahassee,  
Florida 32399-0850  
On behalf of the Florida Public Service Commission  
(Staff).

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ORDER GRANTING RATE INCREASE FOR PEOPLES GAS SYSTEM

BY THE COMMISSION:

This proceeding was initiated 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 the company). Peoples requested an interim rate increase of \$5.4 million and a permanent rate increase of \$22.6 million in additional annual revenues.

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

Customer service hearings were held in Hollywood on September 17, 2002, and in Tampa, Orlando, and Jacksonville, on September 23-25, 2002, respectively. An additional customer service hearing was held on October 22, 2002, in Panama City. The purpose of these hearings was to allow the public to present testimony concerning Peoples' requested permanent rate increase and the quality of service provided by Peoples.

An administrative hearing was conducted in Tallahassee on December 13, 2002. At the hearing, a stipulation between Peoples and the other parties was approved granting Peoples a rate increase of \$12.05 million for the projected test year ending December 31, 2003. Additionally, stipulations were approved for a majority of the issues in this proceeding at the hearing on December 13, 2002. At the December 17, 2002, Agenda Conference, the few remaining issues were resolved and the final rates were approved reflecting the stipulations approved at the hearing. This Order memorializes the approved stipulations and final rates for Peoples. Parties to the proceeding are the Office of Public Council (OPC), the Florida Industrial Gas Users (FIGU), and Auburndale Power Partners (Auburndale).

I. QUALITY OF SERVICE

The following stipulation is approved:

A total of only four members of the public appeared to testify at service hearings held in this docket in Hollywood, Tampa, Orlando, Jacksonville, and Panama City. Of those four, none testified regarding any complaint about Peoples' quality of service. The Company's more than adequate quality of service, based on consumer complaints, is apparent in the Commission's Consumer Assistance and Protection Report for its fiscal year 1999-2000, which reflects 0.004 apparent Company infractions per 1,000 customers. The same Commission publication for its fiscal year 2000-2001 reflects 0.011 apparent infractions per 1,000 customers.

II. TEST YEAR

The purpose of the test year is to represent the financial operations of a company during the period in which the new rates will be in effect. We find that the inclusion of appropriate adjustments in this rate proceeding, the historical base year ended December 31, 2001, and the projected test year ending December 31, 2003, are appropriate as they will represent the period in which rates will be in effect.

III. RATE BASE

A utility's rate base is the investment upon which it is entitled to earn a return. Once a rate base has been established, the test period expense and rate of return are determined, and the utility's revenue requirement can be calculated by multiplication. The appropriate projected test year rate base for Peoples is \$505,441,206, based on the stipulated adjustments to the Minimum Filing Requirements (MFRs) set forth below. The calculation of the projected test year rate base is shown in Attachments 1 and 1A to this Order, which are incorporated herein by reference. We approve the following stipulations as reasonable.

- A. The test year Plant in Service and Depreciation Expense should be reduced \$15,377,000 and \$608,000, respectively, to reflect cancelled, delayed, and under-budget additions. Accumulated Depreciation should be increased \$191,000.

- B. Rate base should not be reduced to remove inactive service lines that have been inactive for more than five years. Peoples' test year projected retirements recognize the on-going retirement of inactive service lines in accord with Rule 25-12.045, Florida Administrative Code.
- C. An adjustment to test year Plant in Service for meters and regulators to reflect cost savings related to strategic alliances are (\$246,609) and (\$13,112) respectively. Additionally, adjustments to Accumulated Depreciation and Depreciation Expense should be made.
- D. Plant, Accumulated Depreciation, and Depreciation Expense should be reduced \$257,628, \$24,813 and \$7,100 respectively for the projected 2003 test year, to reflect non-utility operations.
- E. The appropriate amount of Construction Work in Progress (CWIP) to be included in the projected test year is \$21,277,545.
- F. The appropriate projected test year Total Plant is \$783,244,794.
- G. The appropriate projected test year Depreciation Reserve is \$272,416,476 based upon the calculations and decisions of other issues, and the results of the implementation of the new depreciation rates pursuant to Order No. PSC-02-1492-PAA-GU.
- H. Working capital should be reduced \$151,738 to reflect materials and supplies inventory reductions resulting from strategic alliances and actual 2002 reductions.
- I. Conservation overrecoveries should be included in working capital, which results in a \$252,865 reduction in working capital.
- J. Miscellaneous Current Liabilities, Account 242, should be increased by \$113,966, which reduces working capital \$113,966 for the 2003 projected test year.
- K. The appropriate projected test year working capital allowance is (\$3,535,032).

IV. COST OF CAPITAL

The appropriate weighted average cost of capital for the projected test year is 8.83%, based on the stipulations set forth below. Calculation of the stipulated Cost of Capital is shown on Attachment 2, which is incorporated herein by reference. We approved the following stipulations as reasonable.

- A. The appropriate projected test year return on common equity is 11.25%.
- B. The appropriate cost rate of long-term debt is 7.70%. The appropriate cost rate of short-term debt is 4.00%.
- C. The appropriate amount of accumulated deferred taxes to be included in the capital structure is \$27,251,000.
- D. The appropriate amount of unamortized investment tax credits to be included in the capital structure is \$743,000 and the appropriate cost rate is 0.00%.
- E. FAS 109 has been appropriately reflected in the capital structure, such that it is revenue neutral.
- F. Rate base and capital structure have not been reconciled appropriately. Any pro rata adjustment should be made over investor sources which would only include common equity, preferred stock, short-term and long-term debt.

V. NET OPERATING INCOME

The appropriate projected test year Net Operating Income for Peoples is \$37,307,714, based on the stipulated adjustments to the MFRs set forth below. The calculation of this amount is shown in Attachment 3 to this Order, which is incorporated herein by reference. Attachment 3A, also incorporated herein by reference, contains the stipulated O&M forecast for the projected test year. We approve the following stipulations as reasonable.

- A. Peoples properly removed \$96,037,188 in PGA revenues, \$95,556,775 in gas costs and \$480,413 in revenue related taxes from the projected test year.

- B. Since Peoples did not include conservation revenues, expenses or taxes - other in the projected test period no adjustment is necessary.
- C. No adjustment to revenues to recognize the new credit card usage charge is required if revenues derived from the proposed credit card usage charge, included in the Company's rate design as Other Operating Revenues, are increased from \$207,839 to \$240,004 to match the expenses included in the 2003 projected test year.
- D. Revenues should be increased \$75,485 to correct for a mathematical error in calculating revenues, which resulted in an understatement in projected 2003 test year revenues.
- E. For purposes of setting rates in this docket, operating revenues should be increased \$500,000 in the projected 2003 test year. The provisions of Special Condition 3 in Peoples' Off-System Sales Service rate schedule shall be amended to read as follows:

Disposition of Net Revenues and Transaction Charges. For purposes of this paragraph 3, "net revenues" shall mean the total Non-Gas Energy Charges received by Company for service pursuant to this rate schedule. Twenty-five percent (25%) of all net revenues shall be retained by Company above the line as regulated revenues, and the remaining seventy-five (75%) of such net revenues (and all Transaction Charges) shall be used to reduce Company's cost of Gas recovered through the Purchased Gas Adjustment Clause.

- F. The appropriate amount of projected test year total operating revenues is \$148,757,215.
- G. The \$346,466 gain on the sale of property located at 2951 SW 1st Terrace in Ft. Lauderdale should be amortized over 4 years beginning January 1, 2003, or a reduction in operating expenses of \$86,617. In addition, working capital should be

reduced \$303,157. All future gains or losses on the disposition of utility plant should be amortized over 4 years.

- H. The trend rates contained in MFR Schedule G-2, page 231 should be adjusted to reflect OPC's CPI Inflation trend factor of 2 percent for 2002 and 2003. Adoption of this change impacts the Inflation Only and the Customer Growth X Inflation trend factors. Note that this stipulation pertains only to the appropriateness of the trend factors themselves. This change results in the following trend factors:

Trend Rates	2002	2003
Payroll Only	3.00%	3.00%
Customer Growth X Pay Change	7.63%	8.09%
Customer Growth X Inflation	6.59%	7.04%
Inflation Only	2.00%	2.00%
Customer Growth	4.50%	4.94%

- I. The payroll trend factors should be adjusted to appropriately reflect the average number of employees for the projected test year.
- J. The projected test year O&M expenses should be reduced \$263,667 based on the appropriate trend factors approved herein. In addition, the projected test year should be reduced \$393,469 based on the average number of employees for the projected test year. Also, the projected test year O&M expenses should be reduced \$1,315,055 to reflect lower trend amounts.
- K. The following adjustments should be made to the historical base year 2001 and the projected 2003 test year to reflect non-utility operations.

