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Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: May 7, 2009

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (Draper)
Office of the General Counsel (Klancke, Brubaker, Fleming)

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

AGENDA: 05/19/09 – Regular Agenda – Post-Hearing Decision – Participation is Limited to Commissioners and Staff

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Skop

CRITICAL DATES: 8-Month Effective Date Waived through 5/19/09

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\080318A.RCM.DOC

Case Background

This proceeding commenced on August 11, 2008, with the filing of a petition for a permanent rate increase by Peoples Gas System (Peoples or Company). The Company is engaged in business as a public utility providing gas service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. Peoples was granted an interim revenue increase of $2,380,000 by Order No. PSC-08-0696-PCO-GU with interim rates going into effect on October 29, 2008. A technical hearing was conducted on March 4-5, 2009. At the May 5, 2009, Agenda Conference, the Commission approved an increase in operating revenues of $19,152,365 for the 2009 projected test year. PGS requested an increase of $26,488,091. Schedules 1 through 5 show the Commission-approved rate base, net operating income, capital structure, net operating income multiplier, and revenue increase.

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This recommendation addresses the issues that were not addressed at the May 5, 2009, Agenda Conference (Issues 49, 50, and 54). Issues 49 and 50 set the final rates, and the Commission deferred the vote on Issue 54, the Gas System Reliability (GSR) Rider, to allow staff more time for additional analysis.

Class revenue requirements. Several steps are necessary to establish final rates. At the May 5 Agenda, the Commission approved a total revenue increase. In Issue 48, the Commission also approved the overall cost of service methodology to be used in allocating costs to the rate classes, so the filed cost of service study first has to be revised to reflect the Commission-approved overall revenue increase. Determining the revenue requirement by customer class used to set new rates starts with the rates of return under the present rates. The approved revenue increase is then allocated to classes so as to bring each class as close to the system rate of return (parity) as practicable, given certain constraints. General Commission practice is to move all classes closer to parity while giving no class an increase greater than 1.5 times the system average percentage increase, and giving no class a rate decrease. Minor deviations from these principles are discussed below.

In this case, Peoples provided sound reasoning to provide the GS-4 class a decrease. The GS-4 class is available to customers using 250,000 to 499,999 therms annually. Customers using over 500,000 therms annually take service under the GS-5 class. Under current rates, the variable distribution charge for the GS-5 class is substantially lower than the distribution charge for the GS-4 class. That creates uneven revenue consequences when a GS-5 customer who conserves gas and his usage falls below the 500,000 therm threshold and falls into the GS-4 class. Since the GS-4 class has a higher distribution charge, the customer would end up paying more in base revenues than if the customer had not reduced consumption. To lower the current per-therm differential between the GS-4 and GS-5 class and send a better price signal regarding conservation, staff proposed to reduce the revenue allocation to the GS-4 class by $887,160. This amount was re-allocated to the GS-2 and GS-3 rate classes.

Second, the cost of service indicates that the interruptible rate classes are at present rates above the system rate of return. However, consistent with the parameter that in a general rate increase no class should receive a decrease, staff proposed no change to the revenue requirement for the interruptible rate classes in lieu of a decrease.

Finally, the cost of service study indicates that the Natural Gas Vehicle Sale (NGVS) class would require a substantial revenue increase to bring the class to the system rate of return. Staff proposed to limit the increase to one-half the required amount. Applying a reduced allocation is appropriate to moderate the impact to NGVS customers, consistent with section 366.06(1), F.S., regarding consideration of rate history and customer acceptance in setting rates. The rates of return at present and proposed rates for all rate classes are shown in Schedule 7.

Rate element design. After the total revenue requirement for each class is established, the final step is to translate the class revenue requirement into actual rates. The total revenue requirement for each rate class is first reduced by other operating revenues. This is primarily any additional revenues realized through service charges. Customer charges are then set based on the cost of service and the relative impact on various usage levels within classes. Multiplying the number of bills times the proposed customer charges yields the total customer charge revenues by class. This dollar amount is then also subtracted from the classes' total revenue requirement and the remaining dollar amount is divided by the projected therms by class. The per-therm distribution charge is a fall-out charge, and is calculated to produce the remaining revenue requirement.

Schedule 6, page 1 of 4, contains the recommended customer and per-therm distribution charges for all rate classes. Bill impacts for the three residential classes at various usage levels are shown in Schedule 6, pages 2 through 4. For ease of reference, staff is using the rates that were in effect prior to interim for the bill comparisons. Staff believes that comparison is more appropriate, since interim rates are in effect for a limited time period and subject to refund.

The purchased gas adjustment (PGA) approved every year in the PGA cost recovery docket is a maximum per therm charge. The actual charge may fluctuate every month. To compare bills in an equitable manner, staff used the PGA for May 2009 (95.533 cents per therm for residential customers) and 2009 conservation costs (2.439 cents per therm) for the bill calculations. The 20 therm residential bill was $37.13 prior to the interim increase, and $37.40 under interim rates. Under the staff-recommended rates, the bill would increase to $39.95, or by $2.82, when compared to the bill in effect prior to interim.

Based upon the stipulation in Issue 56, the revised charges will be effective for meter readings taken on or after June 18, 2009. The Commission has jurisdiction pursuant to Sections 366.04, 366.041, 366.05, 366.06, and 366.071, F.S.

Discussion of Issues

Issue 49: What are the appropriate customer charges?

Recommendation: The appropriate customer charges are shown in Schedule 6. Staff requests that the Commission grant staff the authority to administratively approve the tariffs filed to implement all Commission-approved rates and charges in this docket. (Draper)

Staff Analysis: The appropriate customer charges are shown in Schedule 6. The current residential customer charge is $10. The cost of service study indicates that the customer unit cost for the residential class is $15. In stipulated Issue 52, Peoples received approval to stratify the current single residential service class into three classes (RS-1, RS-2, RS-3) depending on annual usage. For small users, such as RS-1 customers, the customer charge is a large percentage of the monthly bill. The recommended RS-1 customer charge is $12, thus mitigating the bill impact on those small users. The recommended customer charge for the RS-2 class is $15. The RS-3 class is available for large residential gas users, with multiple gas appliances, and the recommended $20 customer charge is a small percentage of the monthly bill. The proposed customer charges, in conjunction with the proposed distribution charges, result in reasonable bill impacts across the entire residential class.

