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January 13, 1998

Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110- Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850

HAND DELIVERY

Re: Docket No. ~~980002~~-EG; Peoples Gas-West Florida Region

Dear Ms. Bayo:

Enclosed for filing on behalf of Peoples Gas-West Florida Region in connection with the hearings scheduled to begin February 25, 1998 in this docket are an original and 10 copies of the following documents:

1. Petition for Approval of Peoples Gas-West Florida Region's Proposed Cost Recovery Charges;
2. Direct Testimony of William B. Gray and Ron Sott; and
3. Schedules C-1, C-2, C-3 and C-5.

Please acknowledge receipt of these documents by stamping the enclosed extra copy of this

ACK _____ letter.

AFA _____

APP _____

CAF _____

CMU _____

CTR _____

EAG _____

LEG _____

LIN _____

OPC _____

ROH _____

SEC _____

WAS _____

JTH _____

Thank you for your assistance.

Very truly yours,

Norman H. Horton, Jr.
Norman H. Horton, Jr.

NHH/amb
Enclosures

cc: Mr. William B. Gray
Parties of Record

Sott
DOCUMENT NUMBER-DATE

00673 JAN 13 88

FPSC-RECORDS/REPORTING

Gray
DOCUMENT NUMBER-DATE

00672 JAN 13 88

FPSC-RECORDS/REPORTING

Petition
DOCUMENT NUMBER-DATE

00671 JAN 13 88

FPSC-RECORDS/REPORTING

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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 980002-EG
DIRECT TESTIMONY OF
WILLIAM B. GRAY
ON BEHALF OF PEOPLES GAS-WEST REGION

ORIGINAL

7 Q. Please state your name, address, and employment
8 position.

9 A. My name is William B. Gray, and my business address is
10 301 Maple Avenue, Panama City, Florida 32401. I am
11 employed as Director of Accounting for Peoples Gas
12 West Region.

13 Q. What is the purpose of your testimony?

14 A. My testimony supports the Schedules C-1, C-2, C-3,
15 and C-5, which I prepared, and the calculation of
16 the conservation cost recovery factor to be applied
17 to customer bills during the period of October 1, 1997
18 through September 30, 1998. The "C" Schedules
19 filed with the Commission consist of Schedules C-1,
20 C-2, C-3 and C-5 (composite pre-hearing
21 identification number CA-2). The Schedules reflect
22 assumptions concerning projected levels of program
23 actively developed by Ronald C. Sott, who is
24 Director, New Business Development and who maintains
25 close contact with our customers. My testimony also
26 describes how we arrived at them projections for the period.

DOCUMENT NUMBER-DATE
00672 JAN 13 88
FPSC-RECORDS/REPORTING

1 Q. What is the total amount of program costs which the
2 Company expects to incur during the period October 1997
3 through March 1998?

4 A. That amount, which appears on Schedule C-2, page 1
5 of 3, is \$536,765.00.

6 Q. What is the amount of the estimated true-up for the
7 current period?

8 A. The Company expects to underrecover \$222,322.00
9 including interest. This amount appears on
10 Schedule C-3, page 4 of 5.

11 Q. What is the total amount to be recovered during the
12 period April 1997 through March 1998, and what is
13 the proposed cost recovery factor related to that
14 amount?

15 A. Based upon total incremental cost of \$536,765.00
16 and a true-up of \$222,322.00 underrecovery, the
17 total amount to be recovered during October 1997
18 through September 1998 is \$759,087.00. This amount is
19 allocated to the different customer classes in the
20 same proportion as they contribute to base rate
21 revenues. The amount attributed to each class is
22 then divided by the projected therm sales for that

1 class. This calculation results in a conservation
2 recovery factor for residential customers of 4.7 cents
3 per therm; for commercial customers of 1.587 cents per
4 therm; for commercial large and transportation commercial
5 large customers of 1.181 cents per therm for industrial customer and
6 transportation customers of 0.266 cents per therm, as
7 adjusted for taxes.

