



FILED

January 10, 1995

Public Service Commission  
Blanco S. Bayo  
Director  
Fletcher Building  
101 East Gaines Street  
Tallahassee, FL 32399-0850

VIA FAX

~~950002-EG~~

RE: Docket No. ~~940002-EG~~ - Peoples Gas System, Inc.  
Conservation Audit Report - Period Ended September 30, 1994

The following is our response to the above reference report:

1. EXECUTIVE SUMMARY, Audit Report Page 1 - ADDITIONAL SCOPE LIMITATION

The Company feels that the statement contained in the Additional Scope Limitation is misleading. The Company originally provided all the information available at the time of the request. Some of the information that the auditor felt should be included as documentation was not included. Although the Company attempted to address the auditor's desire for additional information, the time allotted for the field audit was insufficient for the additional information requested. The Company had no intentions of limiting the scope of the audit.

ACK \_\_\_\_\_  
AFA \_\_\_\_\_  
APP \_\_\_\_\_  
CAF \_\_\_\_\_  
CMU \_\_\_\_\_  
CTR \_\_\_\_\_  
EAG \_\_\_\_\_  
LEG \_\_\_\_\_  
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ROH \_\_\_\_\_  
SEC \_\_\_\_\_  
WAS \_\_\_\_\_  
OTH \_\_\_\_\_

2. AUDIT EXCEPTION NO. 1

The Company agrees, on a prospective basis, to implement the incentive payments pursuant to its Residential Home Builders Program on the basis supported by the Staff Auditors, i.e., that the exact amount of each authorized incentive is to be paid, on a per appliance basis, for each appliance installed pursuant to the Program.

The Company does not agree that the appliance-specific incentive payments (\$250 each for space heating and water heating, \$85 each for clothes dryers and ranges) are the "minimum payable" incentives, nor does the Company agree that by paying lesser incentives for certain

installations "violate(s) Commission approved criteria." The Company has administered its incentive payments pursuant to the Residential Home Builder Program on a "lesser of" actual installed cost or authorized incentive payment basis; that is, the Company has administered these incentive payments by paying the lesser of the actual installed cost of qualifying appliances (or the cost amount requested by participant builders) or the authorized incentive amount. The Company believes that this practice is consistent with the Commission's approval of the Program as well as with its obligation to administer all of its expenditures in a reasonable and prudent manner.

3. AUDIT DISCLOSURE NO. 1

The Company agrees.

4. AUDIT DISCLOSURE NO. 2

The Company agrees and will institute the recommended change for the reporting period beginning October 1, 1994.

4. AUDIT DISCLOSURE NO. 3

The Company agrees with the audit opinion and conclusion that "in kind" property allowances, not related to GSA invoices, amounted to \$7,731 in fiscal year 1994.

5. AUDIT DISCLOSURE NO. 4

The Company agrees that the values and calculations stated in the audit opinion and conclusion are correct.

6. AUDIT DISCLOSURE NO. 5

Item No. 1: See the Company's response above to the ADDITIONAL SCOPE LIMITATION stated in the EXECUTIVE SUMMARY of the Audit Report.

Item No. 2: The Company does not agree that incentives for the subject installation were understated by \$500. The \$670 incentive paid was for a single residence. See also the Company's earlier response to AUDIT EXCEPTION NO. 1.

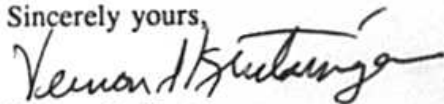
Item No. 3: The Company agrees that the \$680 identified by the Audit Report represents a calculation error and will adjust it accordingly.

Item No. 4: The Company agrees that the subject \$284.92 amount represents an amount that was inadvertently and incorrectly booked to the Residential Home Builder Program, and will accordingly charge this amount to the Residential Electric Resistance Program.

Item No. 5: The Company does not agree with the audit opinion and conclusion that "the Company did not rebate incentives at the level required by Commission approved criteria ...." Again, the Company has implemented the incentive payments pursuant to the Residential Home Builder Program on the basis of the "lesser of" actual cost or the authorized incentive. See also the Company's earlier response to AUDIT EXCEPTION NO. 1.

Thank you for your cooperation.

Sincerely yours,



Vernon I. Krutsinger

VIK/aef