The proposed customer charge for the residential standby generator (RS-GS) rate is $20, which is equal to the RS-3 customer charge. The RS-GS customer charge includes usage up to 20 therms. Usage above 20 therms is billed at the RS distribution charge. Similarly, the customer charge for the commercial standby generator (CS-GS) rate is set at the at the GS-1 customer charge of $35. The $35 customer charge includes therm usage up to 40 therms per month; usage above 40 therms is billed at the GS-1 therm charge.

Issue 50: What are the appropriate per therm distribution charges?

Recommendation: The appropriate per therm distribution charges are shown in Schedule 6. (Draper)

Staff Analysis: The appropriate per therm distribution charges are shown in Schedule 6. The distribution charges were set at a level that, in combination with the customer charge, will result in the recovery of the total base revenues allocated to each rate class.

<u>Revised Issue 54</u>: 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.

<u>Recommendation</u>: 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. (Draper, Klancke)

<u>Position of the Parties</u>

PGS: Yes, to permit timely recovery of revenue requirements associated with government-mandated facility relocations or safety requirements, over which PGS has no control, between base rate cases.

OPC: No. PGS has not demonstrated that regulatory oversight of these costs should be removed from base rates review. These type costs are not sufficiently large or volatile as to warrant recovery in a "clause" mechanism, nor has PGS proposed any downward ROE adjustment in the event the rider is adopted.

FIGU: FIGU opposes this tariff rider because the costs are not volatile. The depreciation charge collected from customers is normally sufficient for pipeline replacement and repair.

<u>Staff Analysis</u>: **PGS' proposed new Gas System Reliability Rider is a new concept and the Commission has not previously considered a rider to recover relocation and pipeline integrity requirements outside a rate case.**

Parties' Positions

PGS proposed a new GSR Rider that would allows PGS to recover from its customers, through a surcharge, certain relocation and safety related costs, beginning in January 2010. Specifically, the GSR Rider is designed to recover two types of costs: revenue requirements[1] associated with certain eligible infrastructure system replacements, and incremental O&M expenses incurred to comply with federal transmission and distribution pipeline integrity requirements. (TR 483)

[1] Revenue requirements are defined by PGS as the Company's weighted average cost of capital, depreciation expense, and ad valorem taxes grossed up for federal and state income taxes.

The proposed GSR Rider tariff defines "eligible replacements" as:

1. mains, service lines, regulator stations, and other pipeline components installed to comply with state or federal safety requirements as replacements for existing facilities;
2. main and service line projects extending the useful life or enhancing the integrity of the pipeline components, undertaken to comply with state or federal safety requirements; and
3. facility relocations due to construction or improvement of a highway, road, street, public way or other public work by or on behalf of a government or other entity having the power of eminent domain, to the extent costs of the project are not reimbursed to PGS. (TR 483-484)

In addition to the eligible replacements listed above, PGS witness Binswanger testified that PGS anticipates being faced with incremental O&M expenses incurred to comply with federal transmission and distribution pipeline integrity requirements. (TR 483) Witness Binswanger referred to two new federal acts that could impact PGS: the Pipeline Safety Act of 2002, and the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act). (TR 476) The Pipeline Safety Act addresses transmission lines, and the PIPES Act addresses distribution systems. (TR 519) Witness Binswanger explained during the hearing that PGS is currently doing an assessment for transmission facilities in place; however, the guidelines on distribution systems have not been fully implemented yet. (TR 520)

In its brief, PGS asserted that a GSR Rider would be an appropriate mechanism for the recovery of revenue requirements associated with government-mandated investments for relocation of its facilities and O&M expenditures, neither of which the Company has any control over. The company also would have no ability to recover these costs absent the filing of a petition for new base rates or for a limited proceeding. (PGS BR 25) Currently, relocation costs are only recovered during a base rate proceeding. Witness Binswanger testified that for the years 2004 through 2007, there were total capital expenditures of $17.6 million for government-mandated relocations, for which PGS received no revenues through which to recover the associated depreciation, ad valorem tax expenses, or a return on its investment in the replacement facilities. (TR 476)

PGS explained that it is standard practice for the Company to install facilities at the edge of public rights-of-way, which are substantially less expensive than the installation of facilities on private property. (PGS BR 25; TR 472) Installing in public rights-of-ways, however, subjects the Company to the requirements of federal, state, and local governmental statutes and regulations requiring the relocation of facilities when ordered to do so. For example, an entity may be re-routing or widening a road, installing water or wastewater lines, or reconfiguring an intersection, thereby necessitating the relocation of PGS facilities. (TR 473) PGS stated that in most instances, the Company must replace or relocate its facilities as part of the agreement to use the right-of-way without reimbursement in order to continue to meet its obligations. (TR 473)

PGS Witness Binswanger testified in his direct testimony that since the Company proposed that certain costs are included in the 2009 projected test year, no item would constitute an eligible replacement unless installed on or after January 1, 2010. (TR 484) Specifically, PGS has proposed to include in the test year $750,000 of O&M expenses for pipeline integrity costs, which is addressed in Issue 33. Witness Binswanger testified that any reduction in O&M expense for transmission and distribution pipeline integrity below what is allowed in the projected test year in this case would reduce the revenue requirement to be required through the GSR Rider. (TR 485) PGS also proposed to include $3.8 million of relocation costs in the projected test year (Issue 5). In his deposition, witness Binswanger clarified that there would be a similar reduction in the revenue requirement to be recovered through the GSR Rider if capital expenditures for relocations are less than what was allowed in the projected test year. (EXH 8)

Witness Binswanger explained that if the Commission approves the GSR Rider, PGS' first petition for GSR Rider factors would be filed late in 2009, and would be based on eligible investments projected to be placed in service and incremental expenses to be incurred by the Company during 2010. (TR 489) The charges resulting from the 2009 filing would be included on customers' bills commencing in January 2010. (TR 489) PGS would again file petitions in 2010, which would recalculate the charges to recover the revenue requirement based on eligible costs for both 2010 and 2011, as adjusted by projected true-ups of the initially projected 2010 revenue requirements. (TR 489)

