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IN REPLY REFER TO:

October 20, 1998

## VIA FEDERAL EXPRESS

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

Re: Docket No. 980003-GU -- Purchased Gas Adjustment (PGA) Clause  
True-Up Projections and Testimony for January 1999 - December 1999.

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Peoples Gas System, Inc. ("Peoples"), please find the original and 15 copies of its Revised Petition for Approval of PGA Factor for Application to Bills to be Rendered During the Period January 1999 Through December 1999.

Enclosed also for filing on behalf of Peoples, please find 15 revised copies of pages three, seven and twenty of Composite Exhibit EE-2 to Mr. Elliott's testimony.

Please acknowledge your receipt and filing of the enclosures by stamping the duplicate copy of this letter which is enclosed and returning the same to the undersigned. Thank you for your assistance.

Sincerely,

*David M. Nicholson*  
DAVID M. NICHOLSON

ACK  RECEIVED & FILED  
 AFA *Wardner*  
 APP \_\_\_\_\_  
 CAF \_\_\_\_\_  
 CMU \_\_\_\_\_  
 CTR \_\_\_\_\_ Enclosures  
 EAG *Mahoni*  
 LEG 1 cc: Ms. Angie Llewellyn  
 LIN 3 Mr. W. Edward Elliott  
 OPC \_\_\_\_\_ All Parties of Record  
 RCH \_\_\_\_\_  
 SEC 1  
 WAS \_\_\_\_\_  
 OTH \_\_\_\_\_

ORIGINAL

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TALLAHASSEE, FL

DOCUMENT NUMBER DATE  
11695 OCT 21 98

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas : Docket No. 980003-GU  
Adjustment (PGA) True-Up :  
: Submitted for Filing: 10-21-98

REVISED PETITION OF PEOPLES GAS SYSTEM FOR APPROVAL  
OF PGA FACTOR FOR APPLICATION TO BILLS TO BE RENDERED  
DURING THE PERIOD JANUARY 1999 THROUGH DECEMBER 1999

Peoples Gas System, Inc. ("Peoples"), by its undersigned attorneys, hereby files its petition for approval of its purchased gas adjustment ("PGA") factor to be applied to bills rendered for meter readings taken between January 1, 1999 and December 31, 1999, inclusive, and in support thereof says:

1. The name of the petitioner and the mailing address of its principal office is:

Peoples Gas System, Inc.  
P. O. Box 2562  
Tampa, Florida 33601-2562

2. The names and mailing address of the persons authorized to receive notices and communications with respect to this petition are:

Ansley Watson, Jr., Esq., and  
David M. Nicholson, Esq.  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601-1531

3. By its Orders Nos. 24463 and 24463-A in this docket, the Commission adopted a revised method for the recovery of purchased gas costs by regulated natural gas utilities, to be used for the recovery of such costs commencing October 1, 1991.

Submitted herewith is Peoples' Composite Exhibit EE-2, consisting of Schedules E-1, E-

DOCUMENT NUMBER-DATE

11695 OCT 21 98

FILED FOR FILING

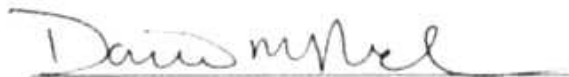
1/R E-2, E-3, E-4 and E-5. The schedules in Composite Exhibit EE-2 are used to compute a maximum PGA factor for application to bills rendered for gas sold by Peoples during the twelve-month period of January 1, 1999 through December 31, 1999 (the "Projection Period").

4. The maximum PGA factor calculated in Composite Exhibit EE-2 basically represents (A) the sum of the final net true-up amount for the period April 1, 1997 through March 31, 1998, the estimated or projected true-up (based on actual data for five months and projected data for four months) for the period April 1, 1998 through December 31, 1998, both true-up amounts including interest, and Peoples' projected cost of purchased gas for the January 1999 - December 1999 period, without interest, (B) divided by Peoples' projected therm sales for the Projection Period.

