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September 2, 1998

IN REPLY REFER TO

Ansley Watson, Jr.
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VIA FEDERAL EXPRESS

Blanca S. Bayo, Director
Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

RECEIVED-FPSC
9 SEP -4 PM 3:38
REC'D DIVISION OF RECORDS & REPORTING

Re: Docket No. 980002-EG -- Energy Conservation Cost Recovery Clause

Dear Ms. Bayo:

Enclosed for filing with the Commission in the above docket on behalf of Peoples Gas System ("Peoples"), please find the original and 15 copies of the following:

- ◆ Peoples' Petition for Approval of True-Up Amounts for the period October 1997 through April 1998 (attributable to conservation programs of the former Peoples Gas System, Inc., and of the former West Florida Natural Gas Company); *09654-98*
- ◆ Direct Testimony of Vernon I. Krutsinger on behalf of Peoples; *09655-98*
- ◆ Exhibit ___ (VIK-1) (attached to Mr. Krutsinger's Direct Testimony), consisting of Schedules CT-1 through CT-6 for Peoples' divisions other than the West Florida Region; and *09656-98*
- ◆ Exhibit ___ (VIK-2) (also attached to Mr. Krutsinger's Direct Testimony), consisting of Schedules CT-1 through CT-6 for Peoples' West Florida Region. *09657-98*

The enclosed testimony and exhibits will be offered by Peoples at the hearing in this docket scheduled to commence on February 17, 1999.

A diskette -- containing both the enclosed petition and the Direct Testimony of Mr. Krutsinger -- is also enclosed.

ACK _____
 WAFA *Waudiver*
 APP _____
 CAF _____
 CMU _____
 CTR _____
 EAP _____
 LEG 1
 LIN 3
 OPC _____
 RCH _____
 SEC 1
 WAS _____
 OTH _____

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FPSC BUREAU OF RECORDS

Blanca S. Bayo, Director
September 2, 1998
Page 2

Please acknowledge your receipt and the date of filing of the enclosures on the duplicate copy of this letter and return the same to the undersigned in the enclosed preaddressed envelope.

Thank you for your usual assistance.

Sincerely,



ANSLEY WATSON, JR.

AWjr/a
Enclosures

cc: Mr. Vernon Krutsinger
Mr. J. Brent Caldwell
All Parties of Record

ORIGINAL

Exhibit No. _____
Docket No. 980002-EG
Peoples Gas System
(VIK - 1)

Peoples Gas System

EXCEPT FOR WEST FLORIDA REGION

CONSERVATION COST RECOVERY TRUE-UP DATA

OCTOBER 1997 THROUGH MARCH 1998

Hearing:

February 17, 1999

DOCUMENT NUMBER DATE

09656 SEP -4 98

FISC-RECORDS/REPORTING

**PEOPLES GAS SYSTEM
 ADJUSTED NET TRUE-UP**

FOR MONTHS: **OCTOBER 1997 THROUGH MARCH 1998**

END OF PERIOD NET TRUE-UP

PRINCIPAL	(818,768)	
INTEREST	(17,350)	(836,117)

LESS PROJECTED TRUE-UP

PRINCIPAL	(312,875)	
INTEREST	(28,329)	(341,204)

ADJUSTED NET TRUE-UP (494,913)

ANALYSIS OF ENERGY CONSERVATION PROGRAM COSTS
ACTUAL VERSUS ESTIMATED

MONTHS: **OCTOBER 1997 THROUGH MARCH 1998**

	ACTUAL	PROJECTED*	DIFFERENCE
CAPITAL INVESTMENT	0	0	0
PAYROLL & BENEFITS	132,420	173,878	(41,458)
MATERIALS & SUPPLIES	2,644	5,125	(2,481)
ADVERTISING	6,616	187,500	(180,884)
INCENTIVES	1,694,726	2,577,456	(882,730)
OUTSIDE SERVICES	14,287	120,098	(105,811)
VEHICLES	20,389	16,568	3,822
OTHER	23,541	169,157	(145,616)
SUB-TOTAL	1,894,623	3,249,780	(1,355,157)
PROGRAM REVENUES	0	0	0
TOTAL PROGRAM COSTS	1,894,623	3,249,780	(1,355,157)
LESS:			
PAYROLL ADJUSTMENTS	0	0	0
AMOUNTS INCLUDED IN RATE BASE	0	0	0
CONSERVATION ADJUSTMENT			
REVENUES	(2,713,391)	(2,040,989)	(672,402)
ROUNDING ADJUSTMENT	0	0	0
TRUE-UP BEFORE INTEREST	(818,768)	1,208,791	(2,027,559)
INTEREST PROVISION	(17,350)	(28,329)	10,979
END OF PERIOD TRUE-UP	(836,117)	1,180,462	(2,016,579)