ACCOUNT	2001	2003
886 Maint. Of Struct. & Improv.	\$ 5,938	\$ 6,598
912 Demonstrating & Selling Exp.	\$20,733	\$24,120
913 Advertising Expense	\$34,345	\$36,196
932 Maint. of General Plant	\$23,957	\$27,081

- L. For the historical base year 2001, Account 921 - Office Supplies and Expenses reflects \$21,300 for stadium

costs/centennial celebration allocated to Peoples from TECO Energy. After trending, the projected test year 2003 should be reduced \$24,302 to remove this expense.

- M. For the historical base year 2001, Account 930 Miscellaneous General Expenses reflects \$9,039 in lobbying expenses included in the Florida Natural Gas Association membership dues. After trending, the projected test year 2003 should be reduced \$9,404 to remove lobbying expenses.
- N. The appropriate amount of rate case expense is \$350,000 and the appropriate amortization period is four years. Therefore, rate case expense included in Account 928, for the 2003 projected test year, should be reduced by \$32,500.
- O. Bad Debt Expense, Account 904, for the projected 2003 test year should be reduced \$633,606 to reflect a 4 year average of net write-off's as a percent of revenues, excluding off system sales.
- P. For the historical base year 2001, the following accounts reflect charitable contributions. After trending the following accounts, the projected test year 2003 should be reduced to remove charitable contributions.

Account	2001	2003
912 Demo. and Selling	\$14,335	\$16,677
913 Adv. Expenses	\$30,870	\$32,117
930 Misc. General	\$145	\$151

- Q. For the historical base year 2001, the following accounts reflect image building advertising expenses. After trending the following accounts, the projected test year 2003 should be reduced to remove image building advertising.

Account	2001	2003
912 Demo. and Selling	\$15,168	\$17,646
913 Advertising Exp.	\$32,650	\$33,969

- R. Based on Audit Disclosure No. 6 in the Staff Audit Report, Account 921 should be reduced \$17,253 to remove employee dinners and Account 926 should be reduced \$10,190 for tuition



reimbursement for non-Peoples employees in 2001 expenses. Account 921 should be reduced \$19,685 and Account 926 should be reduced \$11,626 in the projected 2003 test year after application of the trend factors.

- S. For the historical base year 2001, the following accounts reflect the non-allowable portion of economic development expenses. After trending the following accounts, the projected test year 2003 should be reduced for the non-allowable portion of economic development expenses in accordance with Commission Rule 25-7.042, Florida Administrative Code.

Account	2001	2003
912 Demo. and Selling	\$4,033	\$4,692
913 Advertising Exp.	\$1,618	\$1,683
930 Misc. General	\$1,941	\$2,019

- T. The company inadvertently failed to increase its projected test year 2003 postage costs for customer growth. The other not trended portion of Account 903 Customer Records and Collection Expenses should be increased by \$53,436 to correctly reflect the increase in postage costs due to the increase in customer growth.
- U. Since there has not been a decrease in the number of employees no adjustment to payroll expense and related costs such as payroll taxes is appropriate.
- V. Account 912 should be reduced \$236,464 to more appropriately reflect the sales and marketing costs for the projected test year 2003.
- W. Account 931 Rents for 2001 should be reduced \$22,636 and \$23,550 in the projected 2003 test year to remove rent on facilities which have been replaced with Company owned facilities. In addition, Account 931 Rents should be increased \$67,865 to reflect rent on the Company's South Florida Region Office. The net effect of these adjustments is to increase Account 931 \$44,315 for the projected 2003 test year.

- X. The customer retention program in Account 916, Miscellaneous Sales Expense is appropriate. However, the \$250,000 should be reduced by \$100,800, for revenues associated with the additional usage from the added appliances, for a balance of \$149,200.
- Y. Based on a four year average, meter testing expense, Account 893, should be reduced by \$52,107.
- Z. The natural gas research contribution, in Account 930, of \$500,000 is appropriate for developing safe and reliable gas service. However, if the contribution on a calendar year basis is not made to an outside research entity, (i.e. not an affiliated entity), the amount that is not contributed will be recorded in Account 254, Other Regulatory Liabilities. If an amount greater than \$500,000 on a calendar year basis is contributed, a regulatory asset will not be recorded.
- AA. Peoples should continue to accrue \$640,000 annually and continue to use reserve accounting to recover the estimated clean-up costs as ordered by the Commission in Docket No. 980434-GU by Order No. PSC-98-0739-FOF-GU, issued May 28, 1998.
- BB. The appropriate amount of projected test year O&M expense is \$57,258,534.
- CC. The appropriate amount of projected test year depreciation and amortization expense is \$33,473,535.
- DD. To reflect the change in the inflation rate from 2.66% to 2.00%, a decrease in taxes other than income taxes of \$11,004 is appropriate for 2003. Also, to reflect the adjustment to non-utility plant, property taxes will decrease by \$13,504 and \$26,362 for 2001 and 2003, respectively. In addition, other adjustments are necessary to reflect any adjustments to plant in service, payroll and/or revenue accounts. The appropriate amount of projected test year Taxes Other Than Income Taxes is \$9,263,471.
- EE. The appropriate amount of projected test year income tax expense is \$11,540,578.

FF. The appropriate amount of projected test year Total Operating Expenses is \$111,449,501.

VI. REVENUE REQUIREMENTS

The appropriate revenue expansion factor to be used in calculating the revenue deficiency is 1.6429 after reducing the Bad Debt component from .4429% to .4027%. Calculation of this factor is shown in Attachment 4 to this Order, which is incorporated herein by reference. Using this factor, the appropriate projected test year revenue deficiency is \$12,050,000. The calculation of this amount is shown in Attachment 5 to this Order, which is incorporated herein by reference.

No portion of the \$1,461,000 interim increase granted by Order No. PSC-02-1227-FOF-GU, issued September 9, 2002, must be refunded to customers.

Peoples Gas System is required to submit, within 90 days of the issuance date of this Order, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that are required as a result of this Order.

VII. RATE DESIGN AND COST OF SERVICE

The approved allocation of the revenue increase to the rate classes is shown in Attachment 6 to this Order, which is incorporated herein by reference. The rates resulting from the approved allocation of the increase are shown in Attachment 7 to this Order. Attachment 7 is incorporated herein by reference.

Attachment 6 contains the approved allocation of the total revenue increase of \$12.05 million pursuant to the approved stipulation. Of this amount, \$3.4 million is recovered through increases to the stipulated miscellaneous charges. The remaining \$8.7 million is recovered through changes to the customer and per therm energy charges. The increases by rate class are shown in Column 6. The customer charges were the subject of a stipulation approved herein.

The allocation of the increase is based upon the stipulated cost of service methodology, as adjusted for the modifications to revenues, rate base, rate of return, and expenses that were approved herein. The rates result in the rates of return for all classes moving closer to the system rate of return (i.e., towards parity).

In the company's filing, all of the proposed rates were set so that each class's return was equal to the proposed overall system rate of return. This means that the rates for each class were designed to recover the exact cost to serve as determined by the filed cost of service study, and based on Peoples' requested revenue increase of \$22.6 million. This allocation resulted in a reduction in rates to the General Service 2-5, Interruptible Service, Small Interruptible Service, and Interruptible Service Large Volume rate classes. As stipulated by the parties, the approved allocation maintains the level of rates that were proposed by the company in its filing for these rate classes.

The remaining revenue increase was then allocated to the Residential, Small General Service, General Service 1, Commercial Street Lighting, Natural Gas Vehicle, and Wholesale Service rate schedules. Using this method, the reduction in revenue requirements resulting from the stipulation (from \$22.6 million to \$12.05 million) serves to mitigate the rate increase to the residential and small commercial rate classes.

As approved herein, the revised rates and charges are to become effective for meter readings made on or after 30 days from the date of our final vote approving the rates and charges. Therefore, the new rates will become effective on January 16, 2003.

Effective June 30, 1997, Peoples acquired by merger the West Florida Natural Gas Company (West Florida) that served the Panama City and Ocala areas. The rates for the West Florida customers remained unchanged after the merger. Thus, customers in Peoples' West Florida Division received service under base rates that were established in West Florida's last rate proceeding. Customers in the non-West Florida Division received service under base rates that were established in Peoples' last rate case.