8 Q. Please explain how this estimate of 41,890,610 therms for this
9 period was developed.

10 A. The estimate of 41,890,610 therms consist of projected
11 firm gas sales totaling 23,989,482 therms and firm
12 transportation gas totaling 17,901,128 therms. The firm
13 gas sales estimate has been determined through
14 application of projected customer growth and heating
15 degree day data to our forecasting model.

16 Q. Do these therm sales projections include any volumes to
17 be sold under an interruptable rate?

18 A. No. Since interruptable sales are excluded from
19 consideration under the conservation cost recovery
20 program, they have been excluded from the above
21 projections.

22 Q. Does this complete your testimony?

23 A. Yes.

ENERGY CONSERVATION ADJUSTMENT
SUMMARY OF COST RECOVERY CLAUSE CALCULATION

PROJECTED PERIOD:	OCTOBER 1998 THROUGH MARCH 1999
ACTUAL/ESTIMATED PERIOD:	OCTOBER 1997 THROUGH SEPTEMBER 1998
FINAL TRUE-UP PERIOD:	OCTOBER 1996 THROUGH SEPTEMBER 1997
COLLECTION PERIOD FOR PRIOR TRUE-UP:	APRIL 1998 THROUGH MARCH 1999

1. INCREMENTAL COSTS (SCHEDULE C-2)	536,765
2. TRUE-UP (SCHEDULE C-3)	222,322
3. TOTAL	759,087

RATE CLASS	BILLS	THERM SALES	CUSTOMER CHARGE REVENUES	ENERGY CHARGE	TOTAL	EST ECCR REVENUE	ECCR REV AS % OF TOTAL	CENTS PER THERM	REVENUE TAX	ECCR ADJ FOR TAXES
RESIDENTIAL	349,212	10,360,353	2,444,484	3,369,705	5,814,189	485,063	8.34%	0.04682	1.00376	0.04700
COMMERCIAL	28,868	11,241,478	268,680	1,841,129	2,129,809	177,685	8.34%	0.01581	1.00376	0.01587
COMMERCIAL LG VOL	166	1,408,787	8,300	194,976	203,276	16,959	8.34%	0.01177	1.00376	0.01181
COMM LG VOL TRANSP	84	3,252,777	4,200	450,184	454,384	37,908	8.34%	0.01177	1.00376	0.01181
INDUSTRIAL	24	978,864	2,400	47,739	50,139	4,183	8.34%	0.00265	1.00376	0.00266
FIRM TRANSPORTATION	108	8,137,151	10,800	396,849	407,649	34,009	8.34%	0.00265	1.00376	0.00266
SPECIAL CONTRACT	12	6,511,200	39,312	0	39,312	3,280	8.34%	0.00265	1.00376	0.00266
TOTAL	378,474	41,890,610	2,798,176	6,300,583	9,098,759	759,087				