5. The maximum (cap) PGA factor for which Peoples seeks approval for the Projection Period is shown on Line 45, Page 3 of Schedule E-1 of Composite Exhibit EE-2, and is 49.786 cents per therm.

WHEREFORE, Peoples Gas System, Inc., respectfully requests that the Commission enter its order approving Peoples' proposed maximum (cap) PGA factor of 49.786 cents per therm for application to bills rendered for meter readings taken from January 1, 1999 through December 31, 1999.

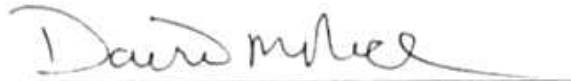
Respectfully submitted,



Ansley Watson, Jr.  
David M. Nicholson of  
Macfarlane Ferguson & McMullen  
P. O. Box 1531  
Tampa, Florida 33601  
(813) 273-4205  
Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Petition and the Direct Testimony of W. Edward Elliott has been furnished by regular U.S. Mail this 20th day of October, 1998, to all known parties of record in Docket No. 980003-GU.

A handwritten signature in cursive script, appearing to read "David M. Nicholson", written over a horizontal line.

David M. Nicholson

COST RECOVERY CLAUSE CALCULATION

-Revised-

JANUARY 89 Through DECEMBER 89

3 of 3

ORIGINAL ESTIMATE FOR THE PROJECTED PERIOD:

CENTS PER THERM	PROJECTION												TOTAL
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
25 COMB. Pipeline (PCT) (1/15)	0.00281	0.00285	0.00251	0.00243	0.00208	0.00200	0.00190	0.00175	0.00207	0.00213	0.00244	0.00254	0.00234
26 COMB. Pipeline (DOMAT) (1/15/84)	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360	0.00360
26B COMB. Pipeline (ISO. GAJ) (1/15/84)	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213	0.00213
28 NO NOTICE SERVICE (2/18)	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590	0.00590
30 SWING SERVICE (2/17)	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976	0.38976
31 COMB. Other (THIRD PARTY) (4/18)	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051	0.38051
32 DEMAND (PCT) (5/18)	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126	0.04126
32B DEMAND (DOMAT) (5/18/84)	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865	0.02865
32B DEMAND (ISO. GAJ) (5/18/84)	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880	0.01880
33 OTHER (6/20)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
LESS END-USE CONTRACT													
34 COMMODITY Pipeline (PCT) (7/21)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36 DEMAND (PCT) (8/22)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
36 OTHER (9/23)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
37 TOTAL COST OF PURCHASES (11/24)	0.48482	0.47706	0.50208	0.48221	0.48870	0.49264	0.50171	0.50190	0.48966	0.53209	0.51534	0.49482	0.49605
38 NET UNBILLED (12/26)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
39 COMPANY USE (13/28)	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
40 TOTAL COST OF THERMS SOLD (11/27)	0.48482	0.47706	0.50208	0.48221	0.48870	0.49264	0.50171	0.50190	0.48966	0.53209	0.51534	0.49482	0.49605
41 TRUE-UP (2-4)	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087	10.00087
42 TOTAL COST OF GAS (40 + 41)	0.48415	0.47660	0.50342	0.48165	0.48853	0.49197	0.50104	0.50123	0.48918	0.53242	0.51468	0.49428	0.49637
43 REVERSE TAX FACTOR	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503	1.00503
44 PGA FACTOR ADJUSTED FOR TAXES (43x43)	0.48859	0.47879	0.50694	0.48412	0.49049	0.48445	0.50387	0.50375	0.49165	0.52505	0.51726	0.49674	0.49788
45 PGA FACTOR ROUNDED TO NEAREST .001	48.859	47.879	50.694	48.412	49.049	48.445	50.387	50.375	49.165	52.505	51.726	49.674	49.788

