FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

May 5, 2009

Docket No. 080318-GU – Petition for rate increase by Peoples Gas System.

Issue 1: Are the historical base year ended December 31, 2007, and the projected test year ending December 31, 2009, the appropriate test years to be utilized in this docket?
Recommendation: The historical base year ended December 31, 2007, and the projected test year ending December 31, 2009, as adjusted, reflect the appropriate rate base, cost of capital, and net operating income. Therefore, the historical base year ended December 31, 2007 and the projected test year ending December 31, 2009 are the appropriate test years.

APPROVED

Issue 2: Are the projected bills and therms for the test year ending December 31, 2009, appropriate for use in this case?
Approved Stipulation: Yes. The projected bills and therms for the test year ending December 31, 2009 are appropriate for use in this case.

STIPULATION APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY	DISSENTING
Nancy Argenziano	
Katrina J. McMurrian	
Lisa Edgar	

REMARKS/DISSENTING COMMENTS: Chairman Carter participated in the conference by telephone. He will sign the vote sheet upon his return to the office.

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FPSC-COMMISSION CLERK

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Issue 3: Is the quality of gas service provided by PGS adequate?
Approved Stipulation: Yes.

STIPULATION APPROVED

Issue 4: DROPPED

Issue 5: Should any adjustments be made to Projected Plant, Accumulated Depreciation, and Depreciation Expense?
Recommendation: Yes. The 2009 projected test year 13-month average Projected Plant, and Depreciation Expense should be reduced by $1,959,308 and $113,640, respectively, and Accumulated Depreciation should be increased by $795,371 resulting from 2008 and 2009 activities.

APPROVED

Issue 6: DROPPED

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Issue 7: Should any adjustments be made to reduce Plant, Accumulated Depreciation, Depreciation Expense, and other expenses to reflect non-utility operations?
Recommendation: No. Staff has reviewed the Company's filing and recommends that no adjustments are necessary to Plant, Accumulated Depreciation, Depreciation Expense, or other expenses to reflect non-utility operations.

APPROVED

Issue 8: What is the appropriate amount of Construction Work in Progress (CWIP) for the 2009 projected test year?
Recommendation: The appropriate amount of Construction Work in Progress for the 2009 projected test year is $18,249,444.

APPROVED

Issue 9: What is the appropriate 2009 projected test year Total Plant?
Recommendation: The appropriate 2009 projected test year Total Plant should be $989,165,541.

APPROVED

Issue 10: What is the appropriate 2009 projected test year Depreciation Reserve?
Recommendation: The appropriate 2009 projected test year depreciation reserve should be $435,075,857.

APPROVED

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Issue 11: DROPPED

Issue 12: What is the appropriate 2009 projected test year Working Capital Allowance?
Approved Stipulation: The appropriate 2009 projected test year Working Capital Allowance is ($11,494,371). (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

STIPULATION APPROVED

Issue 13: What is the appropriate projected test year Rate Base?
Recommendation: The appropriate projected test year rate base should be $560,844,757.

APPROVED

Issue 14: What is the appropriate return on common equity for the projected test year?
Recommendation: The appropriate return on common equity for the 2009 projected test year is 10.75 percent with a range of plus or minus 100 basis points.

APPROVED

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Issue 15: What is the appropriate capital structure for the projected test year?
Recommendation: The appropriate capital structure for purposes of setting rates in this proceeding is based on the Company's 2009 projected test year capital structure. This capital structure reflects a projected equity ratio of 54.7 percent as a percentage of investor-supplied capital. The appropriate capital structure for the 2009 test year is shown on Schedule 2 of staff's memorandum dated April 23, 2009.

APPROVED

Issue 16: What is the appropriate cost rate of long-term debt for the projected test year?
Approved Stipulation: The appropriate cost rate of long-term debt for the projected test year is 7.20%.

STIPULATION APPROVED

Issue 17: What is the appropriate cost rate of short-term debt for the projected test year?
Recommendation: The appropriate cost rate for short-term debt for the 2009 projected test year is 3.02 percent as shown on Schedule 2 of staff's memorandum dated April 23, 2009.

APPROVED

Issue 18: What is the appropriate amount of accumulated deferred taxes to be included in the capital structure for the projected test year?
Recommendation: The appropriate amount of accumulated deferred taxes to include in the capital structure for the 2009 projected test year is $27,670,682, as shown on Schedule 2 of staff's memorandum dated April 23, 2009.

APPROVED

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Issue 19: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year?
Approved Stipulation: The appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure for the projected test year are $7,862 and 0%, respectively, as shown on MFR Schedule G-3, page 2. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

STIPULATION APPROVED

Issue 20: What is the appropriate weighted average cost of capital for the projected test year?
Recommendation: Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ended December 31, 2009, staff recommends that the appropriate weighted average cost of capital for PGS for purposes of setting rates in this proceeding is 8.50 percent.