() REFLECTS OVER-RECOVERY

* 2 MONTHS ACTUAL AND 4 MONTHS PROJECTED

ACTUAL CONSERVATION PROGRAM COSTS PER PROGRAM

FOR MONTHS OCTOBER 1997 THROUGH MARCH 1998

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL HM BUILDER	0	0	0	0	1,282,950	0	0	0	1,282,950
PROGRAM 2: ENERGY AUDITS	0	0	0	0	0	0	0	0	0
PROGRAM 3: WATER HEATER LOAD RET	0	0	0	0	92,435	0	0	0	92,435
PROGRAM 4: OIL HEAT REPLACEMENT	0	0	0	0	15,510	0	0	0	15,510
PROGRAM 5: SMALL PKG COGEN	0	0	0	0	0	0	0	0	0
PROGRAM 6: COM ELECTRIC REPLACE	0	0	0	0	42,250	0	0	0	42,250
PROGRAM 7: RES ELECTRIC REPLACE	0	0	0	0	212,306	0	0	0	212,306
PROGRAM 8: COMMON COSTS	0	132,420	2,644	6,616	0	14,287	20,389	23,541	199,897
PROGRAM 9: GAS SPACE CONDITIONING	0	0	0	0	49,275	0	0	0	49,275
PROGRAM 10: MONITORING & RESEARCH	0	0	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 12: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 13: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 14: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 15: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 16: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 17: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 18: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 19: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 20: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
TOTAL	0	132,420	2,644	6,616	1,694,726	14,287	20,389	23,541	1,894,623

CONSERVATION COSTS PER PROGRAM - VARIANCE ACTUAL VERSUS PROJECTED

FOR MONTHS OCTOBER 1997 THROUGH MARCH 1998

PROGRAM NAME	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
PROGRAM 1: RESIDENTIAL HM BUILDER	0	0	0	0	(591,275)	0	0	0	(591,275)
PROGRAM 2: ENERGY AUDITS	0	0	0	0	0	0	0	0	0
PROGRAM 3: WATER HEATER LOAD RET	0	0	0	0	(65,522)	0	0	0	(65,522)
PROGRAM 4: OIL HEAT REPLACEMENT	0	0	0	0	(16,501)	0	0	0	(16,501)
PROGRAM 5: SMALL PKG COGEN	0	0	0	0	0	0	0	0	0
PROGRAM 6: COM ELECTRIC REPLACE	0	0	0	0	(39,269)	0	0	0	(39,269)
PROGRAM 7: RES ELECTRIC REPLACE	0	0	0	0	(108,502)	0	0	0	(108,502)
PROGRAM 8: COMMON COSTS	0	(41,458)	(2,481)	(180,884)	0	(105,811)	3,822	(145,616)	(472,427)
PROGRAM 9: GAS SPACE CONDITIONING	0	0	0	0	(61,662)	0	0	0	(61,662)
PROGRAM 10: MONITORING & RESEARCH	0	0	0	0	0	0	0	0	0
PROGRAM 11: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 12: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 13: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 14: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 15: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 16: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 17: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 18: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 19: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
PROGRAM 20: (TYPE NAME HERE)	0	0	0	0	0	0	0	0	0
TOTAL	0	(41,458)	(2,481)	(180,884)	(882,730)	(105,811)	3,822	(145,616)	(1,355,157)

() REFLECTS PROJECTED OVER ACTUAL EXPENSE ESTIMATES

ENERGY CONSERVATION ADJUSTMENT CALCULATION OF TRUE-UP AND INTEREST PROVISION
SUMMARY OF EXPENSES BY PROGRAM BY MONTH
FOR MONTHS: **OCTOBER 1997 THROUGH MARCH 1998**

