

**PEOPLES GAS SYSTEM**  
**BEFORE THE**  
**FLORIDA PUBLIC SERVICE COMMISSION**

**Docket No. 080318-GU**

**In Re: Petition of Peoples Gas  
System, For Authority to  
Increase Its Rates and Charges**

**Submitted for Filing:  
August 11, 2008**

**DIRECT TESTIMONY  
AND EXHIBITS OF:**

**DANIEL P. YARDLEY  
On Behalf of Peoples Gas System**

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1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, AFFILIATION AND BUSINESS  
3 ADDRESS.

4 A. My name is Daniel P. Yardley. I am Principal, Yardley & Associates and  
5 my business address is 3 Apollo Circle, Lexington, MA 02421.

6 Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

7 A. I am testifying on behalf of Peoples Gas System ("Peoples" or the  
8 "Company").

9 Q. PLEASE PROVIDE A BRIEF OUTLINE OF YOUR  
10 PROFESSIONAL AND EDUCATIONAL BACKGROUND.

11 A. I have been employed as a consultant to the natural gas industry for the  
12 past 18 years. During this period, I have directed or participated in  
13 numerous consulting assignments on behalf of local distribution  
14 companies ("LDCs"). A number of these assignments involved the  
15 development of gas distribution company cost allocation, pricing, service  
16 unbundling, revenue decoupling and other tariff analyses. In addition to  
17 this work, I have performed interstate pipeline cost of service and rate  
18 design analyses, gas supply planning analyses, and financial evaluation  
19 analyses. I received a Bachelor of Science Degree in Electrical  
20 Engineering from the Massachusetts Institute of Technology in 1988.

21 Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE REGULATORY  
22 BODIES CONCERNING RATE AND REGULATORY MATTERS?

23 A. Yes. Although I have not previously testified before the Florida Public  
24 Service Commission (the "Commission"), I have testified in  
25 approximately 20 proceedings before public utility commissions in other

1 states and before the Federal Energy Regulatory Commission. The subject  
2 matters addressed in my testimony in these proceedings included cost of  
3 service, cost allocation, rate design, revenue decoupling and capacity  
4 planning.

5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. The primary purpose of my testimony is to develop and support Peoples'  
8 proposed rate design applicable to the Company's firm and interruptible  
9 distribution services. I will highlight important industry developments  
10 since Peoples' last base rate case in 2002 and explain the implications for  
11 the rate design that is appropriate to implement in this proceeding. The  
12 rates that I propose fairly apportion the Company's revenue requirement  
13 among customer classes, to be recovered through appropriate rate  
14 components applicable to each class. The non-uniform increases to  
15 various rates and charges reflect the results of the Company's allocated  
16 cost of service study ("COSS"), which I am supporting through my  
17 testimony.

18 I am also presenting a reclassification of some General Service  
19 ("GS") customers. GS customers include all commercial and industrial  
20 customers taking firm service from Peoples and vary in size from those  
21 with similar load characteristics as residential customers to very large  
22 processing loads. I am also proposing to reclassify a limited number of  
23 larger residential customers into corresponding GS rate schedules. The  
24 reclassification leads to greater uniformity within each group of GS  
25 customers and supports the effectiveness of the Company's rate design

1 proposals in meeting important rate design objectives.

2 **Q. HAVE YOU PREPARED OR CAUSED TO BE PREPARED ANY**  
3 **EXHIBITS TO BE INTRODUCED IN THIS PROCEEDING?**

4 A. Yes. The schedules of the MFRs listed in Exhibit \_\_ (DPY-1) were  
5 prepared by me or under my supervision. Each MFR contains a general  
6 explanation of what is called for and shown on the schedule. In addition, I  
7 am presenting the following additional exhibits with my testimony:

8 Exhibit \_\_ (DPY-2): Summary of Reclassification of Residential  
9 and GS Customers

10 Exhibit \_\_ (DPY-3): Rate of Return and Required Revenue  
11 Increase by Class to Yield Uniform Rate of  
12 Return

13 Exhibit \_\_ (DPY-4): Comparison of Existing and Proposed  
14 Revenues

15 Exhibit \_\_ (DPY-5): Comparison of Class-by-Class Rate of  
16 Return at Current and Proposed Rates

17 Exhibit \_\_ (DPY-6): Comparison of Monthly Customer Charges /  
18 Customer-Related Costs

19 **Q. HOW IS YOUR TESTIMONY ORGANIZED?**

20 A. My testimony is organized into four sections following this introduction.  
21 Section II provides important background on shifting industry  
22 fundamentals and the impact that they have on the specific rate design  
23 proposed by Peoples. Section III details the changes to the classification  
24 of the Company's GS and residential rate classes. Section IV explains the  
25 methodology, inputs and results of the COSS analysis. Lastly, Section V

1 presents the specific approach to developing Peoples' proposed base rates  
2 designed to recover its total revenue requirements.

3 **II. RECENT GAS INDUSTRY TRENDS**

4 **Q. WHY IS RATE DESIGN AN IMPORTANT ELEMENT OF THE**  
5 **COMPANY'S PROPOSALS IN THIS PROCEEDING?**

6 A. Rate design provides a means of achieving important goals from a variety  
7 of perspectives. For customers, rate design conveys price signals that  
8 affect consumption decisions. Price signals inherent in any rate design  
9 include the cost of connecting to Peoples' distribution system, which  
10 affects which fuel the customer will choose for a particular end use. In  
11 addition, rate design influences customer consumption decisions based on  
12 the marginal cost or savings to the customer of increasing or decreasing  
13 monthly consumption. Lastly, rate design influences the fairness of prices  
14 from one customer class to another as well as within customer classes,  
15 each of which is comprised of many different but similarly situated  
16 customers paying the same rates.

17 From the perspective of an LDC such as Peoples, rate design  
18 governs the manner in which revenues are collected, and – more  
19 importantly – the manner in which costs of providing service are  
20 recovered from customers. The implications of a particular rate design for  
21 an LDC include the likelihood that the design enables the LDC to recover  
22 its approved level of revenue requirements. This directly affects the terms  
23 on which it is able to retain and attract capital to provide ongoing  
24 reliability and fund customer growth.

25 From a public policy perspective, rate design can be an important

1 tool for achieving specific energy policy goals that influence the quality of  
2 life for citizens and the competitive position of the State of Florida. Policy  
3 goals affected by rate design include end-use fuel mix, energy efficiency  
4 and environmental impacts of energy consumption. Therefore, the form of  
5 a utility's rate structure is an important building block that can contribute  
6 to achieving important goals that are presently at the forefront of Florida's  
7 energy policy.