In addition to separate base rates, customers in the West Florida and non-West Florida divisions pay separate conservation charges. Non-West Florida customers pay a competitive rate adjustment that the West Florida customers do not. All Peoples customers pay the same PGA factor.

Peoples proposed base rates that would be applicable to both divisions. Since the West Florida residential base rates are currently lower than the non-West Florida residential base rates, any base rate increase would be greater for the West Florida division than for the non-West Florida division.

To support its petition, Peoples' witness Grimard testified:

The uniformity in rates and tariffs will help to simplify the administration of Peoples' rates and other tariff provisions as well as facilitate the development of future rate design and service offerings.

OPC, FIGU, and Auburndale took no position on Peoples' proposal to apply the same base rates to both divisions, and no party proposed an alternative rate design that would allow for differing rates for the West Florida and Non-West Florida Divisions.

The customer charges and energy charges approved herein that are shown in Attachment 7 apply to both the West Florida and non-West Florida divisions. The total bills for the two divisions will still be slightly different after this proceeding due to the differences in the conservation and competitive rate adjustment clauses, which will not change as a result of this proceeding.

While residential customers in the West Florida Division receive a larger rate increase than residential customers in the non-West Florida Division, the difference is not substantial. Additionally, combining the two divisions reduces the unnecessary duplication of costs associated with administering two sets of base rates.

Therefore, we find Peoples' proposal to apply uniform base rates and service charges to all customers, including customers formerly served by West Florida Gas, to be appropriate, and is

hereby approved. Also, the increase in rates for the customers of the former West Florida Natural Gas Company shall not be phased in over several years.

In addition, Peoples proposed combining the customer classes and riders of its West Florida and non-West Florida divisions into uniform rates for the entire company. The West Florida Division customers are still served under the rates and rate schedules that were in effect for West Florida Natural Gas Company at the time of the acquisition.

The uniformity of rates, riders, and tariffs between the two divisions will simplify the company's management of both customer service and regulatory compliance. The synergies resulting from the combining of the two divisions will reduce the unnecessary duplication of costs associated with administering two sets of rates and other tariff provisions.

Additionally, Peoples Gas is restructuring its rates in order to group customers based on their load profiles and usage characteristics. Peoples Gas is proposing to expand the number of rate classes to effect a more equitable distribution of the costs of serving various customer classes. Peoples Gas is also proposing to revise the therm usage threshold levels in select rate classes to more accurately reflect similar end use patterns such as annual volume, load profile, and the assignment of fixed and variable costs.

FIGU and Auburndale agreed that Peoples' proposed rate classes and riders are appropriate. OPC took no position on Peoples' proposal.

We find that the proposed new rate classes and riders will result in rates that more accurately reflect the end use patterns and costs of customers, and will allow Peoples Gas to more efficiently administer its rate schedules and other tariff provisions. Therefore, the proposed new rate classes and riders are appropriate, and are hereby approved.

Peoples has also proposed a change to its Individual Transportation Service (ITS) Rider. The ITS rider is available optionally to non-residential customers who use at least 182,500

therms per year or more, and who wish to obtain their own gas. Under the rider, the customers arrange for the purchase of their gas through a marketer or broker for delivery to Peoples' system.

ITS customers must contract for a daily amount of gas to be delivered, which is intended to be equal to the amount of gas consumed. At the end of the month, any imbalance between the scheduled amount and the amount actually taken by the customer are settled.

If the imbalance is positive, i.e., the scheduled gas is greater than that used by the customer, Peoples purchases the imbalance gas from the customer at a benchmark price. If the imbalance is between 5% and 20%, however, the customer is paid only 90% of the benchmark price. If it is greater than 20%, the customer is paid 80% of the benchmark price. Peoples has now proposed to add an additional provision that is effective if the customer's imbalance is greater than 40%. In this event, the customer is paid only 50% of the imbalance amount.

When the balance is negative, i.e., the amount of gas taken by the customer exceeds the amount scheduled, the customer is required to purchase from Peoples the imbalance gas at a benchmark price which is adjusted according to the amount of the imbalance. Currently, customers whose imbalances exceeds 20% must pay 1.2 times the benchmark price for gas. Peoples has proposed to modify the imbalance provision so that if a customer's imbalance is greater than 50%, they must purchase the imbalance gas at 1.5 times the benchmark price.

FIGU and Auburndale agreed that Peoples' proposed change to the ITS rider is appropriate. OPC's position as stated in the Prehearing Order is "No position at this time."

Peoples indicates that this modification to the imbalance provision in the ITS rider is needed in order to prevent customers from gaming the system. We find that, since it is intended under the ITS rider that customers schedule the amount of gas that they plan to consume, this modification is appropriate, and it is hereby approved.

The following stipulations related to rate design and cost of service are also approved as reasonable:

- A. The projected customer growth and them forecasts by rate class contained in MFR Schedule G-2, pages 6a through 8d are appropriate.
- B. The appropriate revenues at present rates for the projected test year are reflected in the revised MFR Schedule H-1 submitted by Peoples in response to Staff's Interrogatory No. 125. The revised H-1 Schedule includes approximately \$75,485 in interruptible service revenues attributable to the West Florida Division that were inadvertently omitted in the original filing.
- C. The appropriate cost of service methodology is contained in Peoples' MFR Schedule H, adjusted for the following:
  1. The Commission vote affecting the total revenue requirement granted Peoples, including rate base, expenses, and net operating income.
  2. The corrections to Revenues at Present Rates for the projected test year reflected in Peoples' Response to Staff Interrogatory No. 125.
  3. The classification of Construction work in Progress into Customer and Capacity components should be made based on the same proportions with which total distribution plant is classified.
  4. The classification of Account 880 - Other Expenses should be corrected to reflect the same proportionate classification as that used for Account No. 387.
  5. The classification of Account No. 894 - Maintenance of Other Equipment should be corrected to reflect the same proportionate classification as that used for Account No. 387.



D. The appropriate Miscellaneous Service Charges are as follows:

Initial Connection - Residential	\$35.00 initial, \$15.00 for each addnl. meter
Initial Connection - Commercial	\$75.00 initial, \$15.00 for each addnl. meter
Reconnection - Residential	\$60.00 initial, \$15.00 for each addnl. meter
Reconnection - Commercial	\$100.00 initial, \$15.00 for each addnl. meter
Collection in Lieu of Disconnect	\$20.00
Change of Account	\$20.00
Pool Manager Termination Fee	\$30.00
Returned Check Charge	the greater of 5% or \$25.00
Pool Manager History Charge	\$20.00
Pool Administration Charge	\$142.00 + \$0.91 per account
ITS Administration Charge	\$144.00 per meter

E. The appropriate Customer Charges are:

Residential Service	\$ 10.00
Small General Service	\$ 20.00
General Service 1	\$ 30.00
General Service 2	\$ 35.00
General Service 3	\$ 45.00
General Service 4	\$ 85.00
General Service 5	\$150.00
Small Interruptible Service	\$150.00
Interruptible Service	\$225.00
Interruptible Service Lg. Volume	\$225.00
Natural Gas Vehicle Service	\$ 35.00
Wholesale Service	\$100.00

F. The appropriate per therm Distribution Charges are a fallout number that is based upon the calculations and decisions of other issues.