OPC objects to the formation of the GSR Rider for several reasons. In its brief, OPC stated that it has grave concerns about whether the Commission possesses the authority from the legislature to establish a mechanism to recover non-volatile, non-fuel, base rate costs. (OPC BR 31) OPC stated that at the present time there are two true capital cost recovery mechanisms that the Commission administers: the Environmental Cost Recovery Clause and the Nuclear and IGCC Cost Recovery Clause. (OPC BR 31) Both those clauses were authorized and established by the Florida Legislature. (OPC BR 31) OPC further stated that the other clause mechanism that the Commission has established on its own are almost exclusively expense-related. (OPC BR 31)

OPC stated that PGS has acknowledged that no other company in Florida has a rider like the GSR Rider (or the Carbon Reduction Rider addressed in Issue 55). OPC argued in its brief that the two electric cases PGS cites as precedent were resolved by the Commission approving a stipulated settlement and thus the cases cited by PGS do not establish a precedent for the creation of the GSR Rider in the instant case. (OPC BR 32)

Apart from the legal concerns, OPC also stated in its brief that there are strong policy and factual reasons not to grant the requested relief regarding the GSR Rider. (OPC BR 33) OPC Witness Schultz testified in his direct testimony that he disagrees with PGS' contention that it will not recover those costs outside of base rate relief unless it receives this annual rate increase. (TR 613) Witness Schultz stated that as long as the company earns sufficient net income to keep its overall rate of return within its authorized range, the company will recover its investment in these costs. (TR 613)

Furthermore, OPC witness Schultz disagreed with PGS' assertion that the government-mandated relocation costs incurred by the Company have been substantial. (TR 614) The average capital costs for relocation projects for the years 2003-2007 was $4.28 million, which is less than 10 percent of the company's $44.8 million capital cost over the same time period. (TR 616) With respect to the pipeline integrity costs, witness Schultz stated that PGS already petitioned to include $750,000 in the test year, and that there is uncertainty about whether the Company would ever spend over the $750,000. (OPC BR 34) Finally, witness Schultz testified that the GSR Rider will have no positive impact on the management of the investments associated with the relocation of facilities and safety expenses. (TR 614) Witness Schultz expressed concern that an annual recovery mechanism will not provide management incentive to reduce costs or seek proper reimbursement of these costs because it will allow for the automatic pass-through of costs. (TR 614)

While FIGU did not sponsor a witness on this issue, FIGU objects to the GSR Rider in its brief. FIGU stated that line relocations have been going on since PGS began to locate its lines in public rights-of-way at no cost. (FIGU BR 8) FIGU argued that line relocations do not trigger rate cases because the cost of relocations is more than offset by the money customers pay each year to cover depreciation. (FIGU BR 8)

During the May 5, 2009 Agenda Conference this issue was deferred. During the discussion of this issue a question was raised as to whether the Commission has the authority to establish the GSR Rider.

Analysis

Adoption of the GSR Rider

Staff evaluated the reasons cited by OPC and FIGU for denying PGS' proposed GSR Rider and staff does not believe that these concerns represent sufficient grounds for denying the Company's proposal. Moreover, staff analyzed the questions raised at the May 5, 2009, Agenda Conference and staff believes, for the reasons discussed below, that the Commission has authority to adopt and implement the GSR Rider.

The Commission has the power to determine its jurisdiction subject to judicial review of that determination. Ft. Pierce Util. Auth. v. Fla. Pub. Serv. Comm'n, 388 So. 2d 1031 (Fla. 1980). PGS, OPC, and FIGU have addressed this issue in their testimony and briefs to the Commission. The Commission's determination that it has such authority will not be overturned unless it is found to be clearly erroneous. Id.

The Florida Supreme Court upheld the Commission's authority to establish a rider in The Action Group v. Deason, 615 So. 2d 683 (Fla. 1993). In that case, the Commission had established a rider that allowed Florida Power Corporation (now Progress Energy) to charge only customers in a specific service area for debt service to retire existing debt of a bankrupt system that the utility had purchased.

In upholding the rider, the court reasoned that the Commission had authority to fix "just, reasonable, and compensatory rates, charges, fares, tolls, or rentals" under Section 366.041(1), F.S., and that the Commission has the power to prescribe "fair and reasonable rates and charges [and] classifications" under Section 366.05(1), F.S., and that the authority conferred to the Commission should be "construed liberally" under Sections 366.01 and 366.041, F.S. See also Section 366.041(2), F.S. (providing that the "power and authority herein conferred upon the commission shall . . . be construed liberally to further the legislative intent that adequate service be rendered by public utilities); but see City of Cape Coral v. GAC Utilities, Inc., of Florida, 281 So. 2d 493, 495-496 (Fla. 1973) (providing that the Commission is a creature of statute and may exercise only those powers conferred expressly or impliedly by statute).

Staff believes that the proposed GSR Rider is in harmony with this broad grant of ratemaking authority. Moreover, in order to ensure continued Commission oversight of the recovery of government-mandated costs via the GSR Rider, staff recommends the adoption of certain modifications for the protection of PGS' ratepayers. Thus, the GSR Rider, with staff's proposed modifications discussed below, is akin to the cost recovery surcharges approved for Florida Power & Light Company[2] and Progress Energy Florida, Inc. (PEF)[3] during the 2004 storm season pursuant to the broad rate-making authority granted to the Commission in Sections 366.04, 366.05, and 366.06, F.S.

In Docket No. 041272-EI, for example, PEF petitioned the Commission for the establishment of a Storm Cost Recovery Clause asserting that because the unforeseeable costs incurred during the 2004 storm season had to be recovered from the ratepayers they necessarily must be recovered outside of base rates, and revenues and a cost recovery clause mechanism is the only way to do that in a timely manner. In Order No. PSC-05-0748-FOF-FI pursuant to the authority granted to the Commission in Sections 366.04, 366.05, and 366.06, F.S., the Commission ordered that the storm costs approved for recovery would be treated as a temporary surcharge, rather than a cost recovery clause.[4] Similarly in the instant case, staff recommends that the Commission adopt the proposed GSR Rider in the form of a surcharge with certain modifications to allow for continued Commission oversight of recovery of these costs as well as protection for the PGS ratepayers.