8 **Q. PLEASE DESCRIBE THE SPECIFIC RATE DESIGN GOALS FOR**  
9 **PEOPLES THAT GUIDED THE DEVELOPMENT OF THE RATE**  
10 **DESIGN YOU ARE RECOMMENDING.**

11 A. The rate design approach I am recommending seeks to achieve the  
12 following five goals:

13 (1) **Fairness** – Fairness is accomplished through pricing services  
14 based on the underlying cost. Fairness is important in many  
15 respects including between the Company and its customers, across  
16 the classes served by Peoples, and within individual customer  
17 classes.

18 (2) **Energy Efficiency** – Reducing energy consumption through  
19 energy efficiency and conservation helps implement important  
20 policy objectives that will benefit customers and the environment.

21 (3) **Revenue Stability** – Revenue stability indicates that Peoples' base  
22 rate revenues are more predictable in view of future uncertainties.  
23 As customer use patterns have become less predictable, improved  
24 revenue stability through rate design takes on greater importance.

25 (4) **Rate Moderation** – Moderation ensures that customers are not

1 exposed to dramatic price changes that could result in undesirable  
2 impacts including cost increases or economic decisions by existing  
3 customers to cease taking gas service from Peoples.

4 (5) **Simplicity** – Simplicity means a rate structure that is easy for  
5 customers to understand and straightforward to administer.

6 At times, these individual goals compete with one another and  
7 must be balanced to achieve an appropriate set of rates and tariff  
8 provisions to recover the Company's cost of service.

9 **Q. PLEASE DESCRIBE PEOPLES' EXISTING RATE SCHEDULES.**

10 A. Peoples' existing rate schedules are segregated by sector, nature of service  
11 (firm or interruptible) and by customer size. Firm service is primarily  
12 provided under one Residential Service ("RS") and six GS rate schedules.  
13 A limited number of customers take firm service under Commercial Street  
14 Lighting Service ("CSLS"), Natural Gas Vehicle Service ("NGVS"),  
15 Residential Standby Generator Service ("RS-SG"), Commercial Standby  
16 Generator Service ("CS-SG"), and Wholesale Service ("WHS").

17 Peoples also provides interruptible service under three size-based  
18 rate schedules – Small Interruptible Service ("SIS"), Interruptible Service  
19 ("IS") and Interruptible Service – Large Volume ("ISLV"). Lastly, in  
20 some cases, customers taking interruptible service enter into a contract  
21 with Peoples under the Contract Interruptible Service ("CIS") rate  
22 schedule that governs the pricing and other terms of the service they  
23 receive.

24 **Q. WHAT RATES AND CHARGES ARE INCORPORATED INTO**  
25 **THE RS AND GS RATE SCHEDULES?**

1 A. The existing rate design for these two rate schedules is similar and  
2 includes two types of base rate charges that are intended to recover  
3 Peoples' non-gas revenue requirements, and a purchased gas adjustment  
4 ("PGA") charge to recover the costs of gas supply. The residential base  
5 rates consist of a \$10 customer charge and a \$0.37667 per therm delivery  
6 or distribution charge. Customer charges are applied per customer per  
7 month and distribution charges are applied to each customer's monthly  
8 therm usage. Under this rate structure, all residential customers pay a  
9 minimum amount to Peoples, regardless of their monthly usage. The per-  
10 therm distribution charge results in customers paying lower amounts as  
11 their consumption decreases. The distribution charge is considered a  
12 variable charge because all of the associated revenues are linked to  
13 customer usage or throughput.

14 The existing rate design for GS customers is very similar to that for  
15 residential customers. The existing monthly customer charges range from  
16 a low of \$14 for SGS customers up to \$150 for GS-5 customers. The per-  
17 therm distribution rate is \$0.26955 for SGS customers and decreases to  
18 \$0.10041 for GS-5 customers, with the greatest reduction occurring  
19 between the GS-4 and GS-5 rate classes. Although Peoples' rate structure  
20 employs both fixed and variable charges, the vast majority of firm base  
21 revenues are recovered through the variable per-therm charges. During  
22 2007, over 70% of total firm base rate revenue was attributable to variable  
23 charges.

24 **Q. DO THE REMAINING RATE SCHEDULES EMPLOY THE SAME**  
25 **TYPE OF RATE DESIGN?**



1 A. The majority of the other rate schedules also utilize a combination of  
2 monthly customer charges and per-therm distribution charges.  
3 Specifically, the CSLS, NGVS, WHS, SIS, IS and ISLV rate schedules  
4 employ this type of rate structure with varying levels of customer and  
5 distribution charges that are intended to reflect the costs incurred to  
6 provide service.

7 The standby generator-only services, RS-SG and CS-SG, represent  
8 an exception to the typical rate structure. The generator-only rate  
9 schedules were developed and approved after the Commission approved  
10 rates in the Company's last base rate case. The services were developed in  
11 response to customer needs to back up their electric service during  
12 hurricane-induced or other electric service outages. Standby generator-  
13 only customers do not utilize natural gas as their primary fuel for any end-  
14 use. As a result, it is typical for these customers to have zero monthly  
15 usage. The existing rate structure for standby generator-only customers  
16 reflects a higher customer charge and an initial block of use that includes  
17 no per-therm charge. The level of the customer charge and the size of the  
18 initial block were derived to yield revenue for an average residential or  
19 SGS customer based on the Company's last base rate case.

20 **Q. ARE THERE SEPARATE CHARGES FOR GAS SUPPLY?**

21 A. Yes. Sales customers that purchase their gas supply from Peoples pay a  
22 volumetric PGA rate for gas supply. Sales customers include all  
23 residential customers and many GS customers. The PGA rate recovers the  
24 costs of purchased gas and upstream pipeline capacity and storage  
25 resources necessary to ensure firm delivery to customers throughout the

1 year, and is adjusted periodically to track changes in Peoples' delivered  
2 cost of gas supply. The PGA rate includes an over- or under-recovery  
3 component (the true-up) that carries forward any difference between gas  
4 costs and PGA revenues for recovery or refund in a future period.

5 Many non-residential customers are transportation-only customers,  
6 and pay Peoples to deliver gas the customers have purchased from various  
7 third-party marketers other than Peoples. The gas price for a firm  
8 transportation customer is negotiated in a competitive marketplace  
9 between the customer and the marketers. All transportation customers are  
10 subject to the additional terms of either the Natural Choice Transportation  
11 Service Rider ("NCTS") or the Individual Transportation Service Rider,  
12 which govern the relationship among customers, Peoples and marketers  
13 including all pool administration functions. Transportation customers also  
14 have the option of returning to sales service at any point in the future,  
15 subject to certain notice requirements. Due to rising natural gas  
16 commodity prices, gas supply charges (whether through the PGA or from  
17 marketers) have been rising and now represent 50-75% of the total natural  
18 gas bill for the vast majority of Peoples' customers.