FOR THE CURRENT PERIOD: APRIL 98 Through DECEMBER 98

	ACTUAL				REVISED PRODUCTION							TOTAL PERIOD		
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	TOTAL PERIOD	
TRUE-UP CALCULATION														
1 PURCHASED GAS COST	8,503,252	4,764,037	4,038,801	4,825,170	5,366,773	3,737,572	4,305,343	6,386,057	8,278,589	0	0	0	47,202,804	
2 TRANSPORTATION COST	2,896,069	2,096,842	1,877,391	1,812,850	2,094,198	1,857,689	3,625,910	2,425,862	3,676,794	0	0	0	22,762,813	
3 TOTAL	8,498,320	6,860,879	5,916,192	6,638,020	7,460,971	5,595,261	7,931,253	8,811,919	11,955,383	0	0	0	69,965,617	
4 FUEL REVENUES	8,450,307	8,107,858	7,283,107	8,810,913	7,196,879	8,374,183	6,744,870	8,295,132	10,808,325	0	0	0	68,881,044	
NET OF REVENUE TAX														
5 TRUE-UP REVENUES/COLLECTION	500	500	500	500	500	500	500	500	500	0	0	0	5,362	
6 FUEL REVENUE APPLICABLE TO PERIOD	8,450,807	8,108,358	7,283,707	8,811,913	7,197,377	8,374,791	6,745,488	8,295,730	10,808,825	0	0	0	68,886,486	
ELINE 4 + LINE 5	852,585	1,247,178	1,377,514	828,602	1383,682	1226,472	1985,685	1,518,208	1,243,472	0	0	0	17,678,247	
7 TRUE-UP PROVISION - THIS PERIOD														
ELINE 6 - LINE 3	8,916	11,869	18,326	19,874	17,403	18,881	14,080	8,567	3,804	0	0	0	177,712	
8 INTEREST PROVISION-THIS PERIOD (2%)														
9 BEGINNING OF PERIOD TRUE-UP AND INTEREST	1,022,039	1,881,008	3,228,954	4,708,987	3,901,834	3,654,958	3,329,889	2,957,888	1,450,448	209,981	0	0	1,022,039	
10 TRUE-UP COLLECTED OR REPURSED (REVERSE OF LINE 8)	1586	1506	1506	1506	1506	1506	1506	1506	1506	0	0	0	15,362	
10a ENVIRONMENTAL RESERVE REFUND	0	0	0	0	0	80,138	0	0	0	0	0	0	80,138	
11 TOTAL ESTIMATED ACTUAL TRUE-UP (7 + 8 + 9 + 10)	1,860,842	3,228,854	4,634,809	3,901,834	3,654,958	3,329,889	2,957,888	1,450,448	209,981	0	0	0	138,780	
11a REPURSED FROM PIPELINE	84	0	74,158	0	0	0	0	0	0	0	0	0	74,232	
12 ADJ TOTAL ESTIMATED TRUE-UP (11 + 11a)	1,991,000	3,228,854	4,708,987	3,901,834	3,654,958	3,329,889	2,957,888	1,450,448	209,981	0	0	0	209,981	
INTEREST PROVISION														
12 BEGINNING TRUE-UP AND INTEREST PROVISION (2)	1,022,039	1,991,008	3,228,954	4,708,987	3,901,834	3,654,958	3,329,889	2,957,888	1,450,448	0	0	0	1,022,039	
13 ENDING TRUE-UP BEFORE INTEREST (12 + 7 + 8 + 10a)	1,874,090	3,227,585	4,690,628	3,881,861	3,637,555	3,433,890	2,943,606	1,440,879	208,378	0	0	0	1,874,090	
14 TOTAL (13 + 12)	2,896,129	5,208,591	7,320,182	8,590,828	7,539,389	7,088,648	6,473,495	4,398,545	1,958,823	0	0	0	2,896,129	
15 AVERAGE (10% OF 14)	1,458,064	2,604,296	3,660,091	4,295,414	3,769,694	3,544,324	3,236,742	2,199,282	828,412	0	0	0	1,458,064	
16 INTEREST RATE - FIRST DAY OF MONTH	5.55	5.53	5.50	5.60	5.56	5.52	5.22	5.22	5.22	0.00	0.00	0.00	5.55	
17 INTEREST RATE - FIRST DAY OF SUBSEQUENT MONTH	5.53	5.50	5.50	5.56	5.52	5.22	5.22	5.22	5.22	0.00	0.00	0.00	5.53	
18 TOTAL (16 + 17)	11,080	11,030	11,100	11,180	11,080	10,740	10,440	10,440	10,440	0,000	0,000	0,000	11,080	
19 AVERAGE (10% OF 18)	5,540	5,515	5,550	5,590	5,540	5,370	5,220	5,220	5,220	0,000	0,000	0,000	5,540	
20 MONTHLY AVERAGE (18+19) MONTHLY AVERAGE	0,462	0,460	0,463	0,465	0,462	0,449	0,435	0,435	0,435	0,200	0,200	0,200	0,462	
21 INTEREST PROVISION (19+20)	14,916	11,869	118,334	118,914	117,403	115,881	114,080	114,567	114,804	90	90	90	14,916	