PROJECTED CONSERVATION PROGRAM COSTS BY COST CATEGORY
 FOR PERIOD: OCTOBER 1997 THROUGH SEPTEMBER 1998

PROGRAM NAME

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. ELECTRIC REPLACEMENT	0	22,500	0	58,000	254,000	0	0	0	334,500
2. HOME BUILDER PRGM	0	48,250	0	31,000	350,000	0	0	0	429,250
3. ESP PROGRAM	0	2,400	0	7,000	24,000	0	0	0	33,400
4. LEGAL & PROFESSIONAL	0	0	0	0	0	2,000	0	0	2,000
5. WATER HEATER RETENT	0	9,800	0	7,400	49,000	0	0	0	66,200
6. SPACE CONDITIONING	0	30,250	0	11,000	100,000	0	0	0	141,250
7. COMM RESISTANCE	0	7,625	0	13,545	45,750	0	0	0	66,920
8. (INSERT NAME)	0	0	0	0	0	0	0	0	0
9. (INSERT NAME)	0	0	0	0	0	0	0	0	0
10. (INSERT NAME)	0	0	0	0	0	0	0	0	0
11. (INSERT NAME)	0	0	0	0	0	0	0	0	0
12. (INSERT NAME)	0	0	0	0	0	0	0	0	0
13. (INSERT NAME)	0	0	0	0	0	0	0	0	0
14. (INSERT NAME)	0	0	0	0	0	0	0	0	0
15. (INSERT NAME)	0	0	0	0	0	0	0	0	0
16. (INSERT NAME)	0	0	0	0	0	0	0	0	0
17. (INSERT NAME)	0	0	0	0	0	0	0	0	0
18. (INSERT NAME)	0	0	0	0	0	0	0	0	0
19. (INSERT NAME)	0	0	0	0	0	0	0	0	0
20. (INSERT NAME)	0	0	0	0	0	0	0	0	0
TOTAL ALL PROGRAMS	0	120,825	0	127,945	822,750	2,000	0	0	1,073,520
LESS: AMOUNT IN RATE BASE	0	0	0	0	0	0	0	0	0
RECOVERABLE CONSER.	0	120,825	0	127,945	822,750	2,000	0	0	1,073,520

CONSERVATION PROGRAM COSTS - CAPITAL INVESTMENTS,
 DEPRECIATION, AND RETURN
 FOR MONTHS: OCTOBER 1997 THROUGH MARCH 1998

BEGINNING OF PERIOD CUMULATIVE INVESTMENT:	0
LESS: ACCUMULATED DEPRECIATION:	0
NET INVESTMENT	0

DESCRIPTION	MONTH NO. 1	MONTH NO. 2	MONTH NO. 3	MONTH NO. 4	MONTH NO. 5	MONTH NO. 6	TOTAL
INVESTMENT	0	0	0	0	0	0	0
DEPRECIATION BASE	0	0	0	0	0	0	0
DEPRECIATION EXPENSE	0	0	0	0	0	0	0
CUMULATIVE INVEST.	0	0	0	0	0	0	0
LESS: ACCUM. DEPR	0	0	0	0	0	0	0
NET INVESTMENT	0	0	0	0	0	0	0
AVERAGE INVESTMENT	0	0	0	0	0	0	0
RETURN ON AVG INVEST	0	0	0	0	0	0	0
RETURN REQUIREMENTS	0	0	0	0	0	0	0
TOTAL DEPR & RETURN	0	0	0	0	0	0	0

CONSERVATION PROGRAM COSTS BY COST CATEGORY
 OCTOBER 1997 THROUGH SEPTEMBER 1998
 TWO MONTHS ACTUAL AND TEN MONTHS ESTIMATED

	CAPITAL INVESTMENT	PAYROLL & BENEFITS	MATERIALS & SUPPLIES	ADVERTISING	INCENTIVES	OUTSIDE SERVICES	VEHICLE	OTHER	TOTAL
1. ELECTRIC REPLACEMENT									
A. ACTUAL	0	1,480	0	11,999	19,900	0	0	0	33,379
B. ESTIMATED	0	21,020	0	46,001	234,100	0	0	0	301,121
C. TOTAL	0	22,500	0	58,000	254,000	0	0	0	334,500
2. HOME BUILDER PRGM									
A. ACTUAL	0	3,670	0	3,931	26,100	0	0	0	33,701
B. ESTIMATED	0	44,580	0	27,089	323,800	0	0	0	395,549
C. TOTAL	0	48,250	0	31,000	350,000	0	0	0	429,250
3. ESP PROGRAM									
A. ACTUAL	0	410	0	3,785	4,100	0	0	0	8,295
B. ESTIMATED	0	1,990	0	3,215	19,800	0	0	0	25,105
C. TOTAL	0	2,400	0	7,000	24,000	0	0	0	33,400
4. LEGAL & PROFESSIONAL									
A. ACTUAL	0	0	0	0	0	0	0	0	0
B. ESTIMATED	0	0	0	0	0	2,000	0	0	2,000
C. TOTAL	0	0	0	0	0	2,000	0	0	2,000
5. WATER HEATER RETENT									
A. ACTUAL	0	1,000	0	1,000	5,000	0	0	0	7,000
B. ESTIMATED	0	8,800	0	6,400	44,000	0	0	0	59,200
C. TOTAL	0	9,800	0	7,400	49,000	0	0	0	66,200
6. SPACE CONDITIONING									
A. ACTUAL	0	120	0	7,562	600	0	0	0	8,282
B. ESTIMATED	0	30,130	0	3,438	89,400	0	0	0	132,968
C. TOTAL	0	30,250	0	11,000	100,000	0	0	0	141,250
7. COMM RESISTANCE									
A. ACTUAL	0	310	0	1,342	1,800	0	0	0	3,512
B. ESTIMATED	0	7,315	0	12,203	43,890	0	0	0	63,408
C. TOTAL	0	7,625	0	13,545	45,750	0	0	0	66,920
TOTAL ALL PROGRAMS	0	120,825	0	127,945	822,750	2,000	0	0	1,073,520