19 **Q. HOW DOES THE COMPANY'S CURRENT RATE DESIGN**  
20 **COMPARE WITH THE RATE DESIGNS OF OTHER LDCS?**

21 A. Peoples' base rate structure mirrors that of many LDCs. In particular, the  
22 use of a monthly customer charge and a variable distribution charge based  
23 on consumption to recover revenue requirements is fairly prevalent across  
24 the U.S. This particular form of rate design reflects historical industry  
25 drivers and economic conditions that are now changing in many respects.

1           While the basic structure of the Company's rate design is similar to  
2           that of many other LDCs, there are also differences. Many firm and  
3           industrial customers of other LDCs pay a higher portion of their bills  
4           through fixed customer and demand charges. In addition, many LDCs  
5           employ weather normalization or other revenue stability mechanisms that  
6           affect revenue recovery.

7   **Q.   WHAT FACTORS INFLUENCED THE DEVELOPMENT OF THE**  
8   **TRADITIONAL RATE DESIGN THAT RELIES UPON**  
9   **CONSUMPTION-BASED CHARGES TO RECOVER A**  
10 **SUBSTANTIAL PROPORTION OF REVENUE REQUIREMENTS?**

11  A.   This somewhat longstanding approach reflects many historical industry  
12       drivers. The country's natural gas delivery system underwent a period of  
13       broad expansion that lasted for decades following World War II. This  
14       expansion, enabled by advances in metallurgical technologies and welding  
15       techniques, brought the benefits of reliable, affordable and clean-burning  
16       natural gas to millions of households and businesses throughout the United  
17       States, including Florida. Public policy promoted the expansion of natural  
18       gas infrastructure and additional penetration of natural gas into more  
19       homes and for additional end-uses. This public policy was reflected in  
20       rate design as expanding systems and growing loads allowed the LDCs'  
21       fixed costs to be spread over higher levels of billing units, lowering  
22       average costs to consumers.

23           The historical period up to and including the 1990s was also  
24       characterized by relatively low and stable gas commodity prices, which in  
25       turn contributed to stable customer consumption. Although many existing

1 appliances were replaced with more efficient ones, customers continued to  
2 add appliances over this timeframe as natural gas gained market share for  
3 many end-uses including water heating and heating.

4 Frequent base rate cases could be considered the norm as LDCs  
5 filed to recover the capital costs of expansion through base rates. More  
6 frequent base rate cases also provided opportunities for LDCs to reflect  
7 the current consumption characteristics of customers in rates on a regular  
8 basis.

9 **Q. ARE THERE ANY CHANGES UNDERWAY IN THE GAS**  
10 **INDUSTRY THAT AFFECT HOW RATE DESIGN SHOULD BE**  
11 **APPROACHED IN THIS PROCEEDING?**

12 A. A confluence of factors is leading to the need to reconsider the most  
13 appropriate approach to rate design and whether the existing approach that  
14 recovers a substantial portion of fixed costs through variable charges  
15 should be supplanted. The first of these factors is a significant tightening  
16 of the supply-demand balance in wholesale natural gas markets caused  
17 primarily by the increased use of natural gas to generate electricity. In  
18 recent years, gas commodity prices have been subject to material  
19 increases. The impact on customers has been negative as gas supply costs  
20 have increased by over 200% compared with levels prevalent during the  
21 1990s. In response, many customers have cut their consumption, which  
22 leads – under the traditional rate design currently used by Peoples – to an  
23 underrecovery of the revenue requirements embedded in their base rates.

24 Second, environmental concerns associated with human activity  
25 are perhaps greater today than at any other time in history. Responsible

1 energy consumption falls squarely under the rubric of important  
2 environmental challenges receiving significant focus by politicians,  
3 scientists and engineers alike. There is an increasing emphasis on  
4 reducing carbon emissions in order to achieve environmental and quality  
5 of life benefits that result. In addition, potential climate-change risks,  
6 including global warming and energy security concerns, are receiving  
7 *greater attention from environmental advocates and local and national*  
8 *policy makers.* In 2007, Governor Crist convened the Serve to Preserve  
9 Florida Summit on Global Climate Change and signed executive orders  
10 that promote additional energy efficiency and reduced greenhouse gas  
11 emissions.

12 Third, a number of financial challenges are facing many LDCs,  
13 including Peoples. Improvements in appliance efficiency contribute to  
14 declining use for existing end-uses, resulting in a downward trend in  
15 consumption associated with existing capital investments. This downward  
16 trend leads to revenue erosion under the existing rate design. In the past,  
17 the impact of declining use trends was generally offset by customer  
18 growth and increased natural gas appliance saturation. These mitigating  
19 effects on revenue losses have diminished as the natural gas industry  
20 continues to mature and the housing expansion has experienced a dramatic  
21 slowdown. In addition, substantial LDC investments in cast iron and  
22 unprotected steel distribution mains installed post-World War II are  
23 nearing the ends of their useful lives and require replacement or  
24 *protection.*

25 The gas distribution industry has also seen a substantial shift with

1 respect to capital expenditures. In the past, the majority of capital  
2 expenditures were associated with adding profitable new loads, while  
3 today substantial capital spending is associated with non-revenue  
4 producing projects. These elements are affecting the economics of utility  
5 service as LDCs are no longer able to fund as high a proportion of their  
6 non-revenue producing capital investments through revenues derived from  
7 customer growth. The impact of these changing economics can be acute  
8 in an environment where base rate cases are less frequent.

9 **III. RATE RECLASSIFICATION**

10 **Q. HOW ARE GS CUSTOMERS PRESENTLY CLASSIFIED INTO**  
11 **GROUPS?**

12 A. The six size- or consumption-based GS rate schedules are segregated as  
13 follows:

- 14 ■ Small General Service ("SGS") includes all customers smaller  
15 than 1,000 annual therms,
- 16 ■ GS-1 includes customers between 1,000 and 17,499 annual  
17 therms,
- 18 ■ GS-2 includes customers between 17,500 and 49,999 annual  
19 therms,
- 20 ■ GS-3 includes customers between 50,000 and 249,999 annual  
21 therms,
- 22 ■ GS-4 includes customers between 250,000 and 499,999 annual  
23 therms, and
- 24 ■ GS-5 includes all customers above 500,000 annual therms.

25 Peoples performs an annual review of customer consumption and

1 reassigns customers to a different rate schedule on a prospective basis if  
2 necessary.

