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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Conservation Cost)
Recovery Clause)
_____)

DOCKET NO. 960002-EG
FILED: FEBRUARY 8, 1996

PEOPLES GAS SYSTEM'S PREHEARING STATEMENT

Peoples Gas System, Inc. ("Peoples," "the Company"), pursuant to Commission Order No. PSC-96-0016-PCO-EG, hereby files this its prehearing statement and says as follows.

A. All Known Witnesses

Vernon I. Krutsinger: All Issues Pertaining to Peoples Gas System, Inc.

B. All Known Exhibits

Exhibit ____ (VIK-1): Conservation Cost Recovery True-Up Data.

Exhibit ____ (VIK-2): ECCR Program and Cost Data and ECCR Factor Calculations.

C. Statement of Basic Position

Peoples Gas System's Statement of Basic Position:

The Commission should approve Peoples' final end-of-period true-up amount of \$4,752,586 (overrecovery) for the period October 1, 1994 through September 30, 1995, and the projected conservation program expenses for the full annual period ending March 31, 1995.

The Commission should approve the following ECCR factors for the following rate classes to be applied to bills rendered for meter readings taken between April 1, 1996 and March 31, 1997.

- ACK
- AFA
- APP
- CAF
- CMU
- CTR
- EAG *Hoff*
- LEG *1*
- LIN *3*
- OPC
- RCH
- SEC *1*
- WAS
- OTH

Residential	3.629 cents per therm
Comm'l Street Lighting	0.443 cents per therm
Small Commercial	3.347 cents per therm
Commercial	1.293 cents per therm
Comm'l Large Volume 1	1.046 cents per therm
Comm'l Large Volume 2	0.762 cents per therm
Natural Gas Vehicle Svc.	0.000 cents per therm

DOCUMENT NUMBER-DATE
01537 FEB-89
FPSC-RECORDS/REPORTING

RECEIVED & FILED
BUREAU OF RECORDS

D-F. Peoples Gas System - Company-Specific Conservation Cost Recovery Issues

For convenience and consistency, Peoples has followed the issue numeration used by the Commission Staff in their Preliminary List of Issues and Positions.

ISSUE 1: What is the appropriate adjusted net true-up amount for Peoples Gas System, Inc. for the period October 1, 1993 through September 30, 1994?

PEOPLES: Over-recovery of \$4,752,586. (Krutsinger)

ISSUE 2: What are the appropriate conservation cost recovery factors for Peoples Gas System for the period April 1995 through March 1996?

PEOPLES:	<u>Rate Class</u>	<u>ECCR Factor</u>
	Residential	3.629 cents per therm
	Comm'l Street Lighting	0.443 cents per therm
	Small Commercial	3.347 cents per therm
	Commercial	1.293 cents per therm
	Comm'l Large Volume 1	1.046 cents per therm
	Comm'l Large Volume 2	0.762 cents per therm
	Natural Gas Vehicle Svc.	0.000 cents per therm

(Krutsinger)

ISSUE 10: Is it appropriate for Peoples Gas System, Inc. to recover legal costs incurred in defense of its Commission approved conservation programs when challenged for cost-effectiveness by a competitive utility?

POSITION: Yes. Generically, such costs are directly associated with and attributable to Peoples' implementation and administration of its Commission-approved energy conservation programs. The specific expense item raised in the Staff's audit report on Peoples' energy conservation programs was incurred to defend Peoples' implementation of its approved programs against discriminatory, unapproved, gas-busting incentives offered by a competitor.

ISSUE 11: Is it appropriate for PGS to recover \$41,038 for outside consulting fees related to research conducted to forecast and monitor financial impact of their conservation programs?

POSITION: Yes. As indicated by Staff's issue statement, these costs were incurred for the express purpose of forecasting and monitoring the financial impacts of Peoples' energy conservation programs. Peoples has undertaken this activity to assure the programs' overall cost-effectiveness, and accordingly, recovery of these costs through Peoples' ECCR charge is appropriate. However, to avoid controversy and the uncertainty and expense associated with litigation, Peoples is willing to stipulate to the Staff's recommended treatment of the subject expenses, i.e., that fifty percent would be recovered through ECCR charges and fifty percent would be recorded as a general above-the-line expense.

ISSUE 12: Should PGS be allowed to recover costs incurred in Docket No. 941104-GU, related to the development of a demand-side management cost recovery methodology?

POSITION: Yes. Peoples is entitled to recover the subject expenses (\$7,828) because: (1) they were incurred directly as part of Peoples' energy conservation program activities pursuant to FEECA and Peoples' Commission-approved Energy Conservation Plan; and (2) they meet the statutory criteria of being "reasonable and prudent unreimbursed costs projected to be incurred" in connection with utility conservation programs in accordance with FEECA. These costs were included in the projected costs for outside services filed by the Company for recovery under ECCR in Docket No. 950002-EG, which, in total, were approved for ECCR recovery by the Commission.

G. Stipulated Issues

Peoples is not aware of any stipulated issues at this time. As noted above, Peoples is willing to stipulate to the Staff's recommended treatment of the expense items that are the subject of Staff's Issue 11.

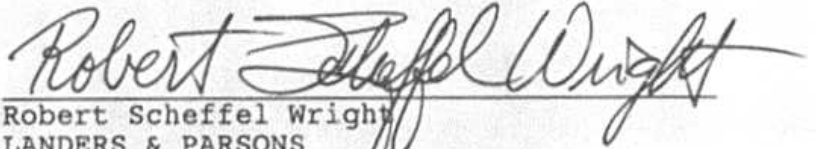
H. Statement of Pending Motions

Peoples is not aware of any pending motions at this time.

I. Requirements of Order on Procedure

Peoples is not aware of any requirements of Order No. PSC-96-0016-PCO-EG with which it is unable to comply.

Respectfully submitted this 8th day of February, 1996.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been served by hand delivery (*) or by United States Mail, postage prepaid, on the following individuals this 8th day of February, 1996:

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