

VOTE SHEET

FEBRUARY 3, 1998

RE: DOCKET NO. 971310-GU - Investigation into 1996 earnings of Peoples Gas System, Inc.

Issue 1: What is the appropriate rate base for Peoples Gas for 1996?  
Recommendation: The appropriate rate base is \$249,983,000.

**APPROVED**

*Approved with clarification regarding surveillance reporting for over-recovery of conservation costs*

Issue 2: What is the appropriate weighted average cost of capital for Peoples Gas for the period ending December 31, 1996?  
Recommendation: Based on the return on equity cap of 12.25%, the appropriate weighted average cost of capital for measuring excess earnings is 9.27%.

**APPROVED**

COMMISSIONERS ASSIGNED: Full Commission

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

*[Handwritten signatures in majority column]*

*[Empty lines for dissenting signatures]*

REMARKS/DISSENTING COMMENTS:

COMMISSIONER GARCIA PARTICIPATED IN THE VOTE VIA VIDEO TELECONFERENCE. IN HIS VOTE, HE: AGREED WITH THE MAJORITY / DISSENTED. COMMISSIONER GARCIA WILL SIGN THE ORIGINAL VOTE SHEET UPON HIS RETURN TO TALLAHASSEE.

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Issue 3: What is the appropriate net operating income for Peoples Gas for 1996?

Recommendation: The appropriate net operating income is \$23,752,098 for 1996.

**APPROVED**

Issue 4: What is the amount of overearnings for Peoples Gas for 1996?

Recommendation: The amount of overearnings for 1996 is \$947,236 plus interest of \$26,336 for a total amount of \$973,572.

**APPROVED**

Issue 5: How should the \$973,572 in overearnings for 1996 be disposed of?

Recommendation: The \$973,572 in overearnings and interest should be credited to the deferred environmental clean-up costs effective December 31, 1996 for earnings surveillance purposes as a reduction to working capital.

**APPROVED**

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Issue 6: How should the Company account for environmental costs?

Recommendation: The Company should be ordered to expense the \$260,000 as a prior period correction (adjustment 1) and credit the \$973,572 in 1996 overearnings to the deferred environmental account effective December 31, 1996 for earnings surveillance purposes. The remaining balance of \$81,922 should be expensed in 1997. In the future, all environmental costs should be expensed as incurred until the Company formally requests and receives Commission authority to account for these costs using reserve accounting or other treatment.

**APPROVED**

Issue 7: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action timely files a protest within 21 days of the issuance of the order, this docket should be closed.

**APPROVED**