APPROVED

Issue 21: Has PGS made the appropriate test year adjustments to remove revenues and expenses recoverable through the Purchased Gas Adjustment Clause?
Approved Stipulation: Yes.

STIPULATION APPROVED

Issue 22: Has PGS made the appropriate test year adjustments to remove conservation revenues and conservation expenses recoverable through the Conservation Cost Recovery Clause?
Approved Stipulation: Yes.

STIPULATION APPROVED

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Issue 23: What amount, if any, of Off-System Sales revenues should be included in the projected test year?
Recommendation: The Off-System Sales revenues for the 2009 projected test year should be $2 million. Therefore, operating revenues should be increased by Off-System Sales revenues of $1.5 million for the 2009 projected test year. In addition, taxes other than income should be increased by $7,500 for regulatory assessment fees on the Off-System sales revenues.

APPROVED

Issue 24: What is the appropriate amount of projected test year total Operating Revenues?
Recommendation: The appropriate amount of Operating Revenues is $171,406,126 for the 2009 projected test year.

APPROVED

Issue 25: Are the trend rates used by PGS to calculate projected Operation & Maintenance expenses appropriate?
Recommendation: Yes. The appropriate trend factors to be used in deriving projected expenses in the projected test year are as follows:

Trend Factors	Historic Base Year +1 12/31/2008	Projected Test Year 12/31/2009
Payroll Only	3.50%	4.00%
Customer Growth & Payroll	4.37%	4.51%
Customer Growth & Inflation	3.76%	2.60%
Inflation Only	2.90%	2.10%
Customer Growth	0.84%	0.49%

APPROVED with the understanding that the stricken staff analysis text, as modified at the conference, will not be addressed in the final Order.

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Issue 26: Should the projected test year O&M expense be adjusted for the effect of any changes to the trend factors?
Recommendation: No. The payroll factors, customer growth factors and inflation factors for 2008 and 2009 were not changed, so no adjustments are necessary to the 2009 O&M expenses. Also, no adjustment is needed to remove the customer growth factors in the determination of the 2009 payroll expense.

APPROVED

Issue 27: Should any adjustments be made to the 2007 O&M expenses for staff Audit Finding Nos. 1 and 2, to address out-of-period expenses, reclassifications, and non-utility expenditures?
Approved Stipulation: Yes. Adjustments should be made to the 2007 O&M expenses to remove out-of-period, reclassifications, and non-utility expenses. Based on these trended adjustments, 2009 Office Supplies and Expenses, Account 921, should be reduced by $18,853 and Miscellaneous General Expenses, Account No. 930.2 should be reduced by $5,007.

STIPULATION APPROVED

Issue 28: Should any adjustments be made to Account 920, Administrative and General Salaries, or any other accounts related to employee compensation?
Recommendation: Yes. Staff recommends an adjustment to reduce Account 920, Administrative and General Salaries, by $253,300 to reduce the officer's 2009 payroll increases to zero, and reduce the ~~salaries~~ merit increase of the other employees.

APPROVED as modified by staff at the conference.

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Issue 29: What is the appropriate amount of rate case expense and what is the appropriate amortization period for that expense?
Recommendation: The appropriate amount of rate case expense and the appropriate amortization period is $684,500 and four years, respectively. Therefore, rate case expense should be reduced by $78,875.

APPROVED

Issue 30: Is PGS' proposed recovery of the gas cost portion of bad debt expense through the Purchased Gas Adjustment Clause appropriate?
Recommendation: No. PGS' adjustment to transfer $723,580 of the bad debt expense to the Purchased Gas Adjustment Clause should be reversed.

APPROVED

Issue 31: Should any adjustments be made to bad debt expense?
Recommendation: Yes. Bad debt expense should be increased by $723,580, and should be based on a four-year average. This adjustment is designed to reflect the removal of the gas cost portion from the Purchased Gas Adjustment Clause discussed in Issue 30.

APPROVED

Issue 32: Should any adjustments be made to Account 926, Employee Pensions and Benefits?
Recommendation: Yes. An adjustment should be made to reduce Account 926, Employee Pensions and Benefits by $125,361 which removes $117,000 in unjustified employee benefit expenses and an inflation factor of $8,361 that was agreed to by OPC and PGS.

APPROVED

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Issue 33: What is the appropriate amount of pipeline integrity expense, if any, to be included in the projected test year?
Recommendation: Projected test year pipeline integrity expense should be reduced by $250,000.