EXPENSES:	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
PROGRAM 1:	228,245	133,575	244,608	321,735	175,635	179,152	0	0	0	0	0	0	1,282,950
PROGRAM 2:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 3:	16,300	12,735	16,000	12,400	17,200	17,800	0	0	0	0	0	0	92,435
PROGRAM 4:	1,650	3,300	3,630	2,310	2,640	1,980	0	0	0	0	0	0	15,510
PROGRAM 5:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 6:	8,556	10,828	5,591	4,799	9,758	2,718	0	0	0	0	0	0	42,250
PROGRAM 7:	38,558	34,002	38,594	34,672	25,835	40,645	0	0	0	0	0	0	212,306
PROGRAM 8:	29,457	57,030	33,048	25,666	23,748	30,946	0	0	0	0	0	0	199,897
PROGRAM 9:	17,925	9,825	3,825	14,400	3,300	0	0	0	0	0	0	0	49,275
PROGRAM 10:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 11:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 12:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 13:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 14:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 15:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 16:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 17:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 18:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 19:	0	0	0	0	0	0	0	0	0	0	0	0	0
PROGRAM 20:	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	340,691	261,295	345,296	415,982	258,116	273,243	0	0	0	0	0	0	1,894,623
LESS AMOUNT INCLUDED IN RATE BASE	0	0	0	0	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSERVATION EXPENSES	340,691	261,295	345,296	415,982	258,116	273,243	0	0	0	0	0	0	1,894,623

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CALCULATION OF TRUE-UP AND INTEREST PROVISION
FOR MONTHS OCTOBER 1997 THROUGH MARCH 1998

	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	MONTH NO. 7	MONTH NO. 8	MONTH NO. 9	MONTH NO. 10	MONTH NO. 11	MONTH NO. 12	TOTAL
1. BEGINNING TRUE-UP	(672,402)	(561,569)	(572,889)	(566,275)	(566,435)	(721,164)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)
2. ENDING TRUE-UP BEFORE INTEREST	(558,758)	(570,265)	(563,587)	(566,780)	(718,205)	(832,511)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)
3. TOTAL BEGINNING & ENDING TRUE-UP	(1,231,160)	(1,131,860)	(1,136,477)	(1,133,054)	(1,287,641)	(1,553,695)	(1,672,234)	(1,672,234)	(1,672,234)	(1,672,234)	(1,672,234)	(1,672,234)	(1,672,234)
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(615,580)	(565,930)	(568,239)	(566,527)	(643,820)	(776,848)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)	(836,117)
5. INTER. RATE - 1ST DAY OF REPORTING MONT	5.530%	5.530%	5.600%	5.750%	5.500%	5.30%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
6. INTER. RATE - 1ST DAY OF SUBSEQUENT MONTH	5.530%	5.600%	5.750%	5.500%	5.530%	5.550%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
7. TOTAL (SUM LINES 5 & 6)	11.060%	11.130%	11.350%	11.250%	11.030%	11.080%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
8. AVG INTEREST RATE (LINE 7 TIMES 50%)	5.530%	5.565%	5.675%	5.625%	5.515%	5.540%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
9. MONTHLY AVG INTEREST RATE	0.461%	0.464%	0.473%	0.469%	0.460%	0.462%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
10. INTEREST PROVISION (LINE 4 TIMES LINE 9)	(2,837)	(2,624)	(2,687)	(2,656)	(2,959)	(3,585)	0	0	0	0	0	0	(17,350)

FOR MONTHS: OCTOBER 1997 THROUGH MARCH 1998

SCHEDULE OF CAPITAL INVESTMENTS, DEPRECIATION, AND RETURN

NOT APPLICABLE TO PEOPLES GAS SYSTEM

FOR MONTHS: OCTOBER 1997 THROUGH MARCH 1998

RECONCILIATION AND EXPLANATION
OF DIFFERENCES BETWEEN FILING AND THE FPSC AUDIT FOR THE PERIOD

NOT APPLICABLE TO PEOPLES GAS SYSTEM

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Single Family Residential Home Builder Program

Name:

Description: This program is designed to increase the number of high priority natural gas customers in the new residential construction market. The Company offers incentives in the form of gas appliance piping and venting allowances to assist builders in defraying the additional cost associated with the installation of gas appliances.

Program Allowances:

Gas Water Heater.....	\$250
Gas Furnace.....	\$250
Gas Range.....	\$85
Gas Dryer.....	\$35

Program Summary

New Home Goal:	2,797
New Homes Connected:	1,916
Variance:	982
Percent of Goal:	68.5%

Conservation Cost Variance - Actual Vs. Projected	
Projected Cost:	\$1,874,225
Actual Cost:	\$1,282,950
Variance:	\$591,275

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Residential Conservation Service Program

Name:

Description:

This program is designed to assist our residential customers in conserving all forms of energy consumption. Peoples has had contractual arrangements with private contractors to perform Class "A", Walk-Through and Mini-Walk Through Audits.

Customer Audit Changes:

Class "A" Audit..... \$15
Walk-Through Audit..... No Change
Mini-Walk Through Audit..... No Change

Program Goal:

Program Accomplishments:

Variance:

Percent of Goal:

0
0
0
0.0%

The Company has not had a request for an energy audit during this period.