Unlike the Carbon Reduction Rider discussed in Issue 55, where PGS decides when and where to install a supply main, the GSR Rider is designed to allow recovery of costs over which PGS has no control. Witness Binswanger explained during the hearing that traditionally the Commission has allowed the recovery of costs associated with government-mandated programs. (TR 536) Witness Binswanger continued that the GSR Rider would give PGS timely recovery of costs incurred pursuant to PGS' compliance with government-mandated programs.

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[2] See Order No. PSC-05-0937-FOF-EI, issued on September 21, 2005, in Docket No. 041291-EI, In re: Petition for authority to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light.

[3] See Order No. PSC-05-0748-FOF-FI, issued on July 14, 2005, in Docket No. 041272-EI, In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc.

[4] While staff believes that the GSR Rider should be adopted as a surcharge, staff notes that even if the Commission were to adopt the proposed surcharge as a cost recovery clause mechanism, this Commission would still have the authority to implement the GSR Rider in the form of a recovery clause. For example, the Commission adopted and implemented the fuel clause pursuant to the Commission's broad rate-making authority in Sections 366.041 and 366.06, F.S., and absent any express statutory delegation creating this clause. See Citizens of the State of Florida v. Florida Public Service Commission, 403 So. 2d 1332, 1333 (Fla. 1981) (Overton dissenting)(noting that the since at least 1925, fuel adjustment clauses have been used by utilities, well before the Commission acquired jurisdiction in 1951); Gulf Power Co. v. FPSC, 487 So. 2d 1036 (Fla. 1986); see also Pinellas County v. Mayo, 218 So. 2d 749 (Fla. 1969).

OPC also argues that, as long as the Company earns within the range of its authorized return on equity, the Company will recover its investment. Witness Binswanger testified that in this rate case 100 basis points translates to approximately $4.5 million. (TR 534) The five-year Company average in eligible replacements for the years 2003 through 2007 has been $4.3 million. Staff believes that 100 basis points represents a significant reduction in the Company's earnings. Furthermore, that amount represents what PGS has historically spent on relocation projects.

In addition, OPC asserted that the costs associated with the government-mandated relocation projects are not substantial. In response to staff discovery, PGS stated that for the years 1999 through 2007, capital costs associated with government-mandated relocations ranged from $2.1 million to $5.9 million a year. While it may be debatable whether that range can be considered substantial or volatile, the costs shown are historic relocation costs only. Upon cross-examination by FIGU, witness Binswanger testified that the GSR Rider would encompass any new government mandates associated with pipeline integrity, whether it be transmission pipeline integrity or distribution pipeline integrity programs. (TR 517) Witness Binswanger further explained that PGS is currently doing an assessment of its transmission facilities pursuant to the Pipeline Safety Act of 2002. (TR 519-520) Witness Binswanger admitted that the full impact of the costs of complying with the safety acts and the PGS compliance with future regulations is not known, and not every item of the compliance costs will be incurred every year. (TR 477) However, if PGS incurs no costs to comply with any federal safety acts, then there will be no such costs for the ratepayers to pay through the GSR Rider.

In addition to the potential new safety requirements mentioned above, witness Binswanger testified that the implementation of the federal economic stimulus package may result in potentially substantial relocations. (TR 534) Therefore, it is possible that relocation costs due to new road projects contained in the stimulus package could increase substantially. Staff believes that this uncertainty regarding future relocation projects makes it difficult to determine an appropriate amount to be included in base rates absent a rider. Upon questioning during the hearing, witness Binswanger stated that at this point he does not know whether the federal stimulus package provides for the use of federal funds for reimbursement where relocation is necessary to accommodate a project authorized by the stimulus package. (TR 524)

Witness Schultz characterized the requested rider as allowing automatic recovery of those costs. (TR 614) Staff disagrees with this assessment. Even if the Commission approves the GSR Rider as proposed by PGS, PGS would still need to file annual petitions with the Commission asking for approval of billing factors designed to recover the revenue requirements associated with eligible replacements. The Commission would have the opportunity to fully review and audit the Company's filings with respect to these costs. If the Commission accepts staff's recommendation, the costs recoverable through the GSR Rider would be based on costs already incurred in complying with new government-mandated relocation or safety requirements. PGS would be required to identify the specific order or regulation requiring the relocation of the PGS facilities, as well as document and justify all costs requested for recovery. This differs from PGS' proposed Carbon Reduction Rider, which would be based on the Company's judgment regarding whether a new development is viable or not.

FIGU argued that the costs are not volatile and that the depreciation charge collected from customers is normally sufficient for pipeline replacement and repair. During cross-examination by FIGU, witness Binswanger testified that if a certain government mandate requires PGS to make an additional investment that the Company normally would not have made, then the use of the GSR Rider to recover the costs would be appropriate. (TR 521)

Operation of Rider

PGS requested that it be allowed to project costs and then adjust projected to actual through a true-up mechanism. Staff believes that it would be more appropriate to limit recovery to actual costs already incurred and justified. In the future, it may be appropriate to revisit this restriction, once the Commission gains some experience with the timing and extent of such costs to be recovered. While there may be some incongruence between the costs incurred and recovery of those costs, implementation of the GSR Rider is a significant improvement for the Company over current procedures. Thus, staff believes that PGS should be allowed to file an annual petition to establish per therm factors for all rate classes for the 12-month period beginning January 1 following the approval of the factors to recover its actual and verifiable relocation and pipeline integrity revenue requirements associated with eligible replacements and pipeline safety compliance, in excess of what is recovered through base rates. To be entitled to recovery, the company must show that the costs were prudently incurred. The filing will be handled as a proposed tariff (or tariff revision), any rates will be subject to Commission review and approval at Agenda, and substantially interested persons will be afforded a point of entry to address concerns they may have regarding the petition. Staff notes that witness Binswanger stated in his rebuttal testimony that PGS is certainly amenable to recovering the costs in a different manner if the Commission deems another methodology more appropriate. (TR 500)

Conclusion

Staff recognizes the similarities in customer impact between styling the GSR Rider recovery mechanism as a "rider" or a "cost recovery clause." However, there are several fundamental differences between the two concepts which must be recognized, and which support staff's conclusion that the establishment of a GSR Rider is an appropriate mechanism for the recovery of the government-mandated costs described herein.

Staff agrees with PGS that cost recovery clauses were designed to recover costs which are volatile and unpredictable. Staff also agrees that all of the current clauses address costs that are unpredictable, volatile and irregular, due to forces outside the utility's control. The original purpose of recovery clauses was to address on-going costs which could fluctuate between rate cases and unduly penalize either the utility or customers, if such costs were included in base rates.

