



PEOPLES GAS

September 4, 2008

Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399

RECEIVED-FPSC
08 SEP -5 PM 3:41
COMMISSION
CLERK

Re: Docket No. 080004-GU- Natural Gas Conservation Cost Recovery

Dear Ms. Cole:

Enclosed for filing is the response to Peoples Gas System audit disclosure, (audit control number 08-037-2-4), in the above referenced docket.

Thank you for your assistance with this filing.

Sincerely,

Kandi M. Floyd
Manager, Regulatory

cc: Daniel Lee
Katherine Fleming

PEOPLES GAS
702 NORTH FRANKLIN STREET
P.O. BOX 2562
TAMPA, FL 33601-2562
AN EQUAL OPPORTUNITY COMPANY

DOCUMENT NUMBER-DATE
08241 SEP-5 08

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Audit Finding No. 1 of the audit report reads as follows:

AUDIT FINDING NO. 1

SUBJECT ANALYSIS: ANALYSIS OF CUSTOMER BILL TEST

AUDIT ANALYSIS: Florida Administrative Code (F.A.C) Rule 25-17.015 (5) states that Advertising expense recovered through energy conservation cost recovery shall be directly related to an approved conservation program.

PGS has sponsorship agreements with Seminole ISP Sports Network and the Florida Gator Network for energy conservation advertising. Included in these agreements, PGS receives merchandising and marketing services.

The Seminole ISP Sports Network agreement provided for a two hour pre-game event for 25 guests to included tickets, tent, tables and chairs, food and drink, complementary programs, DJ and big-screen television, appearance by FSU cheerleaders, door prizes and an opportunity to display a corporate banner.

Also included were four football season tickets, two tickets to the ISP suite at an FSU home football game and an opportunity to purchase four tickets to the ACC Championship game and to the FSU Bowl game if FSU plays. The total cost of the sponsorship was \$102,000.

The Florida Gator Network agreement included four season tickets to all seven Gator home football games, four skybox tickets to one home game and an invitation to one pre-game party and one tailgate party for twelve, including game tickets, food and beverage. The total cost of the sponsorship was \$100,000.

EFFECT ON THE GENERAL LEDGER: None

EFFECT ON THE FILING: Provided for staff determination whether these sponsorships meet the requirements in Rule 25-17.015 (5).

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Peoples' Response:

Peoples has advertised its energy conservation programs with both the Gator and Seminole Networks and has included these costs in its energy conservation cost recovery clause since the late 1990s. These annual contracts provide a combination of services that includes advertising for radio and television media outlets and a web banner on the Gator Network site.

All advertisements with both the Gator and Seminole Networks promote Peoples' energy conservation programs, and meet the requirements in FAC 25-17.015(5). These advertisements are directly related to Peoples approved energy conservation programs, do not mention competing sources and are not imagine enhancing. In addition, these advertisements mirror the same advertisements that are run in the annual Get Gas Florida campaign, but are specific to Peoples' programs.

These forums of advertisements within Florida have historically proved to be an effective means to deliver the conservation message to existing and potential new natural gas customers. The investment in these sponsorships includes the following demographics:

- Seminole Network - Television coverage in Peoples territory can reach 6.1 million households (total season). During the season our 30 second TV spot is aired 14 times, and we receive an 8 second opening and closing "billboard" on each of 14 shows.
- Seminole Network - Radio coverage is on 34 affiliates and virtually covers all of Peoples territory across the state. During the season, our 30-second radio spots air 42 times and we receive an 8-second opening "billboard" on each of 14 shows.
- Gator Network - Television coverage in Peoples territories reaches 5.6 million households (total season) with viewers between 18 and 54 years of age and a cumulative reach of 787,000 people, covering each major market in Florida. During the season our 30 second TV spot is aired 12 times.
- Gator Network - Radio coverage is on 30 affiliates and covers the entire state. During the season, our 30-second radio spots air 36 times and we receive an 8-second opening and closing "billboard" on each of 12 shows.
- Gator Network – The official website of the Florida Gators – gatorzone.com – which contains a Peoples Gas banner ad - receives 4 million page views per month during football season.

**Peoples Gas System
Docket 080004-GU
Response to Audit Control No. 08-037-2-4
September 4, 2008**

The advertising industry has acknowledged that sports and events sponsorships are an increasing trend. A *USA Today* article on March 25, 2008, stated that:

"Advertisers and marketers, struggling to keep up with changing consumer habits, are about to make massive investments in new digital and out-of-home media platforms".

The 18 emerging markets/platforms it refers to include event sponsorships. They predict that in 2008 companies will spend up to 72% more than in 2007 for this area as a way to connect with customers. (Source: http://usatoday.com/money/advertising/2008-03-25-alternative-media-ad-spending_N.htm)

Peoples believes that these sponsorship costs should be recovered through the energy conservation recovery clause, however, Peoples recognizes that these sponsorships include game tickets. In response to this audit, Peoples has requested that both the Gator and Seminole Networks provide the value of the tickets within these sponsorships so that these items may be removed from the energy conservation cost recovery clause. Peoples has agreed to remove these costs from the 2007 true-up filing and will refile the 2007 true-up simultaneously with the 2008 energy conservation projection.