- G. Peoples' proposed methodology for billing interruptible customers for excess gas taken during a period of interruption is appropriate.
- H. Peoples' proposal to collect the monthly Interruptible Transportation service administration fee on a per-meter basis is appropriate.
- I. Peoples' proposed new temporary turn-off charge is appropriate. The \$25.00 charge is cost-based and recovers the additional costs caused by those customers who have their service turned off temporarily.
- J. The proposed new credit card use charge is appropriate. The charge of 3.5% of the billed amount is cost-based, and appropriately recovers the additional costs of credit card transactions from those customers who opt to pay by credit card.
- K. Peoples' proposed new failed trip charge is appropriate. The proposed \$15.00 charge is cost-based and recovers the costs caused by customers who fail to keep a scheduled appointment with the company's employee, agent or representative.
- L. Peoples' proposed change to the definition of Maximum Allowable Construction Cost is not appropriate.
- M. Peoples' revised rates and charges should become effective for meter readings made on or after 30 days from the date of the final Commission vote approving the rates and charges.
- N. The proposed change to the definition of Weighted Average Cost of Capacity contained in Peoples' Individual Transportation Service Rider is appropriate, providing the underlying mathematical calculation used to derive the weighted average cost of capacity will change only with respect to the addition, deletion, or modification of the respective interstate pipeline tariffs or firm capacity agreements between Peoples and interstate pipeline companies.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the stipulations set forth in the body of this Order are hereby approved. It is further

ORDERED that Peoples Gas System is authorized to collect additional annual revenues of \$12,050,000. It is further

ORDERED that the rates and charges approved in this Order and set forth in Attachment 7, which is incorporated herein by reference, shall become effective for meter readings made on or after January 16, 2003, which is 30 days from the date of the final Commission vote approving the rates and charges. It is further

ORDERED that Attachments 1, 1A, 2, 3, 3A, 4, 5, and 6 are incorporated herein by reference. It is further

ORDERED that Peoples Gas System shall submit, within 90 days of the issuance date of this Order, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements, and books and records that are required as a result of this Order. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission this 6th day of January, 2003.

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

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

( S E A L )

ORDER NO. PSC-03-0038-FOF-GU  
DOCKET NO. 020384-GU  
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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 the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) 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 and/or wastewater utility by filing a notice of appeal with the Director, Division of the Commission Clerk and Administrative Services 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 after the issuance 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.

COMPARATIVE AVERAGE RATE BASES

PEOPLES GAS SYSTEM  
DOCKET NO. 020384-GU  
PROJECTED TEST YEAR ENDING DECEMBER 31, 2003

ATTACHMENT 1

ORDER REF.	COMPANY AS FILED		COMMISSION APPROVED			
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION ADJUSTED	
	<b>PLANT IN SERVICE</b>	\$776,739,053				
III. D.	Remove Property Not Used in Utility Operations		(1,179,126)	(257,628)		
III. A.	Reduction to Projected Plant in Service			(15,377,000)		
III. C.	Meter and Regulator Cost Savings			(259,721)		
	<b>ACQUISITION ADJUSTMENT</b>	5,248,671				
C	Remove Unapproved Acq. Adj. - West Florida		(2,947,000)			
	<b>PLANT HELD FOR FUTURE USE</b>	228,955				
C	Remove Property Held for Future Use		(228,955)			
	<b>CONSTRUCTION WORK IN PROGRESS</b>	21,277,545				
	<b>TOTAL PLANT</b>	<u>\$803,494,224</u>	<u>(\$4,355,081)</u>	<u>\$799,139,143</u>	<u>(\$15,894,349)</u>	<u>\$783,244,794</u>
	<b>DEDUCTIONS:</b>					
	<b>ACCUMULATED DEPRECIATION AND AMORTIZATION</b>	274,097,241				
III. D.	Remove Property Not Used in Utility Operations		(409,762)	(24,813)		
C	Remove Unapproved Acq. Adj. - West Florida		(1,507,000)			
III. A.	Reduction to Projected Plant in Service			191,000		
III. C.	Meter and Regulator Cost Savings			(4,530)		
III. G.	Depreciation Rate Change			74,340		
	<b>CUSTOMER ADVANCES FOR CONSTRUCTION</b>	1,852,080				
	<b>TOTAL DEDUCTIONS</b>	<u>\$275,949,321</u>	<u>(\$1,916,762)</u>	<u>\$274,032,559</u>	<u>\$235,997</u>	<u>\$274,268,556</u>
	<b>NET UTILITY PLANT</b>	<u>\$527,544,903</u>	<u>(\$2,438,319)</u>	<u>\$525,106,584</u>	<u>(\$16,130,346)</u>	<u>\$508,976,238</u>
	<b>WORKING CAPITAL ALLOWANCE</b>	<u>(\$78,379,774)</u>	<u>\$75,666,468</u>	<u>(\$2,713,306)</u>	<u>(\$821,726)</u>	<u>(\$3,535,032)</u>
	<b>TOTAL RATE BASE</b>	<u>\$449,165,129</u>	<u>\$73,228,149</u>	<u>\$522,393,278</u>	<u>(\$16,952,072)</u>	<u>\$505,441,206</u>

**COMPARATIVE WORKING CAPITAL COMPONENTS**

PEOPLES GAS SYSTEM  
DOCKET NO. 020384-GU  
PROJECTED TEST YEAR ENDING DECEMBER 31, 2003

ATTACHMENT 1A

<u>ORDER REF.</u>	<u>COMPANY AS FILED</u>			<u>COMMISSION APPROVED</u>	
	<u>TOTAL PER BOOKS</u>	<u>COMPANY ADJS.</u>	<u>COMPANY ADJUSTED</u>	<u>COMMISSION ADJS.</u>	<u>COMMISSION ADJUSTED</u>
<b>WORKING CAPITAL</b>	<b>(\$78,379,774)</b>				
<b>C</b> Temp. Cash Investments		(500,000)			
<b>C</b> Notes Receivable		(715,385)			
<b>C</b> Other Accounts Receivable		(600,000)			
<b>C</b> Unbilled Revenue & Misc.		(4,681,000)			
<b>C</b> Unamort. Debt Expense		(2,307,249)			
<b>C</b> Unbundling Transition Costs		(408,124)			
<b>C</b> Unamort. Rate Case Expense		(180,000)			
<b>C</b> Unrecovered Gas Costs		(346,154)			
<b>III. H.</b> Plant & Oper. Material & Suppl.				(151,738)	
<b>C</b> Notes Payable		35,367,739			
<b>C</b> Customer Deposits - Current		2,885,895			
<b>C</b> Dividends Declared		1,349,039			
<b>C</b> Inactive Deposits		166,232			
<b>III. I.</b> Conservation Cost True-up		252,865		(252,865)	
<b>C</b> Accum. Deferred Income Tax		17,115,032			
<b>C</b> Deferred ITC		200,023			
<b>C</b> Customer Advances for Construction		1,852,080			
<b>C</b> Customer Deposits		26,215,474			
<b>III. J.</b> Miscellaneous Current Liabilities				(113,966)	
<b>V. G.</b> Gain on Sale of Property				(303,157)	
<b>TOTALS</b>	<b>(\$78,379,774)</b>	<b>\$75,666,468</b>	<b>(\$2,713,306)</b>	<b>(\$821,726)</b>	<b>(\$3,535,032)</b>

**COMPARATIVE AVERAGE CAPITAL STRUCTURES**  
(\$ in thousands)

PEOPLES GAS SYSTEM  
DOCKET NO. 020384-GU  
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ATTACHMENT 2

**COMPANY AS FILED**

	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	\$279,433	(\$3,147)	(\$3,066)	\$273,220	52.30%	11.75%	6.15%
LONG TERM DEBT	171,585	(2,307)	(1,878)	167,400	32.04%	7.81%	2.50%
SHORT TERM DEBT	35,368		(392)	34,976	6.70%	4.00%	0.27%
CUSTOMER DEPOSITS - RESIDENTIAL	5,590		(62)	5,528	1.06%	6.00%	0.06%
CUSTOMER DEPOSITS - COMMERCIAL	23,511		(261)	23,250	4.45%	7.00%	0.31%
INACTIVE DEPOSITS	166		(2)	164	0.03%	0.00%	0.00%
DEFERRED INCOME TAX	17,315		(192)	17,123	3.28%	0.00%	0.00%
TAX CREDITS - ZERO COST	0	743	(8)	735	0.14%	0.00%	0.00%
<b>TOTALS</b>	<b>\$532,968</b>	<b>(\$4,711)</b>	<b>(\$5,862)</b>	<b>\$522,395</b>	<b>100.0%</b>		<b>9.29%</b>
				<b>EQUITY RATIO</b>	<b>57.45%</b>		

**COMMISSION APPROVED**

	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	\$279,433	(\$3,381)	(\$18,674)	\$257,378	50.92%	11.25%	5.73%
LONG TERM DEBT	171,585	4,489	(11,911)	164,163	32.48%	7.70%	2.50%
SHORT TERM DEBT	35,368	(6,796)	(1,933)	26,639	5.27%	4.00%	0.21%
CUSTOMER DEPOSITS - RESIDENTIAL	5,590			5,590	1.11%	6.00%	0.07%
CUSTOMER DEPOSITS - COMMERCIAL	23,511			23,511	4.65%	7.00%	0.33%
INACTIVE DEPOSITS	166			166	0.03%	0.00%	0.00%
DEFERRED INCOME TAX	17,315	9,936		27,251	5.39%	0.00%	0.00%
TAX CREDITS - ZERO COST	0	743		743	0.15%	0.00%	0.00%
<b>TOTALS</b>	<b>\$532,968</b>	<b>\$4,991</b>	<b>(\$32,517)</b>	<b>\$505,442</b>	<b>100.0%</b>		<b>8.83%</b>
				<b>EQUITY RATIO</b>	<b>57.43%</b>		