3 **Q. WHY IS IT APPROPRIATE TO REEXAMINE THE**  
4 **CONSUMPTION THRESHOLDS AMONG PEOPLES' GS RATE**  
5 **CLASSES?**

6 A. The primary purpose of modifying some of the existing breakpoints  
7 between rate classes is to introduce greater homogeneity among customers  
8 served under the same rate schedule. This improves the ability to develop  
9 a fair rate design that achieves the overall pricing goals I described earlier  
10 and reduces the potential for intraclass subsidies among customers. In  
11 addition, it is important to smooth some of the revenue transitions  
12 underlying the existing groupings. The greatest emphasis of the  
13 regrouping is on the existing GS-1 class, which encompasses both the  
14 most diverse range of GS customers as well as largest number of  
15 customers.

16 **Q. PLEASE DESCRIBE THE SPECIFIC CHANGES YOU**  
17 **RECOMMEND.**

18 A. The size of the GS-1 class would be reduced under my proposal by  
19 reclassifying the smallest GS-1 customers into the SGS class and  
20 reclassifying the largest GS-1 customers into the GS-2 class. Specifically,  
21 the SGS class would include all customers with annual usage up to 1,999  
22 therms. The GS-1 class would now include customers from 2,000 up to  
23 9,999 annual therms and the GS-2 class would include customers from  
24 10,000 up to 49,999 annual therms. The annual thresholds and  
25 designations for customers with 50,000 annual therms and above would

1 remain the same as today. Under these new groupings, the largest  
2 customers within any of the rate schedules are no more than five times the  
3 size of the smallest ones measured by annual consumption. This  
4 represents an improvement over the existing groupings.

5 **Q. ARE YOU PROPOSING ANY CHANGE TO THE RESIDENTIAL**  
6 **RATE CLASSES?**

7 A. Yes, but this change is driven by a separate classification issue associated  
8 with common areas of condominiums. The common areas of  
9 condominiums are considered to be for residential use even though many  
10 of Peoples' condominium association customers have load characteristics  
11 that are more similar to GS customers than to residential. As a result,  
12 many condominium association customers have sought to be reclassified  
13 as GS on the basis of various interpretations of the distinctions between  
14 residential and commercial end-uses by the Commission and other Florida  
15 agencies.

16 I am proposing to maintain separate residential and general service  
17 rate schedules for customers below 2,000 annual therms. Residential  
18 customers under this threshold would continue to receive service under the  
19 RS rate schedule. General service customers under this threshold would  
20 be served on the SGS rate schedule, which is now expanded to cover  
21 customers up to 2,000 annual therms. All residential and general service  
22 customers with annual loads of 2,000 therms or greater would be served  
23 under a GS rate schedule based on the new thresholds I described  
24 previously.

25 As a result, all larger condominium associations would be included



1 in a general service rate schedule reflecting the same service pricing as for  
2 GS customers of the same size. In addition, these customers would also  
3 be eligible to purchase supply from a marketer and receive transportation  
4 service under the NCTS rider. All existing condominium transportation  
5 customers whose consumption falls below 2,000 annual therms would be  
6 allowed to continue transporting until such time as the customer elected to  
7 return to bundled sales service.

8 Under my recommendation, condominium association customers  
9 would achieve all of the benefits of service under a GS rate schedule,  
10 while continuing to maintain a residential designation for deposit terms  
11 and conditions. I believe this approach reasonably groups customers with  
12 similar load characteristics under a common rate schedule. Furthermore,  
13 this approach alleviates the need for a case-by-case evaluation of  
14 condominium association customers that believe they should be  
15 designated as GS instead of residential, saving considerable administrative  
16 resources.

17 **Q. HAVE YOU PREPARED A SUMMARY THAT COMPARES THE**  
18 **EXISTING AND NEW GROUPING OF GS AND RS CUSTOMERS?**

19 A. Yes. Exhibit \_\_\_(DPY-2) shows the number of customers and annual  
20 loads for existing GS and RS classes mapped into the new classifications.  
21 Approximately 43% of Peoples' GS customers fall in the new GS-1 group,  
22 compared with 68% under the existing classification. In addition, the new  
23 SGS and GS-2 groups include approximately 34% and 20% of total GS  
24 customers, respectively.

25 **IV. ALLOCATED COST OF SERVICE STUDY**

1 **Q. WHAT IS THE PURPOSE OF AN ALLOCATED COSS AND HOW**  
2 **DOES IT AFFECT THE DEVELOPMENT OF PROPOSED RATES**  
3 **FOR PEOPLES?**

4 A. An allocated COSS provides an excellent means of assessing the  
5 reasonableness of existing prices, and guides the development of price  
6 changes. In particular, the COSS examines all of a utility's common  
7 costs, and through appropriate cost assignments and allocations,  
8 establishes measures of investments, expenses and income by customer  
9 class. An allocated COSS is necessary to determine the cost responsibility  
10 of each customer class because many of the Company's costs are common  
11 and are incurred collectively to serve multiple classes of customers.

12 The COSS calculates the total investment and operating costs  
13 incurred to serve each customer class by establishing class-specific total  
14 revenue requirements. The class-specific revenue requirements are  
15 compared to class revenues in order to establish class income. Class-  
16 specific income is then compared to allocated rate base in order to  
17 determine class rate of return on investment. The class-specific rates of  
18 return are used to guide the apportionment of the revenue increase among  
19 all of Peoples' customer classes in conjunction with the development of  
20 proposed rates. The COSS also determines the classification of costs  
21 among demand, customer and commodity components. The classification  
22 of costs within a customer class is used to guide the development of the  
23 form of billing rates for that class. Although the COSS is not the only  
24 factor relied upon to design rates, it is an invaluable guide to ensuring that  
25 the process is fair and reasonable.

1 **Q. WHAT PRINCIPLES GUIDE THE DEVELOPMENT OF THE**  
2 **COSS YOU ARE PRESENTING?**

3 A. The primary principle guiding the COSS process is that of cost causation.  
4 That is, each step in the development of a COSS should be consistent with  
5 the factors that drive or contribute to the incurrence of costs on the  
6 Peoples system. For example, the principle of cost causation requires that  
7 the costs incurred by the Company for meter reading be apportioned to  
8 classes on the basis of the number of meter readings in each class.

9 In addition, it is also necessary to take into consideration the  
10 availability of required data and the degree of complexity involved in  
11 performing various aspects of the COSS. For instance, some of the  
12 Company's individual facility investments are decades old, which may not  
13 easily or cost-effectively be associated with an individual customer class  
14 based on available data. In such cases, reasonable approximations that are  
15 consistent with cost causation principles must be made. Similarly, it is not  
16 worthwhile to develop a complex algorithm for allocating a small  
17 investment or operating cost item that would ultimately have little or no  
18 impact on the overall results of the COSS.