COMPANY: PEOPLES GAS - WEST REGION

ENERGY CONSERVATION COST RECOVERY ADJUSTMENT

FOR PERIOD OCTOBER 1997 THROUGH SEPTEMBER 1998
TWO MONTHS ACTUAL AND 10 MONTHS ESTIMATED

CONSERVATION REVS	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. RCS AUDIT FEE	0	0	0	0	0	0	0	0	0	0	0	0	0
2. CONSERV. REVS. (NET OF REVENUE TAX)	(27,838)	(42,286)	(81,712)	(100,656)	(82,935)	(58,250)	(43,165)	(37,195)	(32,345)	(35,504)	(30,298)	(36,052)	(606,241)
3. TRANSPORTATION REV	(5,659)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(5,859)	(38,666)
4. TOTAL REVENUES	(33,984)	(48,145)	(87,570)	(106,514)	(88,794)	(62,109)	(43,751)	(37,781)	(32,931)	(36,090)	(30,884)	(36,538)	(644,901)
5. PRIOR PERIOD TRUE-UP NOT APPLICABLE TO THIS PERIOD	(33,679)	(33,679)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(13,471)	(202,071)
6. CONSERV. REVS. APPLICABLE TO THE PERIOD	(87,373)	(81,823)	(101,042)	(119,885)	(102,265)	(75,580)	(57,223)	(51,253)	(46,402)	(49,561)	(44,355)	(50,110)	(846,972)
7. CONSERV. EXPS. TRUE-UP THIS PERIOD	47,083	47,087	97,937	97,937	97,937	97,937	97,937	97,937	97,937	97,937	97,937	97,937	1,073,520
8. TRUE-UP THIS PERIOD	(20,290)	(34,756)	(3,105)	(22,048)	(4,328)	22,357	40,714	46,684	51,535	48,376	53,582	47,827	226,548
9. INTER. PROVISION	(808)	(968)	(869)	(869)	(872)	(771)	(565)	(301)	(10)	286	588	890	(4,226)
10. TRUE-UP AND INTEREST PROV. BEG. OF MONTH	(202,071)	(189,550)	(191,494)	(181,990)	(181,443)	(183,172)	(148,114)	(94,493)	(34,638)	30,358	92,491	160,133	(202,071)
11. PRIOR TRUE-UP COLLECTED OR (REFUNDED)	33,679	33,679	13,471	13,471	13,471	13,471	13,471	13,471	13,471	13,471	13,471	13,471	202,071
12. TOTAL NET TRUE-UP	(189,550)	(181,494)	(181,990)	(181,443)	(183,172)	(148,114)	(94,493)	(34,638)	30,358	92,491	160,133	222,322	222,322