COMPARATIVE NET OPERATING INCOMES

PEOPLES GAS SYSTEM  
DOCKET NO. 020384-GU  
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ORDER REF.	COMPANY AS FILED			COMMISSION APPROVED	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION ADJUSTED
<b>OPERATING REVENUES</b>	\$244,218,918				
C Remove Fuel Revenues		(96,037,188)			
V. E. Off-System Sales				500,000	
V. D. Correction to MFRs				75,485	
<b>TOTAL OPERATING REVENUES</b>	<u>\$244,218,918</u>	<u>(\$96,037,188)</u>	<u>\$148,181,730</u>	<u>\$575,485</u>	<u>\$148,757,215</u>
<b>OPERATING EXPENSES:</b>					
<b>OPERATION &amp; MAINTENANCE EXPENSE</b>	156,143,326				
C Remove Fuel Expenses		(95,556,775)			
V. R. Employee Activity Expense		(121,000)		(31,311)	
C AGA Dues		(3,500)			
C Civic and Social Club Dues		(15,000)			
V. J. Payroll Trend Adjustment				(393,469)	
V. J. Trend Factor Adjustment				(263,667)	
V. O. Uncollectible Expense				(633,606)	
V. J. Account 922 Adjustment				9,366	
V. V. TECO Partners - Marketing and Sales Charges				(236,464)	
V. X. Remove New Promotional Program				(100,800)	
V. Q. Advertising Adjustment				(51,615)	
V. N. Rate Case Expense				(32,500)	
V. K. Non-Utility Adjustment				(93,995)	
V. L. Intercompany Adjustment				(24,302)	
V. M. Lobbying Adjustment				(9,404)	
V. P. Charitable Contribution Adjustment				(48,945)	
V. S. Economic Development Adjustment				(8,394)	
V. T. Postage Adjustment				53,436	
V. W. Rent Adjustment				44,315	
V. Y. Periodic Meter Change-Out Adjustment				(52,107)	
V. J. Trend Application Adjustment				(1,315,055)	
<b>TOTAL OPERATION &amp; MAINTENANCE EXPENSE</b>	<u>\$156,143,326</u>	<u>(\$95,696,275)</u>	<u>\$60,447,051</u>	<u>(\$3,188,517)</u>	<u>\$57,258,534</u>
<b>DEPRECIATION &amp; AMORTIZATION</b>	34,069,347				
C Acquisition Adj. Amortization - West Florida		(79,645)			
III. D. Remove Property Not Used in Utility Operations		(72,817)		(7,100)	
III. A. Reduction to Projected Plant in Service				(608,000)	
III. C. Meter and Regulator Cost Savings				(8,844)	
III. G. Depreciation Rate Change				180,594	
<b>TOTAL DEPRECIATION &amp; AMORTIZATION EXPENSE</b>	<u>\$34,069,347</u>	<u>(\$152,462)</u>	<u>\$33,916,885</u>	<u>(\$443,350)</u>	<u>\$33,473,535</u>



**COMPARATIVE NET OPERATING INCOMES**

PEOPLES GAS SYSTEM  
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ORDER REF.	COMPANY AS FILED			COMMISSION APPROVED	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION ADJUSTED
	<b>TAXES OTHER THAN INCOME</b>	10,041,136			
C	Revenue Tax on Fuel		(480,413)		
C	Payroll Tax Expense				
V. DD.	PSC RAF on Additional Revenue			2,877	
V. DD.	Correction of PSC RAF			(32,303)	
V. DD.	Property Tax Adjustment			(256,823)	
V. DD.	Change in Inflation Factor			(11,004)	
	<b>TOTAL TAXES OTHER THAN INCOME</b>	<u>\$10,041,136</u>	<u>(\$480,413)</u>	<u>\$9,560,723</u>	<u>(\$297,252)</u>
	<b>INCOME TAX EXPENSE</b>	10,488,939			
C	Tax Effects of Above Adjustments		112,624	1,771,064	
C	Interest Synchronization Adjustment		156,000	287,281	
C	Tax Effects of Parent Debt Adjustment		(1,318,722)		
C	Investment Tax Credits		43,392		
	<b>TOTAL INCOME TAXES</b>	<u>\$10,488,939</u>	<u>(\$1,006,706)</u>	<u>\$9,482,233</u>	<u>\$2,058,345</u>
V. G.	<b>GAIN ON SALE OF PROPERTY</b>			<u>(\$86,617)</u>	<u>(\$86,617)</u>
	<b>TOTAL OPERATING EXPENSES</b>	<u>\$210,742,748</u>	<u>(\$97,335,856)</u>	<u>\$113,406,892</u>	<u>(\$1,957,391)</u>
	<b>NET OPERATING INCOME</b>	<u>\$33,476,170</u>	<u>\$1,298,668</u>	<u>\$34,774,838</u>	<u>\$2,532,876</u>

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PEOPLES GAS SYSTEM  
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PROJECTED TEST YEAR ENDING DECEMBER 31, 2003  
TRENDED OPERATION AND MAINTENANCE EXPENSES

	COMPANY AS FILED		COMMISSION APPROVED		TREND BASIS FROM ABOVE	
	HISTORIC BASE YEAR + 1 12/31/02	PROJECTED TEST YEAR 12/31/03	HISTORIC BASE YEAR + 1 12/31/02	PROJECTED TEST YEAR 12/31/03		
<b>TREND RATES:</b>						
#1	PAYROLL ONLY	3.00%	3.00%	3.00%	3.00%	
#2	CUSTOMER GROWTH X PAY CHANGE	7.63%	8.09%	7.63%	8.09%	
#3	CUSTOMER GROWTH X INFLATION	7.28%	7.73%	6.59%	7.04%	
#4	INFLATION ONLY	2.66%	2.66%	2.00%	2.00%	
	CUSTOMER GROWTH	4.50%	4.94%	4.50%	4.94%	
ACCOUNT	PGS BASE YEAR	ADJUSTMENTS	TOTAL BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS FROM ABOVE
<b>DISTRIBUTION EXPENSE</b>						
870 Operation Supervision and Engineering						
Payroll trended	279,032	0	279,032	287,403	296,025	1
Other trended	51,190	0	51,190	54,917	59,162	3
Change in factor		0			(757)	
Trend adjustment					(7,554)	
Total	330,222	0	330,222	342,320	346,876	
871 Distribution Load Dispatching						
Payroll trended	46,963	0	46,963	50,546	54,635	2
Other trended	9,817	0	9,817	10,532	11,346	3
Change in factor		0			(145)	
Change in payroll					(1,580)	
Trend adjustment					(1,369)	
Total	56,780	0	56,780	61,078	62,887	
872 Compressor Station Labor and Expenses						
Payroll trended	26	0	26	28	30	2
Other trended	25,156	0	25,156	26,987	29,073	3
Change in factor		0			(372)	
Change in payroll					(1)	
Trend adjustment					(612)	
Total	25,182	0	25,182	27,015	28,119	
874 Mains and Service Expenses						
Payroll trended	2,999,920	0	2,999,920	3,228,814	3,490,025	2
Other trended	1,425,535	0	1,425,535	1,529,314	1,647,530	3
Change in factor		0			(21,081)	
Change in payroll					(100,910)	
Trend adjustment					(106,891)	
Total	4,425,455	0	4,425,455	4,758,128	4,908,673	
875 Measuring and Regulating Station Expenses - General						
Payroll trended	108,129	0	108,129	111,373	114,714	1
Other trended	35,276	0	35,276	36,214	37,178	4
Change in factor		0			(476)	
Trend adjustment					(3,227)	
Total	143,405	0	143,405	147,587	148,188	
876 Measuring and Regulating Station Expenses - Industrial						
Payroll trended	82,588	0	82,588	85,066	87,618	1
Other trended	7,038	0	7,038	7,225	7,417	4
Change in factor		0			(95)	
Trend adjustment					(2,023)	
Total	89,626	0	89,626	92,291	92,917	
877 Measuring and Regulating Station Expenses - City Gate Check						
Payroll trended	60,289	0	60,289	62,098	63,961	1
Other trended	26,783	0	26,783	28,733	30,954	3
Change in factor		0			(396)	
Trend adjustment					(2,014)	
Total	87,072	0	87,072	90,830	92,504	
878 Meter and House Regulator Expenses						
Payroll trended	1,528,199	0	1,528,199	1,644,801	1,777,865	2
Other trended	661,432	0	661,432	709,584	764,435	3
Change in factor		0			(9,781)	
Change in payroll					(51,405)	
Trend adjustment					(52,877)	
Total	2,189,631	0	2,189,631	2,354,384	2,428,236	
879 Customer Installations Expenses						
Payroll trended	1,483,808	0	1,483,808	1,597,023	1,726,222	2
Other trended	432,231	0	432,231	463,698	499,541	3
Change in factor		0			(6,392)	
Change in payroll					(49,912)	
Trend adjustment					(46,235)	
Total	1,916,039	0	1,916,039	2,060,720	2,123,224	