19 **Q. PLEASE DESCRIBE THE DATA YOU RELIED ON TO PREPARE**  
20 **THE COSS.**

21 A. The primary data sources fall in two general categories: data related to the  
22 establishment of the total cost of service or revenue requirements, and data  
23 used as the basis for allocating the total cost of service among customer  
24 classes. The total cost of service or revenue requirement data utilized in  
25 the COSS are taken from MFRs filed by Peoples in this proceeding. The

1 Company's forecasts of sales, customers and revenues by class as adjusted  
2 for pro forma changes, and contained in the MFRs, are used as allocation  
3 bases for several categories of costs. The remaining allocation data are  
4 derived from studies of facility investments, which will be described later  
5 in my testimony. All of the data utilized in the COSS correspond to a  
6 common time period of January through December 2009. This is the  
7 projected test year, which is the period for which rates are to be  
8 determined.

9 **Q. WHAT STEPS ARE FOLLOWED IN PREPARING THE COSS?**

10 A. The COSS follows a simple two-step process to arrive at appropriate  
11 allocations for each rate schedule. The first step in the process, cost  
12 classification, separates costs according to the primary cost causative  
13 forces exhibited on Peoples' system. The cost classifications used in the  
14 COSS relate to fixed costs required to serve peak requirements (demand-  
15 related), fixed costs associated with providing customers with access to  
16 and active status on the system (customer-related), and variable costs  
17 associated with system throughput (commodity-related). Second, cost  
18 allocation takes each classification of cost and apportions that cost to each  
19 of the Company's customer classes. Cost allocation utilizes a variety of  
20 factors to apportion the various types of costs among classes in a manner  
21 that is consistent with principles of cost responsibility.

22 **Q. PLEASE DESCRIBE THE FACILITY INVESTMENT STUDIES**  
23 **YOU MENTIONED EARLIER.**

24 A. Three facility investment studies were performed to allocate significant  
25 components of the Company's rate base as follows:

1                   **(1) Meter and Service Investment Study:** The typical replacement  
2                   cost of connecting each class of customer including service,  
3                   meter and meter installation costs formed the basis for allocating  
4                   the associated rate base included in Peoples' cost of service. The  
5                   allocation of these investments was performed using a weighted-  
6                   customer allocator derived from the forecasted number of  
7                   customers and relative investment in meters and services  
8                   compared to the residential class.

9                   **(2) Mains Investment Study:** The Company's investment in mains  
10                  was segregated into three categories based on a replacement cost  
11                  analysis. The three categories were distinguished by pipe  
12                  diameter size with 0-4" representing small, 4-8" representing  
13                  medium and 8" and above representing large diameter mains.  
14                  Based on typical facility configurations, large diameter mains  
15                  were allocated to all customers with the exception of those  
16                  directly served off of a dedicated interconnection with an  
17                  interstate pipeline. Medium diameter mains were allocated to all  
18                  customers up to GS-5 and SIS. Lastly, small diameter mains  
19                  were allocated to all customers up to GS-4.

20                 **(3) Direct Assignment Study:** Customer-specific investments in  
21                 mains, services and meters for the SIS, IS, ISLV and Special  
22                 Contract classes were utilized to allocate rate base investment  
23                 costs to Peoples' largest customers.

24                 Approximately 90% of the Company's total rate base is allocated  
25                 based on the results of these facility studies.

1 **Q. PLEASE DESCRIBE THE RESULTS OF THE COSS.**

2 A. The results of the COSS indicating the rate of return by class are provided  
3 on Exhibit \_\_ (DPY-3). As shown on this exhibit, the rate of return for the  
4 residential class is only 2.45%, well below the current system-average rate  
5 of return of 6.02%. The residential class is by far Peoples' largest class in  
6 terms of number of customers. Other classes that are earning below the  
7 system-average rate of return include the CSLS, CS-SG, SGS and NGVS  
8 classes. Classes that are earning near the system-average rate of return  
9 include the GS-1 through GS-5 and WHS classes, while the largest  
10 customers on the system in the SIS, IS, ISLV and Special Contract classes  
11 are earning above the system average rate of return.

12 Exhibit \_\_ (DPY-3) also provides the required revenue increase  
13 and associated percentage increase for each of the classes that is necessary  
14 to yield the proposed overall rate of return on rate base of 8.88%. While  
15 most classes would require a base rate increase in order to yield an 8.88%  
16 rate of return, the residential class indicates the largest required increase of  
17 approximately \$15.7 million. The RS-SG, IS and ISLV classes indicate a  
18 small decrease in rates is appropriate based on the underlying cost of  
19 providing service.

20 **Q. PLEASE DESCRIBE THE RESULTS OF YOUR COSS WITH**  
21 **RESPECT TO CUSTOMER-RELATED COSTS.**

22 A. Monthly customer costs are derived from the costs that are classified as  
23 customer-related and the apportionment of these costs to Peoples' various  
24 customer classes. The system-wide average monthly customer cost is  
25 \$21.09, and the cost generally varies with the size of the customer. The

1 lowest average customer cost of \$15.45 per month is indicated for the  
2 residential customer class.

3 **Q. ARE THERE DETAILED SCHEDULES SUPPORTING THESE**  
4 **RESULTS?**

5 A. Yes. Schedule H-1 of the Company's MFRs provides detailed reporting  
6 of all COSS results. Specifically, Schedule H-1, pages 3 and 4 provide the  
7 allocated cost of service associated with each class, which is compared to  
8 the existing revenues to yield the class-specific revenue deficiency. Also,  
9 Schedule H-1, pages 5 and 6 provide a class-specific income statement  
10 showing the earned rate of return by class.

11 **Q. PLEASE DESCRIBE THE IMPLICATIONS OF THE COSS**  
12 **RESULTS FOR PEOPLES' RATE DESIGN.**

13 A. The results of the COSS clearly indicate that class-differentiated base rate  
14 revenue increases are appropriate given the disparity in rates of return by  
15 customer class. In addition, the monthly customer-related costs should be  
16 taken into consideration in the development of proposed modifications to  
17 existing customer charges.

