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IN REPLY REFER TO:

May 15, 1991

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VIA FEDERAL EXPRESS

Mr. Steven C. Tribble, Director
Division of Records & Reporting
Florida Public Service Commission
Fletcher Building
101 E. Gaines Street
Tallahassee, Florida 32399-0870

Re: **[REDACTED]** Docket No. 910031-GU -- Protests by Natural
Gas Utilities of Application of Regulatory
Assessment Fee Rule During Period of January
- June 1990

Dear Mr. Tribble:

Please accept this letter as the response of Peoples Gas System, Inc. ("Peoples") to the Commission's Order No. 24394, issued in the above docket on April 19, 1991.

By this order, the Commission permitted investor-owned natural gas utilities until May 20, 1991 to file briefs on the following issue:

Should the January - June 1990 regulatory assessment fees due from investor owned natural gas utilities be calculated at the rate of 3/8 of one percent of gross operating revenues for the entire six-month period?

This docket was opened because of the filing of protests by five natural gas utilities to the manner in which the Commission's Division of Administration calculated the regulatory assessment fees due from such utilities for the six-month period ended June

DOCUMENT NUMBER-DATE

04852 MAY 16 1991

PSC-RECORDS/REPORTING

ACK 1
AFA _____
APP 1
CAF _____
CMU _____
CTR _____
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LIN 6
OPC 1
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SEC 1
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DTU Adm/Sewell

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30, 1990, following the Commission's increase in the rate of the fee from 1/8 of one percent to 3/8 of one percent effective April 25, 1990. The Division of Administration took the position that the fee due should be based on 3/8 of one percent of revenues subject to the fee for the entire six-month period. Those natural gas utilities which protested this method of calculating the fee took the position that this method unfairly applied the increase in the rate of the fee on a retroactive basis. Peoples paid the sum of \$188,188.77 (the difference between the prorated amount calculated to be due by the Company and the higher amount calculated to be due by the Division of Administration) under protest.

Because Order No. 24394 states that that portion of the assessment increase attributable to purchased gas costs during the January - April 24, 1990 period may be recovered by the Company through the purchased gas cost recovery true-up proceeding (Docket No. 910003-GU), Peoples hereby withdraws its protest to the manner in which the regulatory assessment fee for the involved period was calculated. Its protest being hereby withdrawn, Peoples does not intend to file a brief on the issue identified in Order No. 24394.

Peoples paid the additional assessment fee determined to be due by the Division of Administration within the time required by the Division. It did not, however, pay the penalty and interest which the Division attempted to assess due to Peoples' failure to pay the full amount due by July 30, 1990. With respect to the penalty and interest assessed on the underpayment, Peoples submits that the amount of its initial remittance was calculated in good faith based on the effective date of the change in the rate of assessment of the fee. The manner in which the fee for the involved six-month period should have been calculated was subject to interpretation. That Peoples interpreted the requirements in good faith is demonstrated by the fact that four other natural gas utilities calculated the fee due in a manner similar to that used by Peoples. It is also demonstrated by the Commission's willingness to accept briefs on the question. Under the circumstances, Peoples submits that no penalty should be assessed, and that no interest should be assessed since the utility made payment by the deadline specified in the letter from the Commission's Division of Administration. In essence, Peoples respectfully requests that any penalty and interest be waived by the Commission.

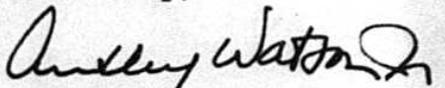
In order to avoid any reoccurrence of the events which resulted in the opening of the above docket, Peoples respectfully suggests that the Commission make any future changes in the rate of

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assessment of the regulatory assessment fee effective prospectively on either January 1 or July 1 (i.e., effective on the first day of the reporting period after which the change in rate is adopted).

Thank you for your consideration.

Sincerely,


ANSLEY WATSON, JR.

AWjr/ts
Enclosure

cc: Mr. Jack E. Uhl
Mr. F. J. Sivard
Martha Carter Brown, Esquire
Mr. Joseph W. McCormick