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880 Other Expenses						
Payroll trended	464,074	0	464,074	477,996	492,336	1
Other trended	470,568	0	470,568	483,085	495,935	4
Change in factor		0			(6,356)	
Trend adjustment					(20,926)	
Total	<u>934,642</u>	<u>0</u>	<u>934,642</u>	<u>961,082</u>	<u>960,989</u>	
881 Rents						
Payroll trended	317	0	317	327	336	1
Other trended	97,696	0	97,696	100,295	102,963	4
Change in factor		0			(1,320)	
Trend adjustment					(2,173)	
Total	<u>98,013</u>	<u>0</u>	<u>98,013</u>	<u>100,621</u>	<u>99,806</u>	
TOTAL DISTRIBUTION EXPENSE	<u>\$10,296,067</u>	<u>0</u>	<u>\$10,296,067</u>	<u>\$10,996,057</u>	<u>\$11,292,420</u>	

ACCOUNT	PGS BASE YEAR	ADJUSTMENTS	TOTAL BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS FROM ABOVE
<b>MAINTENANCE EXPENSE</b>						
886 Maintenance of Structures and Improvements						
Payroll trended	50,166	0	50,166	53,994	58,362	2
Other trended	110,326	0	110,326	118,358	127,507	3
Change in factor		0			(1,632)	
Issue 37 - Non-utility					(6,598)	
Change in payroll					(1,688)	
Trend adjustment					(3,750)	
Total	<u>160,492</u>	<u>0</u>	<u>160,492</u>	<u>172,351</u>	<u>172,201</u>	
887 Maintenance of Mains						
Payroll trended	627,060	0	627,060	674,905	729,504	2
Other trended	591,974	0	591,974	635,070	684,161	3
Change in factor		0			(8,754)	
Change in payroll					(21,093)	
Trend adjustment					(29,492)	
Total	<u>1,219,034</u>	<u>0</u>	<u>1,219,034</u>	<u>1,309,974</u>	<u>1,354,326</u>	
889 Maintenance of Measuring and Regulating Station Equipment - General						
Payroll trended	131,256	0	131,256	141,271	152,700	2
Other trended	27,765	0	27,765	29,786	32,089	3
Change in factor		0			(411)	
Change in payroll					(4,415)	
Trend adjustment					(3,835)	
Total	<u>159,021</u>	<u>0</u>	<u>159,021</u>	<u>171,057</u>	<u>176,128</u>	
890 Maintenance of Measuring and Regulating Station Equipment - Industrial						
Payroll trended	162,071	0	162,071	174,437	188,549	2
Other trended	50,829	0	50,829	54,529	58,744	3
Change in factor		0			(752)	
Change in payroll					(5,452)	
Trend adjustment					(5,138)	
Total	<u>212,900</u>	<u>0</u>	<u>212,900</u>	<u>228,966</u>	<u>235,952</u>	
891 Maintenance of Measuring and Regulating Station Equipment - City Gate						
Payroll trended	244,248	0	244,248	262,884	284,151	2
Other trended	178,885	0	178,885	191,908	206,742	3
Change in factor		0			(2,645)	
Change in payroll					(8,216)	
Trend adjustment					(10,230)	
Total	<u>423,133</u>	<u>0</u>	<u>423,133</u>	<u>454,792</u>	<u>469,802</u>	
892 Maintenance of Services						
Payroll trended	347,562	0	347,562	374,081	404,344	2
Other trended	172,680	0	172,680	185,251	199,571	3
Change in factor		0			(2,554)	
Change in payroll					(11,691)	
Trend adjustment					(12,567)	
Total	<u>520,242</u>	<u>0</u>	<u>520,242</u>	<u>559,332</u>	<u>577,104</u>	
893 Maintenance of Meters and House Regulators						
Payroll trended	149,128	0	149,128	160,506	173,491	2
Other trended	439,539	0	439,539	471,537	507,987	3
Change in factor		0			(6,500)	
Issue 53 - Meter change-					(52,107)	
Change in payroll					(5,016)	
Trend adjustment					(13,168)	
Total	<u>588,667</u>	<u>0</u>	<u>588,667</u>	<u>632,044</u>	<u>604,688</u>	

894 Maintenance of Other Equipment						
Payroll trended	158,058	0	158,058	170,118	183,880	2
Other trended	(17,514)	0	(17,514)	(18,789)	(20,241)	3
Change in factor		0			259	
Change in payroll					(5,316)	
Trend adjustment					(3,380)	
Total	<u>140,544</u>	<u>0</u>	<u>140,544</u>	<u>151,329</u>	<u>155,202</u>	
TOTAL MAINTENANCE EXPENSE	<u>\$3,424,033</u>	<u>0</u>	<u>\$3,424,033</u>	<u>\$3,679,846</u>	<u>\$3,745,402</u>	

ACCOUNT	PGS BASE YEAR	ADJUSTMENTS	TOTAL BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS FROM ABOVE
<b>CUSTOMER ACCT. &amp; COLLECT</b>						
901 Supervision						
Payroll trended	594	0	594	639	691	2
Change in payroll					(20)	
Trend adjustment					(14)	
Total	<u>594</u>	<u>0</u>	<u>594</u>	<u>639</u>	<u>657</u>	
902 Meter Reading Expenses						
Payroll trended	866,132	0	866,132	932,218	1,007,634	2
Other trended	811,848	0	811,848	870,951	938,275	3
Change in factor		0			(12,006)	
Change in payroll					(29,135)	
Trend adjustment					(40,594)	
Total	<u>1,677,980</u>	<u>0</u>	<u>1,677,980</u>	<u>1,803,169</u>	<u>1,864,175</u>	
903 Customer Records and Collection Expenses						
Payroll trended	2,041,352	0	2,041,352	2,197,107	2,374,853	2
Other trended	827,606	0	827,606	887,855	956,486	3
Other not trended	948,955	0	948,955	994,000	1,081,706	
Change in factor					(12,239)	
Issue 46 - Postage					53,436	
Change in payroll					(68,666)	
Trend adjustment					(93,465)	
Total	<u>3,817,913</u>	<u>0</u>	<u>3,817,913</u>	<u>4,078,962</u>	<u>4,292,112</u>	
904 Uncollectible Accounts						
Other not trended	1,798,149	0	1,798,149	1,595,000	1,718,294	3
Change in factor					(11,005)	
Issue 41 - Bad debt					(633,606)	
Total	<u>1,798,149</u>	<u>0</u>	<u>1,798,149</u>	<u>1,595,000</u>	<u>1,073,682</u>	
<b>TOTAL CUSTOMER ACCT. &amp; COLLECT</b>	<b><u>\$7,294,636</u></b>	<b><u>0</u></b>	<b><u>\$7,294,636</u></b>	<b><u>\$7,477,770</u></b>	<b><u>\$7,230,626</u></b>	
<b>CUSTOMER SERVICE &amp; INFO.</b>						
907 thru 910 Supervision, Customer Assistance, Informational and Instructional Advertising, etc						
Payroll trended	358,374	(358,374)	0	0	0	
Other trended	10,170,052	(10,170,052)	0	0	0	
Other not trended	0	0	0	0	0	
Total	<u>10,528,426</u>	<u>(10,528,426)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
<b>TOTAL CUSTOMER SERVICE &amp; INFO</b>	<b><u>\$10,528,426</u></b>	<b><u>(\$10,528,426)</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	
<b>SALES PROMOTION EXPENSE</b>						
912 Demonstrating and Selling Expenses						
Payroll trended	275,378	0	275,378	296,389	320,367	2
Other not trended	8,149,404	0	8,149,404	7,962,460	7,723,586	
Issue 37 - Non-utility					(24,120)	
Issue 42 - Contributions					(16,677)	
Issue 43 - Advertising					(17,646)	
Issue 45 - Economic develop					(4,692)	
Issue 49 - Sales agreement					(236,464)	
Change in payroll					(9,263)	
Trend adjustment					(164,849)	
Total	<u>8,424,782</u>	<u>0</u>	<u>8,424,782</u>	<u>8,258,849</u>	<u>7,570,242</u>	
913 Advertising Expenses						
Payroll trended	393	0	393	423	457	2
Other trended	280,668	0	280,668	288,134	295,798	4
Change in factor		0			(3,791)	
Issue 37 - Non-utility					(36,196)	
Issue 42 - Contributions					(32,117)	
Issue 43 - Advertising					(33,969)	
Issue 45 - Economic develop					(1,683)	
Change in payroll					(13)	
Trend adjustment					(4,017)	
Total	<u>281,061</u>	<u>0</u>	<u>281,061</u>	<u>288,557</u>	<u>184,469</u>	