18 **V. DEVELOPMENT OF PROPOSED RATE DESIGN**

19 **Q. PLEASE EXPLAIN THE STEPS YOU PERFORMED TO**  
20 **DEVELOP SPECIFIC CHARGES APPLICABLE TO EACH**  
21 **CUSTOMER CLASS.**

22 A. First, I determined the class-by-class revenue requirements, which reflect  
23 the results of the COSS and other rate design principles. Next, I evaluated  
24 the existing level of customer charges and proposed increases, where  
25 appropriate, to recover a greater proportion of customer-related costs

1 through the customer charges. Lastly, I established the appropriate peak  
2 demand rate.

3 **Q. HOW DID YOU DEVELOP THE REVENUE REQUIREMENT TO**  
4 **BE RECOVERED THROUGH THE RATES APPLICABLE TO**  
5 **EACH CUSTOMER CLASS?**

6 A. The revenue requirement by customer class is based upon the rates of  
7 return under the present rates as well as the required increase by class to  
8 achieve the overall rate of return of 8.88%. In most cases, the increase to  
9 each class is equal to that required to achieve a uniform rate of return at  
10 proposed rates.

11 Within the residential classes, I established a new rate for the  
12 residential generator class that yielded a rate of return that is above system  
13 average. This is a reasonable approach given the uncertainty with respect  
14 to when these customers will take service from Peoples and the potential  
15 cost consequences that may differ from those captured through a COSS  
16 analysis. Further, the fact these customers have elected to install gas fired  
17 back-up generators, which will only be used in emergencies, reflects that  
18 they value the service offered. The increased revenues received from the  
19 residential generator class offset the increase applied to the RS class.

20 A second exception to a pure cost-based revenue allocation was  
21 associated with the NGVS class. In this case, the COSS indicates a  
22 substantial revenue increase is required; however, I limited the increase to  
23 one-half of the required amount. Applying a reduced allocation is  
24 appropriate to moderate the rate impact to NGVS customers as well as to  
25 support the potential advanced market penetration in vehicle markets,



1 which would support Florida's energy policy goals.

2 The last exception relates to commercial customers within the GS-  
3 2 through GS-4 designations. Specifically, I reduced the revenue  
4 allocation to the GS-4 class as a means of lowering the current per-therm  
5 rate differential between the GS-4 and GS-5 classes. The difference as  
6 well as the revenue reduction to NGVS customers is made up through an  
7 increased revenue allocation to GS-2 and GS-3 classes. The increased  
8 revenues to these two classes result in base rate increases that remain  
9 below the system-average increase.

10 The proposed base revenue increase by class is summarized in  
11 Exhibit \_\_\_ (DPY-4). In addition, I have reflected the proposed revenues  
12 in the COSS in order to derive class-specific rates of return on rate base.  
13 These are shown in Exhibit \_\_\_ (DPY-5) in absolute terms and in relation  
14 to the proposed system-average return.

15 **Q. WHY IS IT APPROPRIATE TO REDUCE THE PER-THERM**  
16 **RATE DIFFERENTIAL BETWEEN THE GS-4 AND GS-5**  
17 **CLASSES?**

18 A. GS-4 customers are not markedly different in size than GS-5 customers.  
19 Under the existing pricing structure, the per-therm charge applicable to  
20 GS-5 use is 44% below the corresponding charge for GS-4 customers.  
21 Given the fact that the majority of revenues for these classes are recovered  
22 through the per-therm charges, uneven revenue consequences result when  
23 customers cross-over the threshold of 500,000 annual therms between  
24 these classes. I am particularly concerned that GS-5 customers that may  
25 reduce their usage and fall into the GS-4 class would end up paying more

1 in base revenues than if they had not reduced their consumption. The  
2 revenue allocation I propose reduces the impact of this phenomenon on  
3 customers. It may be appropriate in a future base rate proceeding to  
4 consolidate the GS-4 and GS-5 classes into a single rate schedule.

5 **Q. HAVE YOU PERFORMED A COMPARISON OF EXISTING**  
6 **MONTHLY CUSTOMER CHARGES AND MONTHLY**  
7 **CUSTOMER COSTS?**

8 A. Yes. Exhibit \_\_\_ (DPY-6) shows the difference between existing monthly  
9 customer charges and monthly customer costs as determined by the COSS.

10 **Q. WHY IS THE LEVEL OF THE CUSTOMER CHARGE**  
11 **IMPORTANT?**

12 A. The level of the customer charge is important for a variety of reasons.  
13 First, the customer charge provides customers with an important price  
14 signal concerning the impact of connecting to Peoples' distribution system  
15 because it is a charge payable every month whether or not any gas is  
16 consumed. Second, recovering customer-related costs through customer  
17 charges contributes to intra-class fairness. Third, the customer charge  
18 provides revenue stability for the Company by allowing it to recover fixed  
19 costs that are incurred to serve customers through a fixed charge.

20 **Q. ARE YOU PROPOSING ANY MODIFICATION TO THE RATE**  
21 **STRUCTURE APPLICABLE TO RESIDENTIAL CUSTOMERS?**

22 A. Yes. I am proposing to substantially increase the proportion of fixed costs  
23 recovered through the customer charge for residential customers.  
24 However, this could lead to undesirable bill impacts for smaller residential  
25 customers. As a means of mitigating these bill impacts, I am proposing

1 distinct monthly customer charges for different sizes of residential  
2 customers.

3 **Q. PLEASE DESCRIBE THE SPECIFIC CHARGES YOU ARE**  
4 **RECOMMENDING FOR RESIDENTIAL CUSTOMERS.**

5 A. First, I established the proposed customer charges for the three sizes of  
6 residential customers. Residential customers with annual use between 0  
7 and 99 therms would pay a monthly customer charge of \$12. Residential  
8 customers with annual use between 100 and 249 therms would pay a  
9 monthly customer charge of \$15 and residential customers above 250  
10 annual therms would pay a monthly customer charge of \$20. The average  
11 monthly customer charge of \$15.40 is very close to the monthly customer  
12 cost associated with serving Peoples' residential customers. The  
13 remaining revenue requirements allocated to the residential class are  
14 recovered through an equal per-therm charge of \$0.32120.

15 Larger residential customers will experience a more substantial  
16 increase to the existing monthly customer charge of \$10. However, the  
17 specific charges and therm thresholds I am proposing result in reasonable  
18 bill impacts across the entire residential class. This results from the fact  
19 that the higher customer charges for larger residential customers are offset  
20 by a lower proposed per-therm charge, which also has the greatest impact  
21 on reducing bills for those customers that will pay the higher customer  
22 charges.