In the instant case, PGS is seeking recovery, through the GSR Rider, of volatile, government-mandated investments for relocations of its facilities and O&M expenditures, over which the Company has no control, and which the Company has no ability to recover absent the filing of a petition for new base rates or a limited proceeding. However, the proposed GSR Rider is more akin to a surcharge such as the recovery mechanisms approved in Order Nos. PSC-

05-0748-FOF-EI and PSC-05-0937-FOF-EI because the charges being sought through the GSR Rider would only provide for the reimbursement of actual project expenditures undertaken by the Company in compliance with legitimate, government-mandated relocation orders as well as resulting O&M expenses. This is distinguishable from the clause recovery mechanisms described above which are recovered on a yearly, prospective basis with the costs trued-up year to year as actual amounts become known.[5]

Unlike the Carbon Reduction Rider, the GSR Rider is designed to allow PGS to recover revenue requirements associated with relocation and integrity management costs that are outside of the Company's control. Only costs that are in excess of the levels included for ratemaking purposes in this proceeding or subsequent base rate proceeding should be allowed for recovery under the GSR Rider. Moreover, staff believes that the general body of ratepayers benefit from the approval of the GSR Rider by receiving an accurate price signal of the true cost of service, and by the potential delay of future rate cases. Therefore, staff recommends that the Commission approve PGS' request to establish a GSR Rider with the condition that only costs already incurred should be recoverable through the GSR Rider and that costs be actual, verifiable, and prudent.

However, if the Commission does not adopt staff's recommendation with respect to the GSR Rider, PGS may petition the Commission pursuant to 366.076, F.S., for a limited proceeding for the recovery of revenue requirements associated with government-mandated investments for relocation of PGS' facilities and O&M expenditures. Limited proceedings are narrow in scope and are designed to avoid the greater expenditure of time and resources typically associated with a full base rate proceeding. A limited proceeding is normally processed as a PAA in which a point of entry will be afforded to substantially interested persons to address concerns they may have regarding the petition. Historically, relocation costs have been recovered during full base rate proceedings. In order to mitigate regulatory lag and to ensure the timely recovery of those corporate expenditures for government-mandated relocations, in the absence of the adoption of a the GSR Rider discussed herein, PGS may seek to recover costs expended pursuant to its compliance with government-mandated relocations via limited proceedings under 366.076, F.S.

[5] At the Agenda Conference on May 5, 2009, a Commissioner requested that the General Counsel's Office of the Florida Public Service Commission seek an opinion regarding the Commission's authority to adopt recovery clause mechanisms not explicitly provided for in the Florida Statutes.

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.

SCHEDULE 1

PEOPLES GAS SYSTEM
DOCKET NO. 080318-GU
13-MONTH AVERAGE RATE BASE
DECEMBER 2009 TEST YEAR

Issue No.		Plant in Service & Acquisition Adjustment	Accumulated Deprec., Amort. & Customer Adv.	Net Plant in Service	CWIP	Plant Held for Future Use	Net Plant	Working Capital	Total Rate Base
	Adjusted per Company	991,124,849	(434,280,486)	556,844,363	18,249,444	0	575,093,807	(11,494,371)	563,599,436
	Commisdsion Adjustments:								
5	Plant & Accumulated Derpeciation	(1,959,308)	(795,371)	(2,754,679)	0	0	(2,754,679)	0	(2,754,679)
7	Non-Utility Operations	0	0	0	0	0	0	0	0
8	CWIP Amount	0	0	0	0	0	0	0	0
9	Total Plant	0	0	0	0	0	0	0	0
10	Accumulated Depreciation	0	0	0	0	0	0	0	0
12-S	Total Working Capital Allowance	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0
				0			0		0
				0			0		0
				0			0		0
				0			0		0
				0			0		0
---	Total Commission Adjustments	(1,959,308)	(795,371)	(2,754,679)	0	0	(2,754,679)	0	(2,754,679)
13	Commission Adjusted Rate Base	989,165,541	(435,075,857)	554,089,684	18,249,444	0	572,339,128	(11,494,371)	560,844,757

PEOPLES GAS SYSTEM
DOCKET NO. 080318-GU
13-MONTH AVERAGE CAPITAL STRUCTURE
DECEMBER 2009 TEST YEAR

SCHEDULE 2

Company As Filed	($) Amount	Ratio	Cost Rate	Weighted Cost
Common Equity	273,561,565	48.54%	11.50%	5.58%
Long-term Debt	222,773,987	39.53%	7.20%	2.85%
Short-term Debt	3,456,397	0.61%	4.50%	0.03%
Preferred Stock	0	0.00%	0.00%	0.00%
Customer Deposits	36,128,943	6.41%	6.65%	0.43%
Deferred Income Taxes	27,670,682	4.91%	0.00%	0.00%
Tax Credits - Zero Cost	7,862	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	0	0.00%	0.00%	0.00%
Total	563,599,436	100.00%		8.88%
Equity Ratio	54.74%			

Commission Adjusted	($) Amount	($) Specific Adjustments	($) Pro Rata Adjustments	($) Staff Adjusted	Ratio	Cost Rate	Weighted Cost
Common Equity	273,561,565	0	(1,507,776)	272,053,789	48.51%	10.75%	5.21%
Long-term Debt	222,773,987	0	(1,227,853)	221,546,134	39.50%	7.20%	2.84%
Short-term Debt	3,456,397	0	(19,050)	3,437,347	0.61%	3.02%	0.02%
Preferred Stock	0	0	0	0	0.00%	0.00%	0.00%
Customer Deposits	36,128,943	0	0	36,128,943	6.44%	6.65%	0.43%
Deferred Income Taxes	27,670,682	0	0	27,670,682	4.93%	0.00%	0.00%
Tax Credits - Zero Cost	7,862	0	0	7,862	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	0	0	0	0	0.00%	9.11%	0.00%
Total	563,599,436	0	(2,754,679)	560,844,757	100.00%		8.50%
Equity Ratio	54.74%			54.74%			