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916 Miscellaneous Sales Expenses						
Other trended	2,001	0	2,001	2,147	2,313	3
Other not trended	0	0	0	0	250,000	
Change in factor					(30)	
Issue 52 - Customer retention					(100,800)	
Total	<u>2,001</u>	<u>0</u>	<u>2,001</u>	<u>2,147</u>	<u>151,483</u>	
TOTAL SALES PROMOTION EXPENSE	<u>\$8,707,844</u>	<u>0</u>	<u>\$8,707,844</u>	<u>\$8,549,553</u>	<u>\$7,906,194</u>	

ACCOUNT	PGS BASE YEAR	ADJUSTMENTS	TOTAL BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS FROM ABOVE
<b>ADMINISTRATIVE &amp; GENERAL EXPENSE</b>						
920 Administrative and General Salaries						
Payroll trended	7,673,734	0	7,673,734	7,903,946	8,141,064	1
Trend adjustment					(173,501)	
Total	<u>7,673,734</u>	<u>0</u>	<u>7,673,734</u>	<u>7,903,946</u>	<u>7,967,563</u>	
921 Office Supplies and Expenses						
Payroll trended	223,843	0	223,843	240,922	260,413	2
Other trended	7,310,505	0	7,310,505	7,842,710	8,448,951	3
Other not trended	7,524,654	0	7,524,654	7,646,556	7,849,954	
Company adjustment					(15,000)	
Change in factor					(158,575)	
Issue 44 - Employee Activities					(19,685)	
Issue 38 - Intercompany costs					(24,302)	
Change in payroll					(7,530)	
Trend adjustment					(348,112)	
Total	<u>15,059,002</u>	<u>0</u>	<u>15,059,002</u>	<u>15,730,188</u>	<u>15,986,114</u>	
922 Administrative Expenses Transferred - Credit						
Other not trended	(3,929,788)	0	(3,929,788)	(4,344,895)	(4,481,881)	
Change in factor					28,076	
Change to affected accounts					9,366	
Total	<u>(3,929,788)</u>	<u>0</u>	<u>(3,929,788)</u>	<u>(4,344,895)</u>	<u>(4,444,439)</u>	
923 Outside Services Employed						
Other trended	181,023	0	181,023	185,839	190,782	4
Other not trended	(18,655)	0	(18,655)	60,000	61,596	
Change in factor					(2,841)	
Trend adjustment					(5,318)	
Total	<u>162,368</u>	<u>0</u>	<u>162,368</u>	<u>245,839</u>	<u>244,219</u>	
924 Property Insurance						
Other trended	316,406	0	316,406	324,822	333,463	4
Change in factor		0			(4,274)	
Trend adjustment					(7,016)	
Total	<u>316,406</u>	<u>0</u>	<u>316,406</u>	<u>324,822</u>	<u>322,173</u>	
925 Injuries and Damages						
Payroll trended	196,062	0	196,062	211,022	228,093	2
Other not trended	(402,666)	0	(402,666)	1,363,292	1,100,000	
Change in payroll					(6,595)	
Trend adjustment					(28,164)	
Total	<u>(206,604)</u>	<u>0</u>	<u>(206,604)</u>	<u>1,574,314</u>	<u>1,293,334</u>	
926 Employees Pension and Benefits						
Payroll trended	27,200	0	27,200	28,016	28,856	1
Payroll trended	349,419	0	349,419	376,331	387,621	1
Other trended	226,588	0	226,588	243,084	261,874	3
Other not trended	1,992,155	0	1,992,155	3,140,364	3,660,215	
Company adjustment					(121,000)	
Change in factor		0			(3,351)	
Issue 44 - Employee Activities					(11,626)	
Change in payroll					(5,552)	
Trend adjustment					(89,447)	
Total	<u>2,595,362</u>	<u>0</u>	<u>2,595,362</u>	<u>3,787,815</u>	<u>4,107,591</u>	
928 Regulatory Commission Expenses						
Other not trended	0	0	0	0	120,000	
Issue 40 - Rate case					(32,500)	
Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,500</u>	
930 General Advertising Expenses						
Payroll trended	4,365	0	4,365	4,496	4,631	1
Other trended	340,212	0	340,212	349,261	358,552	4
Other not trended	0	0	0	0	500,000	
Company adjustment					(3,500)	
Change in factor		0			(4,595)	
Issue 39 - Lobbying					(9,404)	
Issue 42 - Contributions					(151)	
Issue 45 - Economic develop.					(2,019)	
Trend adjustment					(17,977)	
Total	<u>344,577</u>	<u>0</u>	<u>344,577</u>	<u>353,757</u>	<u>825,536</u>	



931 Rents						
Other trended	422,789	0	422,789	434,035	445,581	4
Change in factor		0			(5,711)	
Issue 51 - Rent					44,315	
Trend adjustment					(10,319)	
<b>Total</b>	<b>422,789</b>	<b>0</b>	<b>422,789</b>	<b>434,035</b>	<b>473,866</b>	
932 Maintenance of General Plant						
Payroll trended	8,062	0	8,062	8,304	8,553	1
Other trended	234,298	0	234,298	240,530	246,928	4
Change in factor	0	0	0	0	(3,165)	
Issue 37 - Non-utility					(27,081)	
Trend adjustment					(4,801)	
<b>Total</b>	<b>242,360</b>	<b>0</b>	<b>242,360</b>	<b>248,834</b>	<b>220,436</b>	
<b>TOTAL ADMIN &amp; GENERAL EXPENSE</b>	<b>\$22,680,206</b>	<b>0</b>	<b>\$22,680,206</b>	<b>\$26,258,655</b>	<b>\$27,083,892</b>	
<b>TOTAL EXPENSES</b>						
Payroll trended	20,947,802	(358,374)	20,589,428	21,757,482	23,041,984	
Other trended	25,921,202	(10,170,052)	15,751,150	16,787,602	17,961,097	
Other not trended	16,062,208	0	16,062,208	18,416,797	19,583,470	
Company adjustments					(139,500)	
Change in factor					(263,667)	
Staff adjustments					(1,216,326)	
Change in payroll					(393,469)	
Trend adjustment					(1,315,055)	
<b>TOTAL O&amp;M EXPENSES</b>	<b>\$62,931,212</b>	<b>(\$10,528,426)</b>	<b>\$52,402,786</b>	<b>\$56,961,881</b>	<b>\$57,258,534</b>	

## NET OPERATING INCOME MULTIPLIER

PEOPLES GAS SYSTEM  
DOCKET NO. 020384-GU  
PROJECTED TEST YEAR ENDING DECEMBER 31, 2003

ATTACHMENT 4

ORDER REF.	DESCRIPTION	COMPANY AS FILED	COMMISSION APPROVED
	REVENUE REQUIREMENT	100.0000%	100.0000%
	GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
	REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
VI.	BAD DEBT RATE	0.4429%	0.4027%
	NET BEFORE INCOME TAXES	<u>99.0571%</u>	<u>99.0973%</u>
	STATE INCOME TAX RATE	5.5000%	5.5000%
	STATE INCOME TAX	5.4481%	5.4504%
	NET BEFORE FEDERAL INCOME TAXES	<u>93.6090%</u>	<u>93.6469%</u>
	FEDERAL INCOME TAX RATE	35.0000%	35.0000%
	FEDERAL INCOME TAX	32.7631%	32.7775%
	REVENUE EXPANSION FACTOR	<u>60.8458%</u>	<u>60.8694%</u>
VI.	NET OPERATING INCOME MULTIPLIER	<u>1.6435</u>	<u>1.6429</u>

## COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

PEOPLES GAS SYSTEM

ATTACHMENT 5

DOCKET NO. 020384-GU

PROJECTED TEST YEAR ENDING DECEMBER 31, 2003

	<u>COMPANY AS FILED</u>	<u>COMMISSION APPROVED</u>
RATE BASE (AVERAGE)	\$522,393,278	\$505,441,206
RATE OF RETURN	X <u>9.29%</u>	X <u>8.83%</u>
REQUIRED NOI	<u>48,535,311</u>	<u>44,642,312</u>
Operating Revenues	<u>148,181,730</u>	<u>148,757,215</u>
Operating Expenses:		
Operation & Maintenance	60,447,051	57,258,534
Depreciation & Amortization	33,916,885	33,473,535
Taxes Other Than Income	9,560,723	9,263,471
Income Taxes	9,482,233	11,540,578
Gain on Sale of Property		<u>(86,617)</u>
Total Operating Expenses	<u>113,406,892</u>	<u>111,449,501</u>
ACHIEVED NOI	<u>34,774,838</u>	<u>37,307,714</u>
NET REVENUE DEFICIENCY	13,760,473	7,334,598
REVENUE TAX FACTOR	1.6435	1.6429
TOTAL REVENUE DEFICIENCY	<u><u>\$22,615,228</u></u>	<u><u>\$12,050,000</u></u>

**PEOPLES GAS SYSTEM**  
**DOCKET NO. 020384-GU**  
**COMMISSION APPROVED REVENUE INCREASE BY RATE CLASS**  
**SUMMARY OF CLASS RATES OF RETURN AND PERCENTAGE INCREASES**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
RATE CLASS	RATE BASE	PRESENT NOI	PRESENT ROR	PRESENT INDEX	INCREASE FROM SERVICE CHARGES	INCREASE FROM SALES OF GAS	TOTAL INCREASE IN REVENUE *	REQUIRED NOI	APPROVED ROR	INDEX	% INCREASE
RESIDENTIAL	\$173,803,002	\$742,430	0.43%	0.06	\$2,912,032	\$8,771,001	\$11,683,033	\$10,782,378	6.20%	0.70	22.54%
COMMERCIAL ST. LIGHTING	\$903,797	(\$9,837)	-1.09%	-0.15	\$482	\$43,612	\$44,094	\$25,915	2.87%	0.32	35.45%
SMALL GENERAL SERVICE	\$4,027,029	(\$77,444)	-1.92%	-0.26	\$16,345	\$266,797	\$283,142	\$167,459	4.16%	0.47	23.59%
GENERAL SERVICE 1	\$113,099,985	\$9,407,503	8.32%	1.13	\$212,691	\$2,769,000	\$2,981,691	\$11,336,723	10.02%	1.13	9.43%
GENERAL SERVICE 2	\$62,764,122	\$6,862,840	10.93%	1.48	\$75,737	\$369,000	\$444,737	\$6,727,388	10.72%	1.21	2.66%
GENERAL SERVICE 3	\$53,198,128	\$7,314,480	13.75%	1.86	(\$23,388)	(\$1,107,000)	(\$1,130,388)	\$5,692,758	10.70%	1.21	-7.35%
GENERAL SERVICE 4	\$28,073,963	\$4,260,073	15.17%	2.06	\$2,957	(\$1,012,566)	(\$1,009,609)	\$2,991,785	10.66%	1.21	-12.40%
GENERAL SERVICE 5	\$19,390,309	\$2,709,114	13.97%	1.89	\$141,480	(\$641,206)	(\$499,726)	\$2,030,755	10.47%	1.19	-8.84%
SMALL INTERRUPTIBLE	\$18,339,384	\$2,573,501	14.03%	1.90	\$14,401	(\$515,316)	(\$500,915)	\$1,903,539	10.38%	1.18	-8.98%
INTERRUPTIBLE	\$13,565,763	\$1,579,351	11.64%	1.58	\$5,382	(\$86,513)	(\$81,131)	\$1,372,438	10.12%	1.15	-1.44%
INTERRUPTIBLE LARGE VOL.	\$5,101,552	\$717,988	14.07%	1.91	(\$3,567)	(\$212,489)	(\$216,056)	\$454,501	8.91%	1.01	-8.43%
NG VEHICLES	\$723,610	(\$64,013)	-8.85%	-1.20	\$210	\$67,686	\$67,896	(\$2,834)	-0.39%	-0.04	103.16%
WHOLESALE	\$60,458	\$2,954	4.89%	0.66	\$16	\$1,912	\$1,928	\$4,321	7.15%	0.81	13.76%
SPECIAL CONTRACTS	\$12,390,104	\$1,288,778	10.40%	1.41	\$0	(\$19,000)	(\$19,000)	\$1,155,186	9.32%	1.06	-0.45%
<b>TOTAL</b>	<b><u>\$505,441,206</u></b>	<b><u>\$37,307,719</u></b>	<b><u>7.38%</u></b>	<b><u>1.00</u></b>	<b><u>\$3,354,778</u></b>	<b><u>\$8,694,918</u></b>	<b><u>\$12,049,696</u></b>	<b><u>\$44,642,312</u></b>	<b><u>8.83%</u></b>	<b><u>1.00</u></b>	<b><u>8.10%</u></b>

\* Does not total to exact increase granted of \$12,050,000 due to rounding and minor variances in cost of service model.

**PEOPLES GAS SYSTEM  
COMMISSION APPROVED RATES  
DOCKET NO. 020384-GU**

RATE SCHEDULE	COMMISSION APPROVED RATES
<b><u>RESIDENTIAL SERVICE</u></b>	
CUSTOMER CHARGE	\$10.00
ENERGY CHARGE (cents/therm)	37.667
<b><u>COMMERCIAL STREET LIGHTING SERVICE</u></b>	
CUSTOMER CHARGE	\$0.00
ENERGY CHARGE (cents/therm)	12.829
<b><u>SMALL GENERAL SERVICE</u></b>	
CUSTOMER CHARGE	\$20.00
ENERGY CHARGE (cents/therm)	26.955
<b><u>GENERAL SERVICE - 1</u></b>	
CUSTOMER CHARGE	\$30.00
ENERGY CHARGE (cents/therm)	23.045
<b><u>GENERAL SERVICE - 2</u></b>	
CUSTOMER CHARGE	\$35.00
ENERGY CHARGE (cents/therm)	22.267
<b><u>GENERAL SERVICE - 3</u></b>	
CUSTOMER CHARGE	\$45.00
ENERGY CHARGE (cents/therm)	19.533
<b><u>GENERAL SERVICE - 4</u></b>	
CUSTOMER CHARGE	\$85.00
ENERGY CHARGE (cents/therm)	17.828

**PEOPLES GAS SYSTEM  
COMMISSION APPROVED RATES  
DOCKET NO. 020384-GU**

RATE SCHEDULE	COMMISSION APPROVED RATES
<b><u>GENERAL SERVICE - 5</u></b>	
CUSTOMER CHARGE	\$150.00
ENERGY CHARGE (cents/therm)	10.041
<b><u>SMALL INTERRUPTIBLE SERVICE</u></b>	
CUSTOMER CHARGE	\$150.00
ENERGY CHARGE (cents/therm)	7.227
<b><u>INTERRUPTIBLE SERVICE</u></b>	
CUSTOMER CHARGE	\$225.00
ENERGY CHARGE (cents/therm)	3.522
<b><u>INTERRUPTIBLE LARGE VOLUME SERVICE</u></b>	
CUSTOMER CHARGE	\$225.00
ENERGY CHARGE (cents/therm)	1.002
<b><u>NATURAL GAS VEHICLE SERVICE</u></b>	
CUSTOMER CHARGE	\$35.00
ENERGY CHARGE (cents/therm)	14.013
<b><u>WHOLESALE SERVICE</u></b>	
CUSTOMER CHARGE	\$100.00
ENERGY CHARGE (cents/therm)	13.622