

State of Florida



Public Service Commission

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TALLAHASSEE, FLORIDA 32399-0850

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

DATE: December 21, 2010
TO: Dorothy Menasco, Office of Commission Clerk
FROM: John Slemkewicz, Division of Economic Regulation JS
RE: Docket No. 100462-GU, Peoples Gas System 2010 Overearnings - Document

Attached is a document for inclusion in the docket file for Docket No. 100462-GU, Joint Petition of Peoples Gas System and Office of Public Counsel for Approval of Stipulation and Settlement Agreement for Possible Overearnings for Calendar Year ending December 31, 2010.

The document is a letter from Jeffrey Chronister to Marshall Willis, dated June 9, 2010, agreeing to an 11.75 percent return on equity earnings cap for 2010.

DOCUMENT NUMBER DATE

10088 DEC 22 0

FPSC-COMMISSION CLERK



RECEIVED
FLORIDA PUBLIC SERVICE
COMMISSION
10 JUN 11 AM 7:13
DIVISION OF
ECONOMIC REGULATION

June 9, 2010

Mr. Marshall Willis, Director
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Peoples Gas System

Dear Mr. Willis:

Subject to the other provisions of this letter, Peoples Gas System ("Peoples" or the "Company") agrees to cap its earned return on common equity ("ROE") for the year ending December 31, 2010 at 11.75%, the maximum of the range established in the Company's last full rate proceeding (Docket No. 080318-GU).

Calculation of the earned ROE will be on the "FPSC Adjusted Basis" as set forth in the Company's Earnings Surveillance Report required by Rule 25-7.1352, F.A.C., for December 31, 2010, using the adjustments made in Peoples' last full rate proceeding, but excluding that portion (if any) of the Company's share of net revenues derived from Off-System Sales that exceeds \$2,068,676.¹ All reasonable and prudent expenses and investment will be allowed in the calculation. The calculation is subject to fine-tuning by Peoples and audit by the Commission Staff.

If it becomes clear to Peoples later in the year that it will overearn the maximum of the ROE range at the end of the year, Peoples requests that any resulting overearnings be used to increase the Company's storm damage reserve up to the \$1 million target level, and that the remainder (if any) of such overearnings be used to increase the Company's environmental reserve and/or for other purposes benefitting both the Company and its customers before any

¹ The final order in Peoples' last rate proceeding resulted in the inclusion in revenues -- for purposes of determining the additional revenue requirements and setting rates -- of \$2 million of the Company's share of Off-System Sales ("OSS") net revenues. The Stipulation and Settlement resolving the normalization issue that was approved by the Commission added \$68,676 to the \$2 million so that the additional revenue requirements would match those awarded by the final order. Excluding OSS net revenues above the total included for ratemaking purposes in the last rate proceeding would eliminate any disincentive to the Company aggressively pursuing OSS. The Company's share of OSS net revenues is 25%, with the remaining 75% being a credit toward costs recovered through the purchased gas adjustment clause.

PEOPLES GAS
702 NORTH FRANKLIN STREET
P.O. BOX 2562
TAMPA, FL 33601-2562
AN EQUAL OPPORTUNITY COMPANY

DOCUMENT NUMBER: DATE

10088 DEC 22 09

FPSC COMMISSION CLERK
WWW.PEOPLES GAS.COM

Mr. Marshall Willis, Director

June 9, 2010

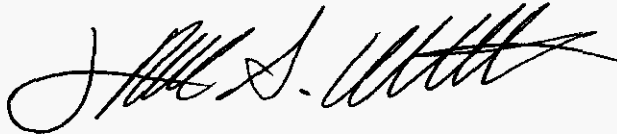
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customer refunds are ordered. Peoples will provide pertinent financial information and contact the Staff and the Office of Public Counsel to discuss booking these types of items before the end of 2010, with any overearnings in excess of the amount booked to be handled in 2011 after the contemplated audit has been completed.

Peoples will, of course, continue to monitor its earnings and will keep Staff and the Office of Public Counsel apprised of any significant changes in one direction or the other.

This letter does not constitute, nor shall it be construed as, a waiver by the Company of any of its rights in connection with the determination of its earned ROE for the calendar year 2010 or the disposition of overearnings, if any, resulting from such determination.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey S. Chronister". The signature is fluid and cursive, with a large initial "J" and "S".

Jeffrey S. Chronister
Controller

cc: Charles J. Rehwinkel, Esquire
Office of Public Counsel
c/o The Florida Legislature
111 West Madison Street, Room 812
Tallahassee, Florida 32399-1400