APPROVED

Issue 34: Should the Commission allow PGS to establish a storm damage reserve, and if so, what is the appropriate amount of annual storm expense accrual?
Recommendation: Yes. The Commission should allow PGS to establish a storm damage reserve and the appropriate amount for the annual storm damage accrual should be $57,500. As a result, the proposed annual storm damage accrual of $100,000 should be reduced by $42,500. A target level of $1,000,000 should be established for the storm damage reserve but no "cap" should be imposed at this time.

APPROVED

Issue 35: Should any adjustments be made to Account 912, Demonstrating and Selling expenses?
Recommendation: Yes. An adjustment to reduce Account 912, Demonstrating and Selling expenses by $407,360 to reflect a 5-year average of customer signings should be made.

APPROVED

Issue 36: Should the costs to fund Directors and Officers Liability Insurance be included in the projected test year?
Recommendation: Yes. The Directors and Officers Liability Insurance should be included in the projected test year and no adjustment should be made to reduce or remove Director and Officer Liability Insurance. The Director and Officer Liability Insurance recovered through the TECO allocated expenses to Peoples in Issue 37 is appropriate.

APPROVED

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Issue 37: Should any adjustments be made to costs allocated by TECO to PGS?
Recommendation: Yes. An adjustment should be made to reduce TECO allocated payroll expense by $26,500 to reflect the change in 2009 merit increase guidelines.

APPROVED

Issue 38: What is the appropriate amount of Taxes Other Than Income Taxes?
Recommendation: The appropriate amount of Taxes Other Than Income Taxes is $10,831,433 for the 2009 projected test year.

APPROVED

Issue 39: Is it appropriate to make a parent debt adjustment as per Rule 25-14.004, Florida Administrative Code?
Recommendation: Yes. Jurisdictional income tax expense should be decreased by $847,389 to reflect the parent debt adjustment required by Rule 25-14.004, F.A.C.

APPROVED

Issue 40: What is the appropriate Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization?
Recommendation: The appropriate amount of Income Tax Expense, including current and deferred income taxes, ITC amortization, and interest synchronization is $9,203,691 for the 2009 projected test year.

APPROVED with the math adjustment noted by staff at the conference.

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Issue 41: What is the appropriate amount of projected test year O&M Expense?
Recommendation: The appropriate amount of O&M Expense is $72,124,723 for the 2009 projected test year.

APPROVED

Issue 42: What is the appropriate amount of projected test year Depreciation and Amortization Expense?
Recommendation: The appropriate amount of projected test year Depreciation and Amortization Expense should be $43,691,093.

APPROVED

Issue 43: What is the appropriate level of Total Operating Expenses for the 2009 projected test year?
Recommendation: The appropriate level of Total Operating Expenses is $135,370,619 for the 2009 projected test year.

APPROVED

Issue 44: What is the appropriate amount of projected test year Net Operating Income?
Recommendation: The appropriate amount of Net Operating Income is $36,035,507 for the 2009 projected test year.

APPROVED

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Issue 45: What is the appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency?
Approved Stipulation: The appropriate projected test year revenue expansion factor to be used in calculating the revenue deficiency is 1.6436. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

STIPULATION APPROVED

Issue 46: What is the appropriate projected test year operating revenue increase, if any?
Recommendation: The appropriate annual operating revenue increase is $19,125,419 for the 2009 projected test year.

APPROVED

Issue 47: Are PGS's estimated revenues by rate class at present rates for the projected test year appropriate?
Approved Stipulation: Yes. PGS's estimated revenues by rate class at present rates for the projected test year are appropriate.

STIPULATION APPROVED

Issue 48: What is the appropriate cost of service methodology to be used in allocating costs to the rate classes?
Approved Stipulation: The appropriate methodology is contained in revised MFR Schedule H, and should reflect the Commission approved adjustments to rate base, expenses, rate of return, and net operating income. (OPC does not affirmatively stipulate this issue but takes no position on the issue.)

STIPULATION APPROVED

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Issue 49: What are the appropriate customer charges?
Recommendation: This is a fall-out issue and will be decided at the May 19, 2009, Agenda Conference.

APPROVED

Issue 50: What are the appropriate per therm Distribution Charges?
Recommendation: This is a fall-out issue and will be decided at the May 19, 2009, Agenda Conference.