Interest Synchronization	($) Adjustment Amount	Cost Rate	($) Effect on Interest Exp.	Tax Rate	($) Effect on Income Tax
Dollar Amount Change					
Long-term Debt	(1,227,853)	7.20%	(88,405)	38.575%	34,102
Short-term Debt	(19,050)	3.02%	(575)	38.575%	222
Customer Deposits	0	6.65%	0	38.575%	0
					34,324
Cost Rate Change					
Short-term Debt	3,456,397	-1.48%	(51,155)	38.575%	19,733
Tax Credits - Weighted Cost	0	9.11%	0	38.575%	0
					19,733
TOTAL					54,057

SCHEDULE 3

PEOPLES GAS SYSTEM
DOCKET NO. 080318-GU
NET OPERATING INCOME
DECEMBER 2009 TEST YEAR

		Operating Revenues	O&M Gas Cost	O&M Other	Depreciation and Amortization	Taxes Other Than Income	Total Income Taxes	(Gain)/Loss on Disposal of Plant	Total Operating Expenses	Net Operating Income
	Adjusted per Company	169,906,126	0	72,608,899	43,804,733	10,823,933	9,204,185	(480,321)	135,961,429	33,944,697
	Commission Adjustments:									
2-S	Projected Bills and Therms	0	0	0	0	0	0	0	0	0
5	Depreciation	0	0	0	(113,640)	0	43,837	0	(69,803)	69,803
7	Non-Utility Operations	0	0	0	0	0	0	0	0	0
21-S	PGA Revenues & Expenses	0	0	0	0	0	0	0	0	0
22-S	ECCR Revenues & Expenses	0	0	0	0	0	0	0	0	0
23	Off-System Sales Revenues	1,500,000	0	0	0	7,500	578,625	0	586,125	913,875
24	Total Operating Revenues	0	0	0	0	0	0	0	0	0
25	Appropriate O&M Trend Rates	0	0	0	0	0	0	0	0	0
26	O&M Trend Rate Adjustments	0	0	0	0	0	0	0	0	0
27-S	Audit Findings Nos. 1 and 2	0	0	(23,860)	0	0	9,204	0	(14,656)	14,656
28	A&G Salaries (920)	0	0	(253,300)	0	0	97,710	0	(155,590)	155,590
29	Rate Case Expense	0	0	(78,875)	0	0	30,426	0	(48,449)	48,449
30	Bad Debt Expense - Gas Cost	0	0	0	0	0	0	0	0	0
31	Bad Debt Expense	0	0	723,580	0	0	(279,121)	0	444,459	(444,459)
32	Employee Pensions & Benefits (926)	0	0	(125,361)	0	0	48,358	0	(77,003)	77,003
33	Pipeline Integrity Expense	0	0	(250,000)	0	0	96,438	0	(153,563)	153,563
34	Storm Damage Accrual	0	0	(42,500)	0	0	16,394	0	(26,106)	26,106
35	Demonstrating & Selling Exp. (912)	0	0	(407,360)	0	0	157,139	0	(250,221)	250,221
36	Directors and Officers Liability Ins.	0	0	0	0	0	0	0	0	0
37	Allocation of TECO Costs	0	0	(26,500)	0	0	10,222	0	(16,278)	16,278
38	Taxes Other Than Income	0	0	0	0	0	0	0	0	0
39	Parent Debt Adjustment	0	0	0	0	0	(847,389)	0	(847,389)	847,389
40	Total Income Tax Expense	0	0	0	0	0	0	0	0	0
41	Total O&M Expense	0	0	0	0	0	0	0	0	0
42	Total Depreciation & Amortization Exp.	0	0	0	0	0	0	0	0	0
43	Total Operating Expenses	0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
		0	0	0	0	0	0	0	0	0
	Interest Synchronization	0	0	0	0	0	54,057	0	54,057	(54,057)
	Total Commission Adjustments	1,500,000	0	(484,176)	(113,640)	7,500	15,901	0	(574,415)	2,074,415
44	Commission Adjusted NOI	171,406,126	0	72,124,723	43,691,093	10,831,433	9,220,086	(480,321)	135,387,014	36,019,112

SCHEDULE 4

PEOPLES GAS SYSTEM
DOCKET NO. 080318-GU
DECEMBER 2009 PROJECTED TEST YEAR
NET OPERATING INCOME MULTIPLIER

Line No.		(%) As Filed	(%) Commission Adjusted
1	Revenue Requirement	100.0000	100.0000
2	Gross Receipts Tax	0.0000	0.0000
3	Regulatory Assessment Fee	(0.5000)	(0.5000)
4	Bad Debt Rate	(0.4511)	(0.4511)
5	Net Before Income Taxes	99.0489	99.0489
6	Income Taxes (Line 5 x 38.575%)	(38.2081)	(38.2081)
7	Revenue Expansion Factor	60.8408	60.8410
8	Net Operating Income Multiplier (100%/Line 7)	1.6436	1.6436

SCHEDULE 5

PEOPLES GAS SYSTEM
DOCKET NO. 080318-GU
DECEMBER 2009 PROJECTED TEST YEAR
REVENUE REQUIREMENTS CALCULATION

Line No.		As Filed	Commission Adjusted
1.	Rate Base	$563,599,436	$560,844,757
2.	Overall Rate of Return	8.88%	8.50%
3.	Required Net Operating Income (1)x(2)	50,060,255	47,671,804
4.	Achieved Net Operating Income	33,944,697	36,019,112
5.	Net Operating Income Deficiency (3)-(4)	16,115,558	11,652,692
6.	Net Operating Income Multiplier	1.64360	1.64360
7.	Operating Revenue Increase (5)x(6)	$26,488,091	$19,152,365