23 **Q. HOW DID YOU DERIVE PROPOSED RATES FOR THE GS**  
24 **CUSTOMER CLASSES?**

25 A. The proposed rates for the GS classes were developed using the same

1 approach as for the residential class. I first established an appropriate  
2 customer charge for each class. The proposed customer charge for the  
3 SGS class is \$25.00 per month, a 25% increase over the existing level of  
4 \$20.00. Similarly, I recommend increases to the customer charges for  
5 other GS classes to yield new charges that range from \$35.00 for GS-1  
6 customers to \$300.00 per month for GS-5 customers. For each GS class,  
7 the remaining revenue requirements indicated in Exhibit \_\_ (DPY-5) are  
8 recovered through revised per-therm charges.

9 **Q. PLEASE DESCRIBE THE PROPOSED CHANGES TO THE**  
10 **RATES FOR THE STANDBY GENERATOR CLASSES.**

11 A. These rate schedules were developed since the last rate case in response to  
12 customer needs. I propose to continue the same form of rate design,  
13 which reflects a higher fixed customer charge given these customers may  
14 go for extended periods without using their natural gas service. However,  
15 I am proposing to derive the average fixed charge based on 20 therms for  
16 residential standby generators and 40 therms for commercial standby  
17 generators. Any use above these levels would be priced at the existing  
18 delivery charge reflected in the corresponding RS-SG or CS-SG rate  
19 schedule. The customer charge for the residential standby generator class  
20 is set equal to the largest customer charge for residential customers, or  
21 \$20. Similarly, the customer charge for commercial standby generators is  
22 \$35, which is equal to the proposed customer charge for GS-1 customers.

23 **Q. PLEASE SUMMARIZE YOUR FINDINGS WITH RESPECT TO**  
24 **THE RATES YOU ARE PROPOSING FOR PEOPLES.**

25 A. My testimony concerning Peoples' rates leads to two important

1 conclusions. The first is that a greater proportion of fixed costs should be  
2 recovered through fixed charges. The second is that non-uniform  
3 increases in class-specific revenue requirements are appropriate to reflect  
4 the underlying cost of providing service. These conclusions are supported  
5 by the COSS I am supporting in this proceeding.

6 Increasing fixed charges will better align Peoples' prices with  
7 underlying costs of providing service, thereby improving price signals to  
8 customers and achieving a greater degree of fairness. Existing customer  
9 charges for most customers are substantially below cost-based levels and  
10 should be increased by a greater percentage than the overall level of  
11 increase in base rates proposed by Peoples. Lastly, increased use of fixed  
12 charges to recover fixed costs is consistent with recent initiatives to  
13 promote greater energy efficiency and conservation by customers.

14 The proposed class-specific revenue requirements reasonably  
15 apportion the Company's requested revenue increase among rate classes.  
16 The results of the COSS indicate that the class-specific rate of return for  
17 residential customers is lower than for most other customer groups and is  
18 contributing more significantly to the need for rate relief. By assigning  
19 the largest proportion of the revenue increase to the residential class, the  
20 proposed class-specific revenue requirements promote fairness. In most  
21 cases, the rates that I propose are designed to recover the target revenues  
22 indicated by the COSS. Limited exceptions are associated with the  
23 NGVS, RS-SG and GS-2 through GS-4 classes.

24 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

25 **A.** Yes, it does.

**MFR SCHEDULES SPONSORED BY  
DANIEL P. YARDLEY**

<b><u>MFR Schedule No. (page)</u></b>	<b><u>Title</u></b>
E-8	Cost Study – Derivation of Facilities
H-1 (1-13)	Fully Allocated Embedded Cost of Service Study
H-2 (1-11)	Fully Allocated Embedded Cost of Service Study
H-3 (1-5)	Fully Allocated Embedded Cost of Service Study

**Summary of Reclassification of Residential and General Service Customers**

Line No.	Existing Class	Percent of Total GS	Proposed Reclassification and Annual Therm Thresholds					
			RS (0-1,999)	SGS (0-1,999)	GS-1 (2,000-9,999)	GS-2 (10,000-49,999)	GS-3 (50,000-249,999)	
1	<b>RS</b>							
2	Customers	307,080	n/a	306,119	0	844	107	10
3	Therms	68,089,578	n/a	61,817,823	0	3,245,665	2,164,412	861,678
4	<b>RS-Condominium</b>							
5	Customers	626	n/a	155	0	338	123	9
6	Therms	5,109,750	n/a	148,114	0	1,879,542	2,491,486	590,608
7	<b>SGS</b>							
8	Customers	5,312	18%	0	5,312	0	0	0
9	Therms	2,542,062	1%	0	2,542,062	0	0	0
10	<b>GS-1</b>							
11	Customers	19,885	68%	0	5,114	12,146	2,625	0
12	Therms	109,866,815	30%	0	5,754,388	60,305,625	43,806,796	0
13	<b>GS-2</b>							
14	Customers	3,208	11%	0	0	0	3,208	0
15	Therms	75,992,091	21%	0	0	0	75,992,091	0
16	<b>GS-3</b>							
17	Customers	809	3%	0	0	0	0	809
18	Therms	73,111,338	20%	0	0	0	0	73,111,338
19	<b>TOTAL AFTER RECLASS</b>							
20	Customers			306,275	10,426	13,328	6,064	828
21	Percent of Total GS			n/a	34%	43%	20%	3%
22	Therms			61,965,937	8,296,451	65,430,832	124,454,784	74,563,624
23	Percent of Total GS			n/a	2%	17%	33%	20%

**Peoples Gas System  
Rate of Return and Required Increase by Class  
to Yield Uniform Rate of Return**

<u>Line No.</u>	<u>Customer Class</u>	<u>No. of Customers</u>	<u>Existing Base Revenues</u>	<u>Earned ROR at Present Rates</u>	<u>Required Revenue Increase for 8.88% ROR</u>	<u>Required Increase In Base Revenues</u>
1	Residential (RS)	306,274	\$59,391,044	2.45%	\$15,749,522	26.5%
2	RS-SG	716	\$153,109	18.07%	(\$25,392)	-16.6%
3	CSLS	63	\$115,660	0.47%	\$62,558	54.1%
4	GS-SG	792	\$262,976	1.96%	\$68,177	25.9%
5	SGS (0-1,999) Therms	10,426	\$5,046,880	4.21%	\$1,062,050	21.0%
6	GS-1 (2,000 - 9,999)	13,329	\$20,534,619	6.17%	\$3,275,190	15.9%
7	GS-2 (10,000 - 49,999)	6,064	\$30,498,072	8.49%	\$2,358,479	7.7%
8	GS-3 (50,000 - 249,999)	828	\$15,303,329	8.14%	\$1,429,199	9.3%
9	GS-4 (250,000 - 499,999)	123	\$7,839,571	8.33%	\$690,769	8.8%
10	GS-5 (500,000 +)	104	\$6,691,956	6.59%	\$1,118,797	16.7%
11	SIS	26	\$3,568,425	10.36%	\$45,002	1.3%
12	IS	14	\$4,773,640	11.97%	(\$171,838)	-3.6%
13	IS-LV	3	\$1,531,163	15.00%	(\$225,244)	-14.7%
14	NGVS	15	\$66,369	-2.06%	\$45,144	68.0%
15	Wholesale (WHS)	11	\$228,759	6.63%	\$38,147	16.7%
16	Special Contracts	8	\$6,555,855	10.44%	\$66,015	1.0%
17	Misc. Service Charges		\$7,344,698		\$901,517	
18	TOTAL COMPANY	338,795	\$169,906,125	6.02%	\$26,488,092	15.6%