APPROVED

Issue 51: What are the appropriate Miscellaneous Service Charges?
Approved Stipulation: The appropriate revised miscellaneous service charges are as follows:

Service Charge	Staff Recommendation
Account Opening Charge	$28
Service Initiation Charge - Residential	$50 for initial meter
Service Initiation Charge - Other	$30 for each additional meter
Reconnection Charge - Residential	$70 for initial meter
Reconnection Charge - Other	$20 for each additional meter
Temporary Meter Turn-off Charge	$20
Failed Trip Charge	$25

STIPULATION APPROVED

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Issue 52: Is PGS's proposal to stratify its current single residential service class into three individual classes appropriate?
Approved Stipulation: Yes. The proposal allows the Company to recover a greater proportion of fixed customer-related costs indicated by the allocated cost of service study through customer charges, while at the same time managing the potential bill impacts for individual customers to reasonable levels. Absent establishing the three billing classes, the bill impacts associated with increasing fixed cost recoveries through the customer charge would be too large for smaller residential customers that use natural gas for fewer appliances.

STIPULATION APPROVED

Issue 53: Is PGS's proposal to reclassify certain customers appropriate?
Approved Stipulation: Yes. Redefining the GS-1 class (presently 1,000-17,500 annual therms) by moving the smallest GS-1 customers (up to 1,999 annual therms) into an expanded SGS rate class and moving the largest GS-1 customers (above 10,000 annual therms) into an expanded GS-2 rate class is appropriate to provide greater homogeneity and reduce the potential for intra-class subsidies.
At present all residential customers take service under the RS rate. The reclassification of a limited number of large residential customers addresses a separate issue, which relates to common areas of condominiums. Such use is considered residential even though the characteristics of the load are similar to use by larger GS customers. By expanding the eligibility of the GS-1 through GS-5 rate schedules to include residential use, the largest residential customers are included with similarly-situated non-residential customers for pricing purposes. An additional benefit of this approach is that it clarifies the rights of condominium units to purchase their gas supply from a third-party pursuant to the Company's transportation service program. The deposit terms and conditions associated with residential service would continue to apply to condominium customers that are reclassified to a GS rate schedule.

STIPULATION APPROVED

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Issue 54: Should the Commission approve PGS's proposed "Gas System Reliability Rider," which would permit recovery of revenue requirements associated with eligible infrastructure system replacements (e.g., replacements for existing facilities, relining projects to extend the useful life of existing facilities, road relocation projects) and incremental O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations? If approved as proposed by PGS, such recovery would continue until the effective date of revised base rates established in the Company's next base rate proceeding. The rider would also provide for the refund of O&M expenses, if any, incurred to comply with mandatory pipeline safety regulations, in excess of such expenses included in the Company's most recent base rate proceeding.
Recommendation: Yes, provided that PGS only be allowed to recover actual costs after they have been incurred. PGS should file a petition annually to establish per therm factors for each rate schedule to recover its actual and verifiable relocation and pipeline integrity costs in excess of what is recovered through base rates.

DEFERRED to the May 19, 2009 Agenda

Issue 55: Should the Commission approve PGS's proposed "Carbon Reduction Rider", which would permit recovery of revenue requirements associated with incremental capital expenditures, if any, for installation of supply mains (as defined in the rider) to serve primarily residential developments? If approved as proposed by PGS, such recovery would continue until the earlier of (i) the end of a five-year recovery period, or (ii) the effective date of revised base rates established in the Company's next base rate proceeding.
Recommendation: No. Staff agrees with OPC that PGS has not demonstrated the need for treatment of these costs outside a rate proceeding. Further, staff does not believe there are sufficient safeguards built into the Carbon Reduction Rider (CRR), as proposed, to adequately protect ratepayers from imprudent expenditures.

APPROVED

Issue 56: What is the appropriate effective date for PGS's revised rates and charges?
Approved Stipulation: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges which, under the current schedule, would mean for meter readings taken on or after June 18, 2009.

STIPULATION APPROVED

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Issue 57: Should any of the $2,380,000 interim rate increase granted by Order No. PSC-08-0696-PCO-GU be refunded to the ratepayers?
Recommendation: No. The proper refund amount should be calculated by using the same data used to establish final rates, excluding rate case expense and other items not in effect during the interim period. This revised revenue requirement for the interim collection period should be compared to the amount of interim revenues granted. Based on this calculation, no refund is required. Further, upon issuance of the Consummating Order in this docket, the corporate undertaking should be released.

APPROVED

Issue 58: Should PGS be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, earnings surveillance reports, and books and records which will be required as a result of the Commission's findings in this docket?
Approved Stipulation: Yes. PGS should be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records which will be required as a result of the Commission's findings in this rate case. (FIGU does not affirmatively stipulate this issue but takes no position on the issue.)

STIPULATION APPROVED

Issue 59: Should this docket be closed?
Approved Stipulation: Yes. This docket should be closed after the Commission has issued its final order and the time for filing an appeal has expired.

STIPULATION APPROVED