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March 30, 1998

PLEASE REFER TO

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VIA FEDERAL EXPRESS

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

MAR 31 1998
MAIL ROOM

Re: Docket No. 980269-PU -- Consideration of change in frequency and timing of the hearings for the fuel and purchased power cost recovery clause, the capacity cost recovery clause, the generation performance incentive factor, the energy conservation cost recovery clause, the purchased gas adjustment (PGA) true-up, and the environmental cost recovery clause

Dear Ms. Bayo:

Enclosed for filing on behalf of Peoples Gas System, please find the original and 15 copies of (1) Peoples' Responses to Staff's List of Issues and (2) Peoples' Responses to Staff's List of Questions, both the issues and the questions having been posed by the Commission Staff at the workshop held in the above docket on March 17, 1998. A diskette containing the enclosed responses in Wordperfect 5.1 format is also enclosed.

- ACK
- AFA 3
- APP
- CAF
- CMU
- CTR
- EAG *Bohrman*
- LEG 2
- LIN
- OPC
- RCH
- SEC 1
- WAS
- OTH

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter and return the same to the undersigned in the enclosed preaddressed envelope.

Thank you for your usual assistance.

Sincerely,

Ansley Watson, Jr.
ANSLEY WATSON, JR.

RECEIVED & FILED

FPSC-BUREAU OF RECORDS

Issues
DOCUMENT NUMBER-DATE
03756 MAR 31 98
FPSC-RECORDS/REPORTING

Questions
DOCUMENT NUMBER-DATE
03757 MAR 31 98
FPSC-REGULATORY-PLANNING

Blanca S. Bayo, Director
March 30, 1998
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cc: Mr. J. Brent Caldwell (w/enclosures)

1-15-98

PEOPLES GAS SYSTEM
RESPONSES TO STAFF'S LIST OF ISSUES
COMMENTS ON WORKSHOP HELD MARCH 17, 1998
DOCKET NO. 980269-PU
MARCH 31, 1998

ISSUE 1: Should the Commission approve a change in the frequency of the fuel and purchase power cost recovery hearings from a semiannual to an annual basis?

No position at this time.

ISSUE 2: Should the Commission approve a change in the frequency of the environmental cost recovery hearings for Tampa Electric Company from a semiannual to an annual basis?

No position at this time.

ISSUE 3: Should the Commission approve a change to calculate the factor for the fuel and purchase power cost recovery clause on a calendar year basis?

No position at this time.

ISSUE 4: Should the Commission approve a change to calculate the factor for the environmental cost recovery clause on a calendar year basis?

No position at this time.

ISSUE 5: Should the Commission approve a change to calculate the factor for the energy conservation cost recovery clause on a calendar year basis?

No, the Commission should not approve a change to calculate the factor for the energy conservation cost recovery clause on a calendar year basis. Shifting the cost recovery period forward by three months would require company and Commission expense through a potentially lengthy rule change procedure, increase the uncertainty in projected energy conservation cost recovery factors and cause customer confusion during the transition period. These detriments would occur without any tangible benefit arising from the change. Peoples Gas System and the Commission already have working systems in place for calculating and approving energy conservation factors to be effective from April through March. The Commission should not shift this recovery period to a calendar year.

ISSUE 6: Should the Commission approve a change to calculate the factor for the purchased gas adjustment (PGA) true-up on a calendar year basis?

No, the Commission should not approve a change to calculate the cap for the purchased gas adjustment (PGA) true-up to a calendar year basis. The current PGA cap and monthly flex down cost recovery mechanism would not be significantly impacted by a shift to a calendar year basis. However, the cost recovery time period, and associated filing and hearing dates, should be consistent with the other cost recovery clauses. Therefore, the PGA cost recovery factor should remain on the April through March time period to be consistent with the energy conservation cost recovery factor.

The PGA cost recovery factor is based on an approved cap effective from April through the following March. The utility can "flex" the PGA factor to a level below the cap with a one-day notice. This flexibility is necessary to track the seasonal, and even monthly, variation in the cost of natural gas. The flex down feature of the PGA factor allows the company to minimize over and under recoveries. It also allows the company to send the correct price signal to the customer through the PGA factor. If the Commission should choose to shift the projected PGA period to a calendar year, the current flexibility inherent in the PGA mechanism must be maintained.

ISSUE 7: Should this docket be closed?

Yes, this docket should be closed with no further action.