Program Summary

Conservation Cost Variance - Actual Vs. Projected
Projected Cost \$0
Actual Cost \$0
Variance: \$0

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Water Heater Load Retention Program

Name:

Description: This program is designed to discourage current natural gas customers from changing to electricity. The program offers allowances to customers to assist in defraying the cost of more expensive energy efficient appliances.

Program Allowances:

Energy Efficient Gas Water Heater..... \$100

Program Summary

Goals:	1,580
Actual:	924
Variance:	656
Percent of Goal:	58.5%

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$187,987
Actual Cost:	\$92,436
Variance:	\$95,551

() Reflects Overrecovery

Program Programs Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Replacement of Oil Heating Program

Name:

Description: This program is designed to encourage customers to convert their existing Oil Burning Heating system to energy efficient natural gas heating so as to discourage those customers from switching to less costly resistance strip heating. The program offers allowances to defray the additional cost of installing gas appliances.

Program Allowances:

Energy Efficient Gas Furnaces.....

\$330

Program Summary

Goals:	97
Actual:	47
Variance:	50
Percent of Goal:	48.5%

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$32,011
Actual Cost:	\$16,510
Variance:	\$16,501

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Small Package Cogeneration Program

Name:

Description:

This program is designed to promote the direct use of natural gas to generate on-site power and utilize the waste heat for on-site heating, cooling and water heating requirements for commercial and industrial applications. A cogeneration feasibility audit will be made available to commercial and industrial customers interested in workshops. Direct mail and personal contacts will be used to promote the cogeneration computer audit program and to assist Peoples customers in completing forms for the computer audit.

Program Summary

Goals:

Actual:

Variance:

Percent of Goal:

0
0
0

0.0%

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$0
Actual Cost:	\$0
Variance:	\$0

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1987 THROUGH MARCH 1988

Commercial Electric Replacement Program

Name:

Description: This program is designed to encourage the replacement of electric resistance appliances in commercial establishments by offering piping and venting allowances to defray the additional cost of installing natural gas equipment.

Program Allowances:

For every KW Displaced (KW/D)

\$40

Each customer will be allowed a maximum of 100 KW/D displaced and

\$4,000

Program Summary

Program Goal:	2,038
Program Accomplishments:	1,056
Variance:	982
Percent of Goal:	51.8%

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$81,519
Actual Cost:	\$42,250
Variance:	\$39,269

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Residential Electric Replacement Program

Name:

Description: This program is designed to encourage the replacement of electric resistance appliances in the residential market by offering piping and venting allowances to defray the additional cost of installing energy efficient natural gas appliances.

Program Allowances:

Natural Gas Water Heat.....	\$440
Natural Gas Furnace.....	\$440
Natural Gas Range.....	\$75
Natural Gas Dryer.....	\$75
Natural Gas Space Heat.....	\$65

Program Summary

Program Goal:	748
Program Accomplishments:	603
Variance:	143
Percent of Goal:	80.9%

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$320,808
Actual Cost:	\$212,306
Variance:	\$108,502

() Reflects Overrecovery

Program: Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Name:

Energy Conservation Common Cost

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$872,224
Actual Cost:	\$199,897
Variance:	\$417,427

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Gas Space Conditioning Program

Name:

Description:

This program is designed to convert on-main customers from electric space conditioning equipment to energy efficient natural gas space conditioning. The program offers piping and venting allowances to reduce the generally higher cost of installing gas space conditioning equipment. This program would also reduce summer as well as winter peak demand and contribute to the conservation of KWH / KWHD consumption.

Program Allowance:

Each customer is allowed 1000lbs maximum paid allowance/installation at: \$150 /ton

Program Summary

Goals:	740
Actual:	<u>329</u>
Variance:	411
Percent of Goal:	44.4%

Conservation Cost Variance - Actual Vs. Projected	
Projected Cost:	\$110,937
Actual Cost:	\$49,275
Variance:	\$61,662

() Reflects Overrecovery

Program Progress Report

Reporting Period: OCTOBER 1997 THROUGH MARCH 1998

Name:

Program Monitoring, Evaluation and Research Demonstration

Program Summary:

The projected costs and benefits of Peoples' energy conservation programs will be affected not only by the numbers of participating customers and the extent of their participation, but also by the assumptions used in estimating costs and savings to be derived from the programs.

Conservation Cost Variance - Actual Vs. Projected

Projected Cost:	\$0
Actual Cost:	\$0
Variance:	\$0

() Reflects Overrecovery