CALCULATION OF TRUE-UP AND INTEREST PROVISION
 FOR PERIOD: OCTOBER 1997 THROUGH SEPTEMBER 1998

TWO MONTHS ACTUAL AND 10 MONTHS ESTIMATED

INTEREST PROVISION	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	(202,071)	(189,550)	(191,494)	(181,996)	(191,443)	(193,172)	(148,114)	(94,493)	(34,638)	30,358	92,491	160,133	
2. ENDING TRUE-UP BEFORE INTEREST	(188,682)	(190,628)	(181,127)	(190,573)	(182,299)	(147,343)	(93,928)	(34,337)	30,368	92,205	159,544	221,431	
3. TOTAL BEGINNING & ENDING TRUE-UP	(390,753)	(380,178)	(372,620)	(372,570)	(373,742)	(330,515)	(242,042)	(128,831)	(4,270)	122,564	252,036	381,564	
4. AVERAGE TRUE-UP (LINE 3 TIMES 50%)	(195,377)	(190,089)	(186,310)	(186,285)	(186,871)	(165,257)	(121,021)	(64,415)	(2,135)	61,282	125,018	190,782	
5. INTEREST RATE FIRST DAY OF REPORTING MONTH	5.33%	5.23%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	
6. INTER. RATE - FIRST DAY SUBSEQUENT MONTH	5.33%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	
7. TOTAL (SUM LINES 5 & 6)	10.66%	10.93%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	11.20%	
8. AVG. INTEREST RATE (LINE 7 TIMES 50%)	5.33%	5.47%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	5.60%	
9. MONTHLY AVG INTEREST RATE	0.44%	0.46%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	0.47%	
10. INTEREST PROVISION	(968)	(866)	(869)	(869)	(872)	(771)	(565)	(301)	(10)	286	588	890	(4,226)

On September 17, 1984, West Florida Natural Gas Company (Peoples Gas-West Florida Region) filed a petition with the Florida Public Service Commission to enter the Conservation Program. The Company entered the Conservation Program. The Company entered the program on November 8, 1984. On May 15, the Commission approved modifications to this program which the Company implemented on July 1, 1991.

Program Title:

Residential Electric Resistance & Oil Heating Replacement Program

Program Description:

This program will promote the replacement of all electric appliances: water heaters, space and central heaters, ranges and dryers where it is cost effective to do so.

The objective will be met through the following method: Offer customers an incentive allowance to assist in defraying the additional cost of gas piping and appliance venting required when converting from electric to energy conserving natural gas appliances.

The second phase of this program offers an installation allowance to assist in defraying the cost of replacing an oil central heater.

The installation allowances are:

Water Heater.....	\$250.00
Central Heater.....	\$500.00
Range.....	\$150.00
Dryer.....	\$150.00
Appliances with Electronic Ignition.....	\$ 50.00
Space Heaters < 50,000 BTUs.....	\$150.00
Space Heaters > 50,000 BTUs.....	\$300.00

Program Projections:

We are projecting 950 electric and oil appliances will be replaced with natural gas appliances during the period of April 1998 through March 1999.

Program Title: Residential Home Builder Program

Program Description: This program is designed to increase the use of efficient natural gas in the residential sector by encouraging home builders to install energy conserving natural gas appliances in new residences as a substitute for electrical appliances.

It has been determined by a cross section of builders in West Florida Natural Gas Company's (Peoples Gas-West Florida Region) service area that the additional cost of installing gas appliances instead of electric is between \$500.00 and \$700.00. These extra costs involve gas piping, appliance connection, combustion air provisions and appliance venting. The allowances proposed for this program will help defray the additional costs for installing natural gas appliances, thus making these appliances more attractive and competitive to home builders.

The allowances are:

Water Heater.....	\$150.00
Central Heater.....	\$250.00
Range.....	\$100.00
Dryer.....	\$100.00

The installation of gas appliances increases construction cost without a significant offsetting decrease in electrical wiring cost.

