

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of Peoples Gas)	DOCKET NO. 891353-GU
Systems, Inc. for a rate )	ORDER NO. 24918
increase. )	ISSUED: 8/16/91
_____)	

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman  
BETTY EASLEY

ORDER RE PARENT DEBT ADJUSTMENT

BY THE COMMISSION:

After our vote on the rate increase in this docket, which is reflected in Order No. 23858, the Internal Revenue Service (IRS) issued proposed regulations, Sections 1.167(1)-1(h)(7) and 1.168(i)-1, to part 1 of Title 26 of the Code of Federal Regulations (CFR). Under the proposed regulations it appeared as if the parent debt adjustment pronounced in Order No. 23858 might violate IRS normalization requirements, resulting in additional taxes to be borne by Peoples' ratepayers. Therefore, on February 4, 1991, we issued Order No. 23858-B which permitted Peoples to accrue revenues (and interest thereon) as though no parent debt adjustment was made. At the next rate case recovery of the accrued revenues was to be provided. In Order No. 23858-B we also required Peoples to request a ruling from the Internal Revenue Service on whether or not the parent debt adjustment was a violation of the normalization requirements under the Proposed Regulations 1.167(1)-1(h)(7) and 1.168(i)-1.

Since our issuance of Order No. 23858-B the IRS has withdrawn proposed regulations 1.167(1)-1(h)(7) and 1.168(i)-1. On June 4, 1991, the Office of Public Counsel (OPC) filed a Motion to Give Effect to Order No. 23858-B. In that motion, the OPC states that the withdrawal of the proposed amendments leaves the rules as they were when this Commission adopted Rule 25-14.004, Florida Administrative Code. Therefore, the OPC believes that we should order Peoples to reverse all entries made to eliminate the effect of the parent debt adjustment.

We agree with OPC. It was the issuance of the proposed regulations on November 27, 1990, that caused the parent debt adjustment to be questioned. Since the proposed regulations have been withdrawn, the Company's argument that the proposed regulations might cause the parent debt adjustment to violate

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normalization is moot. We do not accept the Company's argument that existing IRS normalization regulations would be violated by the parent debt adjustment. We will however, permit Peoples to file an amended ruling request with the IRS in order to resolve this question. Should Peoples choose to file such a request, we believe that a few minor changes should be made in the amended request they have offered. The suggested changes are set forth in Attachment 1.

We believe it is appropriate for Peoples to cease accruing the revenues and interest associated with the parent debt adjustment. Peoples petition to accrue revenues and interest related to the parent debt adjustment is therefore denied.

It is therefore

ORDERED by the Florida Public Service Commission that Peoples Gas System, Inc. shall hereby stop accruing the monies and interest related to the parent debt adjustment. It is further

ORDERED that the petition to accrue revenues and interest related to the parent debt adjustment filed by Peoples Gas System, Inc., is hereby denied. It is further

ORDERED that the motion to give effect to Order 23858-B filed by Office of Public Counsel on June 4, 1991, is hereby granted. It is further

ORDERED that Peoples Gas System, Inc. shall be permitted to file an amended letter ruling request with the Internal Revenue Service regarding the question of whether existing Internal Revenue Service normalization regulations would be violated by the parent debt adjustment.

By ORDER of the Florida Public Service Commission, this  
 16th day of AUGUST, 1991.

STEVE TRIBBLE, Director  
 Division of Records and Reporting

( S E A L )  
 MAP:bmi  
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by: Kay Flynn  
 Chief, Bureau of Records

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

ATTACHMENT 1  
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The FPSC has, through the years, followed normalization accounting for ratemaking purposes and has no desire to violate the provisions of the of the IRC or underlying regulations; and, the FPSC does not believe that the Parent Debt Adjustment violates the IRC sections (167(l), 168(f)(2) and 168(i)(9), the existing regulations or the previously proposed regulations, it believes that the interests of all parties are best served by the conservative approach followed here. This request is based on a desire to maintain order in the ratemaking process, and to protect the interest of all parties to the ratemaking process.