SCHEDULE 6
Page 1 of 4

PEOPLES GAS SYSTEM

PRIOR TO INTERIM, APPROVED INTERIM, AND STAFF RECOMMENDED RATES
DOCKET NO. 080318-GU

RATE CODE	RATE SCHEDULE	PRIOR TO INTERIM	APPROVED INTERIM RATES effective 10/29/08	STAFF RECOMMENDED RATES effective 5/18/09
RS-1	RESIDENTIAL			
	CUSTOMER CHARGE	$10	$10	$12
	DISTRIBUTION CHARGE (cents/therm)	37.667	39.034	26.782
RS-2	RESIDENTIAL			
	CUSTOMER CHARGE	$10	$10	$15.00
	DISTRIBUTION CHARGE (cents/therm)	37.667	39.034	26.782
RS-3	RESIDENTIAL			
	CUSTOMER CHARGE	$10	$10	$20
	DISTRIBUTION CHARGE (cents/therm)	37.667	39.034	26.782
SGS	SMALL GENERAL SERVICE			
	CUSTOMER CHARGE	$20	$20	$25
	DISTRIBUTION CHARGE (cents/therm)	26.955	28.099	33.894
GS-1	GENERAL SERVICE - 1			
	CUSTOMER CHARGE	$30	$30	$35
	DISTRIBUTION CHARGE (cents/therm)	23.045	23.497	26.800
GS-2	GENERAL SERVICE - 2			
	CUSTOMER CHARGE	$35	$35	$50
	DISTRIBUTION CHARGE (cents/therm)	22.267	22.636	22.746
GS-3	GENERAL SERVICE - 3			
	CUSTOMER CHARGE	$45.00	$45.00	$150.00
	DISTRIBUTION CHARGE (cents/therm)	19.533	19.843	19.670
GS-4	GENERAL SERVICE - 4			
	CUSTOMER CHARGE	$85	$85	$250
	DISTRIBUTION CHARGE (cents/therm)	17.828	18.107	15.215
GS-5	GENERAL SERVICE - 5			
	CUSTOMER CHARGE	$150	$150	$300
	DISTRIBUTION CHARGE (cents/therm)	10.041	10.199	11.321
CSLS	COMMERCIAL STREET LIGHTING SERVICE			
	CUSTOMER CHARGE	n/a	n/a	n/a
	DISTRIBUTION CHARGE (cents/therm)	12.829	13.026	18.859
NGVS	NATURAL GAS VEHICLE SERVICE			
	CUSTOMER CHARGE	$35	$35	$45
	DISTRIBUTION CHARGE (cents/therm)	14.013	14.250	18.392
RS-SG	RESIDENTIAL STANDBY GENERATOR SERVICE			
	CUSTOMER CHARGE	$17.82	$17.82	$20
	DISTRIBUTION CHARGE (cents/therm)	37.667 (>20.8 therms)	37.667	26.782 (>20 therms)
CS-SG	COMMERCIAL STANDBY GENERATOR SERVICE			
	CUSTOMER CHARGE	$27.67	$27.67	$35
	DISTRIBUTION CHARGE (cents/therm)	26.955 (>28.6 therms)	26.955	33.894 (>40 therms)
WHS	WHOLESALE SERVICE - FIRM			
	CUSTOMER CHARGE	$100	$100	$150
	ENERGY CHARGE (cents/therm)	13.622	13.840	14.934
SIS	SMALL INTERRUPTIBLE SERVICE			
	CUSTOMER CHARGE	$150	$150	$300
	DISTRIBUTION CHARGE (cents/therm)	7.227	7.340	7.131
IS	INTERRUPTIBLE SERVICE			
	CUSTOMER CHARGE	$225	$225	$475
	DISTRIBUTION CHARGE (cents/therm)	3.522	3.576	3.491
ISLV	INTERRUPTIBLE SERVICE - LARGE VOLUME			
	CUSTOMER CHARGE	$225	$225	$475
	DISTRIBUTION CHARGE (cents/therm)	1.002	1.021	0.996

SCHEDULE 6
Page 2 of 4

PEOPLES GAS SYSTEM

DOCKET NO. 080318-GU
BILL COMPARISONS - PRESENT & STAFF RECOMMENDED RATES
RS-1
Annual Consumption 0-99 Therms

PRESENT RATES	STAFF RECOMMENDED RATES
Customer Charge	**Customer Charge**
$10.00	$12.00
Distribution Charge (Cents per therm)	**Distribution Charge** (Cents per therm)
37.667	26.782
Purchased Gas Costs 2009 (Cents per therm)	**Purchased Gas Costs 2009** (Cents per therm)
95.533	95.533
Conservation (Cents per therm)	**Conservation** (Cents per therm)
2.438	2.438

Therm Usage Increment: 1

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Staff Recommended Monthly Bill w/o Gas Cost	Staff Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
1	$10.40	$11.36	$12.29	$13.25	18.2%	16.6%	$1.89
2	$10.80	$12.71	$12.58	$14.50	16.5%	14.1%	$1.78
3	$11.20	$14.07	$12.88	$15.74	15.0%	11.9%	$1.68
4	$11.60	$15.43	$13.17	$16.99	13.5%	10.1%	$1.57
5	$12.01	$16.78	$13.46	$18.24	12.1%	8.7%	$1.45
6	$12.41	$18.14	$13.75	$19.49	10.8%	7.4%	$1.34
7	$12.81	$19.49	$14.05	$20.73	9.7%	6.4%	$1.24
8	$13.21	$20.85	$14.34	$21.98	8.6%	5.4%	$1.13
9	$13.61	$22.21	$14.63	$23.23	7.5%	4.6%	$1.02

Purchased Gas Costs effective May 2009.
Bills do not include local taxes, franchise fees, or gross receipts taxes.

PEOPLES GAS SYSTEM

DOCKET NO. 080318-GU

BILL COMPARISONS - PRESENT & STAFF RECOMMENDED RATES

RS-2

Annual Consumption 100-249 Therms

PRESENT RATES	STAFF RECOMMENDED RATES
Customer Charge $10.00	**Customer Charge** $15.00
Distribution Charge (Cents per therm) 37.667	**Distribution Charge** (Cents per therm) 26.782
Purchased Gas Costs 2009 (Cents per therm) 95.533	**Purchased Gas Costs 2009** (Cents per therm) 95.533
Conservation (Cents per therm) 2.438	**Conservation** (Cents per therm) 2.438

Therm Usage Increment: 2

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Staff Recommended Monthly Bill w/o Gas Cost	Staff Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
10	$14.01	$23.56	$17.92	$27.48	27.9%	16.6%	$3.91
12	$14.81	$26.28	$18.51	$29.97	25.0%	14.0%	$3.70
14	$15.61	$28.99	$19.09	$32.47	22.3%	12.0%	$3.48
16	$16.42	$31.70	$19.68	$34.96	19.9%	10.3%	$3.26
18	$17.22	$34.41	$20.26	$37.46	17.7%	8.9%	$3.04
20	**$18.02**	**$37.13**	**$20.84**	**$39.95**	**15.6%**	**7.6%**	**$2.82**
22	$18.82	$39.84	$21.43	$42.45	13.9%	6.6%	$2.61

Purchased Gas Costs effective May 2009.