COMPANY: PEOPLES GAS SYSTEM

CALCULATION OF TRUE-UP AMOUNT  
PROJECTED PERIOD

SCHEDULE E-4  
Transition  
-Revised-

ESTIMATED FOR THE PROJECTED PERIOD: JANUARY 99 through DECEMBER 99

	PRIOR PERIOD: APR 97 - MAR 98			CURRENT PERIOD: APR 98 - DEC 98	
	(1) 8 MOS. ACT. 4 MOS. REVISED EST.	(2)  ACTUAL	(3) (2)-(1)  DIFFERENCE	(4) 5 MOS. ACT. 4 MOS. REVISED EST.	(5) (3)+(4) TOTAL TRUE-UP
1 TOTAL THERM SALES \$	\$114,885,461	\$113,961,603	(\$923,858)	\$68,886,466	\$67,962,608
2 TRUE-UP PROVISION FOR THIS PERIOD OVER (UNDER) COLLECTION	\$2,374,902	\$3,239,116	\$864,214	(\$1,078,747)	(\$214,533)
2a MISCELLANEOUS ADJUSTMENTS	\$1,606,927	\$1,751,570	\$144,643	\$154,360	\$299,003
3 INTEREST PROVISION FOR THIS PERIOD	(\$62,890)	(\$57,001)	\$5,889	\$117,712	\$123,601
3a TRUE-UP (COLLECTED) OR REFUNDED JAN'99 - MAR'99				\$1,798	\$1,798
4 END OF PERIOD TOTAL NET TRUE-UP	\$3,918,939	\$4,933,685	\$1,014,745	(\$804,877)	\$209,981

NOTE: FIVE MONTHS ACTUAL FOUR MONTHS REVISED ESTIMATE DATA OBTAINED FROM CURRENT PERIOD SCHEDULE (E-2).

COLUMN (1) SAME AS COL. (4) PRIOR PERIOD SCHEDULE (E-4)	TOTAL TRUE-UP \$	equals	CENTS PER THERM TRUE-UP
COLUMN (2) DATA OBTAINED FROM MAR'98 SCHEDULE (A-2)	PROJ. TH. SALES		
LINE 4 COLUMN (2) SAME AS LINE 7 SCHEDULE (A-7)			
LINE 4 COLUMN (3) SAME AS LINE 9 SCHEDULE (A-7)	\$209,981	equals	0.00067
LINE 2 COLUMN (4) SAME AS LINE 7 SCHEDULE (E-2)	314,781,192		
LINE 2a COLUMN (4) SAME AS LINE 10a + 11a SCHEDULE (E-2)			
LINE 3 COLUMN (4) SAME AS LINE 8 SCHEDULE (E-2)			