**Peoples Gas System  
Comparison of Existing and Proposed Base Revenues**

<u>Line No.</u>	<u>Customer Class</u>	<u>Existing Base Revenues</u>	<u>Proposed Base Revenues</u>	<u>Proposed Increase In Base Revenues</u>
1	Residential (RS)	\$59,391,044	\$75,096,443	26.4%
2	RS-SG	\$153,109	\$171,840	12.2%
3	CSLS	\$115,660	\$178,218	54.1%
4	GS-SG	\$262,976	\$332,640	26.5%
5	SGS (0-1,999) Therms	\$5,046,880	\$6,108,931	21.0%
6	GS-1 (2,000 - 9,999)	\$20,534,619	\$23,809,809	15.9%
7	GS-2 (10,000 - 49,999)	\$30,498,072	\$33,902,764	11.2%
8	GS-3 (50,000 - 249,999)	\$15,303,329	\$17,282,474	12.9%
9	GS-4 (250,000 - 499,999)	\$7,839,571	\$7,021,274	-10.4%
10	GS-5 (500,000 +)	\$6,691,956	\$7,810,753	16.7%
11	SIS	\$3,568,425	\$3,613,427	1.3%
12	IS	\$4,773,640	\$4,601,802	-3.6%
13	IS-LV	\$1,531,163	\$1,305,919	-14.7%
14	NGVS	\$66,369	\$88,945	34.0%
15	Wholesale (WHS)	\$228,759	\$266,905	16.7%
16	Special Contracts	\$6,555,855	\$6,555,859	0.0%
17	Misc. Service Charges	\$7,344,698	\$8,246,215	
18	<b>TOTAL COMPANY</b>	<b>\$169,906,125</b>	<b>\$196,394,218</b>	<b>15.6%</b>

**Peoples Gas System  
Comparison of Class-by-Class Rate of Return  
at Current and Proposed Rates**

<u>Line No.</u>	<u>Customer Class</u>	<u>At Current Rates</u>		<u>At Proposed Rates</u>	
		<u>Earned ROR</u>	<u>Unitized</u>	<u>Earned ROR</u>	<u>Unitized</u>
1	Residential (RS)	2.45%	0.41	8.86%	1.00
2	RS-SG	18.07%	3.00	22.83%	2.57
3	CSLS	0.47%	0.08	8.88%	1.00
4	GS-SG	1.96%	0.32	9.07%	1.02
5	SGS (0-1,999) Therms	4.21%	0.70	8.88%	1.00
6	GS-1 (2,000 - 9,999)	6.17%	1.02	8.88%	1.00
7	GS-2 (10,000 - 49,999)	8.49%	1.41	9.88%	1.11
8	GS-3 (50,000 - 249,999)	8.14%	1.35	9.88%	1.11
9	GS-4 (250,000 - 499,999)	8.33%	1.38	3.67%	0.41
10	GS-5 (500,000 +)	6.59%	1.09	8.88%	1.00
11	SIS	10.36%	1.72	8.88%	1.00
12	IS	11.97%	1.99	8.88%	1.00
13	IS-LV	15.00%	2.49	8.88%	1.00
14	NGVS	-2.06%	(0.34)	2.49%	0.28
15	Wholesale (WHS)	6.63%	1.10	8.88%	1.00
16	Special Contracts	10.44%	1.73	8.59%	0.97
17	TOTAL COMPANY	6.02%	1.00	8.88%	1.00

**Comparison of Monthly Customer Charges /  
Customer-Related Costs**

<u>Customer Class</u>	<u>Existing Customer Charge</u>	<u>Customer Costs</u>	<u>Difference</u>	<u>Proposed Charge</u>	<u>Increase</u>
<b>Residential (RS)</b>					
0-99 Annual Therms	\$ 10.00	\$ 15.45	\$ 5.45	\$ 12.00	\$ 2.00
100-249 Annual Therms	\$ 10.00	\$ 15.45	\$ 5.45	\$ 15.00	\$ 5.00
250-1,999 Annual Therms	\$ 10.00	\$ 15.45	\$ 5.45	\$ 20.00	\$ 10.00
RS-SG	\$ 17.82	\$ 14.78	\$ (3.04)	\$ 20.00	\$ 2.18
CSLS	\$ -	\$ 22.53	\$ 22.53	\$ 0.00	\$ -
GS-SG	\$ 27.67	\$ 34.65	\$ 6.98	\$ 35.00	\$ 7.33
SGS (0-1,999) Therms	\$ 20.00	\$ 35.43	\$ 15.43	\$ 25.00	\$ 5.00
GS-1 (2,000 - 9,999)	\$ 30.00	\$ 61.81	\$ 31.81	\$ 35.00	\$ 5.00
GS-2 (10,000 - 49,999)	\$ 35.00	\$ 113.87	\$ 78.87	\$ 50.00	\$ 15.00
GS-3 (50,000 - 249,999)	\$ 45.00	\$ 281.52	\$ 236.52	\$ 150.00	\$ 105.00
GS-4 (250,000 - 499,999)	\$ 85.00	\$ 576.40	\$ 491.40	\$ 250.00	\$ 165.00
GS-5 (500,000 +)	\$ 150.00	\$ 232.49	\$ 82.49	\$ 300.00	\$ 150.00
SIS	\$ 150.00	\$ 697.99	\$ 547.99	\$ 300.00	\$ 150.00
IS	\$ 225.00	\$ 2,237.53	\$ 2,012.53	\$ 475.00	\$ 250.00
IS-LV	\$ 225.00	\$ 11,462.00	\$ 11,237.00	\$ 475.00	\$ 250.00
NGVS	\$ 35.00	\$ 209.30	\$ 174.30	\$ 45.00	\$ 10.00
Wholesale (WHS)	\$ 100.00	\$ 223.87	\$ 123.87	\$ 150.00	\$ 50.00