Bills do not include local taxes, franchise fees, or gross receipts taxes.

SCHEDULE 6
Page 4 of 4

PEOPLES GAS SYSTEM

DOCKET NO. 080318-GU

BILL COMPARISONS - PRESENT & STAFF RECOMMENDED RATES

RS-3

Annual Consumption 250-1,999 Therms

PRESENT RATES	STAFF RECOMMENDED RATES
Customer Charge $10.00	Customer Charge $20.00
Distribution Charge (Cents per therm) 37.667	Distribution Charge (Cents per therm) 26.782
Purchased Gas Costs 2009 (Cents per therm) 95.533	Purchased Gas Costs 2009 (Cents per therm) 95.533
Conservation (Cents per therm) 2.438	Conservation (Cents per therm) 2.438

Therm Usage Increment: 20

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Staff Recommended Monthly Bill w/o Gas Cost	Staff Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
20	$18.02	$37.13	$25.84	$44.95	43.4%	21.1%	$7.82
40	$26.04	$64.26	$31.69	$69.90	21.7%	8.8%	$5.65
60	$34.06	$91.38	$37.53	$94.85	10.2%	3.8%	$3.47
80	$42.08	$118.51	$43.38	$119.80	3.1%	1.1%	$1.30
100	$50.11	$145.64	$49.22	$144.75	-1.8%	-0.6%	-$0.89
120	$58.13	$172.77	$55.06	$169.70	-5.3%	-1.8%	-$3.07
140	$66.15	$199.89	$60.91	$194.65	-7.9%	-2.6%	-$5.24
160	$74.17	$227.02	$66.75	$219.60	-10.0%	-3.3%	-$7.42

Purchased Gas Costs effective May 2009
Bills do not include local taxes, franchise fees, or gross receipts taxes.

	TOTAL	RESIDENTIAL SERVICE	RESIDENTIAL GENERATOR	COMMERCIAL STREET LIGHTING	COMMERCIAL GENERATOR	(1 - 1,999) SMALL GENERAL SERVICE	(2,000 - 9,999) GENERAL SERVICE 1	(10,000 - 49,999) GENERAL SERVICE 2	(50,000 - 249,999) GENERAL SERVICE 3
PRESENT RATES (Projected Test Year)									
GAS SALES (due to growth)	162,561,427	59,391,044	153,109	115,660	262,976	5,046,880	20,534,619	30,498,072	15,303,329
OTHER OPERATING REVENUE	8,844,698	7,115,713	16,635	1,890	23,766	312,860	399,935	181,954	24,837
TOTAL	171,406,125	66,506,757	169,744	117,551	286,742	5,359,740	20,934,554	30,680,026	15,328,166
RATE OF RETURN	6.42%	3.18%	18.86%	0.81%	2.25%	4.52%	6.44%	8.79%	8.47%
INDEX	1.00	0.50	2.94	0.13	0.35	0.70	1.00	1.37	1.32
PROPOSED RATES									
GAS SALES	180,777,977	71,788,774	171,840	170,027	332,640	5,900,693	22,946,884	31,842,979	16,191,879
OTHER OPERATING REVENUE	9,780,513	8,031,862	18,777	1,925	24,202	318,605	407,279	185,295	25,293
TOTAL	190,558,490	79,820,635	190,617	171,953	356,842	6,219,298	23,354,163	32,028,275	16,217,172
TOTAL REVENUE INCREASE	**19,152,365**	**13,313,878**	**20,872**	**54,402**	**70,101**	**859,558**	**2,419,609**	**1,348,249**	**889,006**
PERCENT INCREASE	11.17%	20.02%	12.30%	46.28%	24.45%	16.04%	11.56%	4.39%	5.80%
RATE OF RETURN	**8.50%**	**8.48%**	**24.13%**	**8.50%**	**9.99%**	**8.50%**	**8.50%**	**8.75%**	**8.75%**
INDEX	1.00	1.00	2.84	1.00	1.18	1.00	1.00	1.03	1.03

999)	(250,000 - 499,999) GENERAL SERVICE 4	(500,000 +) GENERAL SERVICE 5	(1,000,000 - 3,999,999) SMALL INTERRUPTIBLE SERVICE	(4,000,000 - 50,000,000) INTERRUPTIBLE SERVICE	(50,000,000 +) INTERRUPTIBLE LARGE VOLUME	NATURAL GAS VEHICLE SALES	WHOLESALE SERVICE	SPECIAL CONTRACTS
PRESENT RATES (Projected Test Year)								
GAS SALES (due to growth)	7,839,571	6,691,956	3,568,425	4,773,640	1,531,163	66,369	228,759	6,555,855
OTHER OPERATING REVENUE	3,691	343,416	113,991	86,486	56,119	450	330	162,623
TOTAL	7,843,262	7,035,372	3,682,416	4,860,127	1,587,282	66,819	229,089	6,718,478
RATE OF RETURN	8.69%	6.18%	9.85%	12.53%	14.94%	-1.93%	6.87%	10.67%
INDEX	1.35	0.96	1.53	1.95	2.33	-0.30	1.07	1.66
PROPOSED RATES								
GAS SALES	6,952,475	7,707,654	3,568,414	4,773,637	1,531,163	86,941	256,125	6,555,851
OTHER OPERATING REVENUE	3,759	343,473	114,006	86,494	56,120	458	336	162,628
TOTAL	6,956,234	8,051,127	3,682,420	4,860,132	1,587,283	87,400	256,462	6,718,478
TOTAL REVENUE INCREASE	**(887,028)**	**1,015,755**	**4**	**5**	**2**	**20,580**	**27,373**	**0**
PERCENT INCREASE	-11.31%	14.44%	0.00%	0.00%	0.00%	30.80%	11.95%	0.00%
RATE OF RETURN	**4.25%**	**8.50%**	**8.51%**	**11.19%**	**13.60%**	**2.62%**	**8.50%**	**9.33%**
INDEX	0.50	1.00	1.00	1.32	1.60	0.31	1.00	1.10