Program Projections: The Company projects that 730 new single and multi-family residences will each be built with natural gas central heaters and water heaters during the period April 1998 through March 1999. We estimate that 320 gas ranges and 260 dryers will also be installed in those residences.

Program Title:

Gas Appliance Energy Savings Payback Program

Program Description:

This program has been designed to replace standard gas appliances with energy efficient natural gas appliances and will focus on water heaters, central heaters, ranges and dryers. Installation allowances are added to the program to encourage customers to consider the extra expense of energy efficient natural gas appliances in lieu of standard gas appliances or electric appliances.

We estimate that the customers who will take advantage of this program will install energy efficient gas appliances instead of electric counterparts or standard gas appliances. The KW and KWH deferred and/or the Therm saved will cause the program to be cost effective.

The installation allowances are:

Water Heater.....	\$50.00
Central Heater.....	\$50.00
Range.....	\$50.00
Dryer.....	\$50.00

Program Projections:

We estimate that 480 energy efficient natural gas appliances will be installed, replacing standard natural gas appliances or electric appliances during the period April 1998 through March 1999.

Conservation Cost Recovery
Schedule C-5
Page 4 of 6

Exhibit No. WBG-1
Docket No. 980002-EG
West Florida Natural Gas
Company (Peoples Gas
West Florida Region)
(CA-1) (composite)
Page 13 of 15

Program Title:

Natural Gas Water Heater Load Retention Program

Program Description:

This program is designed to urge the continued use of natural gas water heaters, effectively reducing conversions from natural gas to electricity. Past tendencies, often under emergency situations, have been to make a quick fix by replacing an existing natural gas water heater with an electric model because of lower initial costs and easier installation. This program promotes the efficiencies of natural gas and supports the conservation of petroleum fuels, KWH consumption and KW demand.

The installation allowance is:

Water Heater.....\$100.00

The objective will be met through the following method: Offer customers an incentive allowance to assist them in defraying the additional initial costs and more complicated installation of natural gas water heaters.

Program Projections:

We are projecting 490 water heaters will be retained during the period April 1998 through March 1999.

Conservation Cost Recovery
Schedule C-5
Page 5 of 6

Exhibit No. WBG-1
Docket No. 980002-EG
West Florida Natural Gas
Company (People's Gas
West Florida Region)
(CA-1) (composite)
Page 14 of 15

Program Title:

Natural Gas Space Conditioning Allowance Program

Program Description:

This program is designed to convert customers from electric space conditioning equipment to energy efficient natural gas space conditioning equipment and to initially install gas space conditioning instead of electric equipment.

The installation allowances are:

\$100.00.....per Ton

The objective will be met through the following method: Offer customers an incentive allowance to help reduce generally higher initial costs of gas space conditioning equipment over equivalent electric space conditioners. This will also reduce summer as well as winter peak demand and contribute to the conservation of KWH consumption.

Program Projections:

We are projecting 1000 tons of space conditioning equipment being installed during the period April 1998 through March 1999.

Program Title:

Commercial Electric Resistance Appliance Replacement Program

Program Description:

This program is designed to promote the use of natural gas to high priority, customers. It is aimed at the conversion of non-residential customers from electric resistance appliances to efficient natural gas appliances. This program applies to all energy efficient commercial gas appliances including, but not limited to, water heaters and boilers, central heating furnaces, fryers and other cooking equipment. These conversions will effectively reduce KWH and KWD within our service area, as well as reduce the escalating rates of electric consumption.

The installation allowances are:

\$30.00.....per KWD

The formula to determine the KWD is:

$$\frac{\text{no. of watts input (min. 6000)}}{1,000} = \text{KWD}$$

The objective will be met through the following method: Offer customers an incentive allowance to assist in defraying the additional cost associated with gas piping and venting required for the conversion and the cost of an energy efficient natural gas appliance.

Program Projections:

We are projecting that 52 customers will replace units with a total of 1525 KWD during the period April 1998 through March 1999.