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October 23, 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
Preliminary Statement of Issues and Positions

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 Preliminary Statement of Issues and Positions.

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.

RECEIVED & FILED

Sincerely,

EPSC-BUREAU OF RECORDS

David M. Nicholson
DAVID M. NICHOLSON

- ACK _____
- AFA Wandweir
- APP _____
- CAF _____ Enclosures
- CMU _____
- CTR _____ cc: Ms. Angie Llewellyn
Mr. W. Edward Elliott
All Parties of Record
- EAG** _____
- LEG 1
- LIN 3
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

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MAIL ROOM

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Purchased Gas : Docket No. 980003-GU
 Adjustment (PGA) Clause :
 _____ : Submitted for Filing: 10-26-98

**PEOPLES GAS SYSTEM'S
PRELIMINARY STATEMENT OF ISSUES AND POSITIONS**

Peoples Gas System ("PGS") hereby submits its preliminary statement of issues and positions to be taken up at the hearing now scheduled to begin on November 16, 1998 in this docket.

Issue 1: What is the appropriate final purchased gas adjustment true-up amount for the period April 1997 through March 1998?

PGS's Position: \$1,014,745 overrecovery.

Issue 2: What is the estimated purchased gas adjustment true-up amount for the period April 1998 through December 1998?

PGS's Position: \$804,877 underrecovery.

Issue 3: What is the total purchased gas adjustment true-up amount to be refunded in the January 1999 - December 1999 period?

PGS's Position: \$209,981 overrecovery.

Issue 4: What is the appropriate levelized purchased gas recovery (cap) factor to be charged during the period January 1999 through December 1999?

PGS's Position: 49.786 cents per therm.

DOCUMENT NUMBER DATE

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PROD. RECOVERY REPORTING

Issue 5: What should be the effective date of the new purchased gas adjustment charge for billing purposes?

PGS's Position: The factor should be effective for all meter readings on or after January 1, 1999, beginning with the first or applicable billing cycle for the period January 1999 through December 1999.

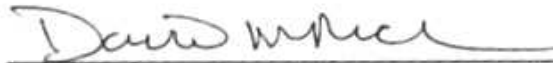
Respectfully submitted,



Ansley Watson, Jr.
David M. Nicholson
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P. O. Box 1531, Tampa, Florida 33601
(813) 273-4200
Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing **PEOPLES GAS SYSTEM'S PRELIMINARY STATEMENT OF ISSUES AND POSITIONS**, has been furnished by regular U.S. Mail this 23rd day of October 1998 to all known parties of record in Docket No. 980003-GU.



David M. Nicholson