



PEOPLES GAS

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November 10, 1999

Ms. Cheryl Bulecza-Banks, Director  
Bureau of Gas Regulation  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

(990002)

Re: Legal fees associated with IRS Tax Case related to Energy Conservation Issues

Dear Cheryl,

This letter is to confirm our telephone conversation on November 9 relating to the recovery of legal fees associated with the IRS Tax Case involving the treatment of revenues and costs attributable to Peoples Gas System's approved Energy Conservation Programs.

Peoples has incurred \$308,659 in legal expenses associated with this case. Peoples keeps its books in accordance with the methodology prescribed by the Florida Public Service Commission (FPSC) whereby energy conservation costs are equal to energy conservation revenues. The IRS took the position that different treatment should be used for tax purposes. Peoples Gas pursued the case through the Tax Court in defending the Company's position that the methodology prescribed by the FPSC should be used for both book and tax purposes.

Per our telephone conversation on November 9, Peoples will include these legal costs in the Energy Conservation Cost Recovery (ECCR) True-Up, and will recover these costs through the normal ECCR recovery mechanism. Since the dollar amount involved is relatively small in relation to the Company's total annual ECCR expenditures, Peoples does not propose any change in the currently proposed ECCR factors. As always, Peoples recognizes that these cost are subject to review by the Commission staff in subsequent ECCR audits.

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG \_\_\_\_\_
- LEG \_\_\_\_\_
- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- PAI \_\_\_\_\_
- SEC   1
- WAW \_\_\_\_\_
- OTH \_\_\_\_\_

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FPSC-RECORDS/REPORTING  
(813) 275-3900

Ms. Cheryl Bulecza-Banks, Director  
Bureau of Gas Regulation – FPSC  
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Thank you for all your help in resolving this matter, as well as for all your help  
with the litigation in Tax Court

Sincerely,

A handwritten signature in black ink, appearing to read "Francis J. Sivard". The signature is written in a cursive, flowing style with large, connected letters.

Francis J. Sivard  
Vice President – Accounting

FJS/vea

cc: Bob Elias, Bureau Chief – FPSC  
✓ Blanca S. Bayo, Director of Records & Reporting – FPSC