

ORIGINAL

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September 15, 1999

IN REPLY REFER TO:

Ansley Watson, Jr.
P. O. Box 1531
Tampa, Florida 33601
e-mail: aw@macfar.com

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

Re: Docket No. 990002-EG -- Energy Conservation Cost Recovery Clause

Peoples Gas System/Audit Control No. 99-079-2-1
Peoples Gas System (W. FL Region)/Audit Control No. 99-079-2-2

Dear Ms. Bayo:

Please accept this letter as the response of Peoples Gas System ("Peoples" or the "Company") to the Audit Report mentioned above. The audit was performed with respect to Peoples' true-up filing for the 12 months ended March 31, 1999 (the "ECCR Filing").

Disclosure No. 1
Subject: Common Costs

The Company believes it should continue to record all costs of its energy conservation programs, with the exception of Incentive Allowances, as common costs because any given conservation expense could contribute to more than one conservation program. The Company agrees that if a common cost relates to a specific program that cost should be appropriately allocated to the individual program based on its linkage to that program. For the purposes of determining the cost-effectiveness of each program, Peoples agrees that the expenditures identified as common costs should be included.

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RECEIVED & FILED
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE
11134 SEP 16 99
FPSC-RECORDS/REPORTING

Disclosure No. 2

Subject: Advertising Expenses – PGS

1. The Company accepts an adjustment being made to the ECCR Filing for Yellow Page ads in the amount of \$8,137.
2. The Company accepts an adjustment being made to the ECCR Filing for the Jupiter Stadium billboard and program ad in the amount of \$6,514.
3. The Company accepts an adjustment being made to the ECCR Filing for the co-op advertisements with developers in the amount of \$25,805.
4. The check for \$22,800 for cooperative advertising was issued in error and was voided in July 1999. The corresponding conservation account was adjusted in July 1999. Therefore, no adjustment to the ECCR Filing (which covers the 12 months ended March 31, 1999) is necessary since the adjustment made by voiding the subject check will be reflected in a subsequent ECCR true-up filing.

Peoples agrees that a total of \$40,456 in advertising expense should be removed from the PGS ECCR Filing.

Disclosure No. 3

Subject: Advertising Expenses – West Florida Region

1. The Company accepts an adjustment being made to the ECCR Filing for the Marketing and Advertising research study in the amount of \$9,680.
2. Peoples agrees an adjustment should be made to the ECCR filing for advertising not directly related to an approved conservation program. However, of the \$37,925 identified in the audit report, the Company believes \$16,586 is directly related to approved conservation programs and is properly classified. Based on review of the videos of these advertisements (see Attachment 1 to this letter, consisting of two pages, which relates to \$11,311 of the \$16,586 which Peoples believes is properly classified), although not specifically detailed on the scripts attached to the invoices, all of the advertisements contained the words “call about commercial energy conservation rebate” on screen. The remaining advertisement which Peoples believes is properly classified is attached to this letter as Attachment 2. The Company accepts an adjustment being made for the remaining \$21,339 for the advertising which is not directly related to an approved conservation program.

Blanca S. Bayo
September 15, 1999
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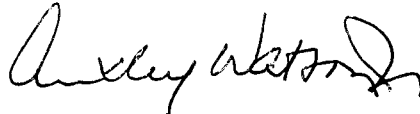
3. The Company accepts an adjustment being made to the ECCR Filing for the various advertisements that mention a competing energy source, the expenses for such ads totaling \$32,540.

Therefore, the Company agrees that a total of \$63,559 of advertising expense should be removed from the PGS West Florida Region ECCR Filing.

In the event the Commission Staff has any questions regarding the foregoing response, please feel free to contact the undersigned or Bruce Narzissenfeld of Peoples Gas directly.

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

Sincerely,



ANSLEY WATSON, JR.

AWjr/a
Enclosures

cc: Ms. Denise N. Vandiver
Mr. Shevie Brown
Mr. Bruce Narzissenfeld
Mr. Brent Caldwell

WJHG TELEVISION
PANAMA CITY, FLORIDA
COMMERCIAL PRODUCTION

DATE : 7/28/98
CLIENT : TECO-PEOPLES GAS
TITLE : "SPINNAKER"
WRITER : THE WRITE PLACE
LENGTH : :30 SECONDS

AUDIO

VIDEO

MALE ANNOUNCER: BET YOU THOUGHT THIS WAS
SPINNAKER...WELL, YOU'RE WRONG!

1. People dancing.

FEMALE ANNOUNCER: SPINNAKER NOW CATERS
TO A LITTLE OLDER CROWD, AND A LITTLE YOUNGER
CROWD WHILE THEIR PARENTS DINE GULF-SIDE,
CHEF AARON HALLEMEYER COOKS IN THE KITCHEN,
WHILE LIVE BANDS AND A D.J. COOKS ON THE
DANCE FLOOR.

2. Couple eating outside...
pan over to children playing
on playground.
3. Shot of Chef.
4. Chef flipping burger.
5. Band performing.
6. Pan of crowd dancing.

CHEF HALLEMEYER: WHEN WE WERE CHANGING
THE IMAGE AND MENU OF THE SPINNAKER TO

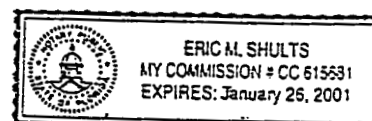
7. Chef Aaron Hallemeier.

CREATE A QUALITY DINING EXPERIENCE I WANTED
AS MUCH OF MY KITCHEN AS POSSIBLE TO BE
GAS. THANKS, TECO-PEOPLES GAS FOR MAKING
SPINNAKER COOK LIKE NEVER BEFORE.

This announcement was broadcast a total of 14 times at the
rates and times coded on our attached invoice number 4254-01
dated 8/20/98 as entered in the station's program log. This announcement
was billed to this station's client at the total of \$ 715.00
Eric M. Shults 1/26/01
Station Official

ANNOUNCER: FOR AN ENERGY SAVING PROGRAM
TAILORED TO YOUR NEEDS, CALL TECO-PEOPLES
GAS.

8. Closing animation. ←



Eric M. Shults

WJHG TELEVISION
PANAMA CITY, FLORIDA
COMMERCIAL PRODUCTION

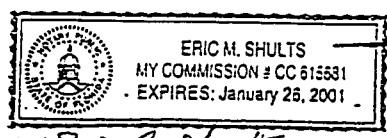
DATE : 7/28/98
CLIENT : TECO-PEOPLES GAS
TITLE : "HILTON, INC. PROPERTIES"
WRITER : THE WRITE PLACE
LENGTH : :30 SECONDS

AUDIO _____ VIDEO _____

JULIE HILTON: WITH FIVE BEACH HOTELS, NATURAL GAS IS ESSENTIAL TO OUR AWARD WINNING GUEST SERVICE. PARADISE FOUND RESORTS SPECIALIZES IN LEGENDARY FUN WHICH MEANS LOTS OF SUN AND PLENTY OF HOT WATER, OCEAN-SIDE DINING, ROMANTIC TRADITIONS, FUN-FILLED MEMORIES... PARADISE FOUND AND PEOPLES GAS, A WINNING COMBINATION. PEOPLES GAS, WE THANK YOU FOR YOUR VALUED ENERGY SERVICE.
ANNOUNCER: FOR AN ENERGY SAVING PROGRAM TAILORED TO YOUR NEEDS, CALL TECO-PEOPLES GAS.

1. Julie Hilton over different hotels.
2. People swimming in front of fountain.
3. Kid rinsing off foot.
4. Family eating outside.
5. Guy with torch.
6. Man cooking on grill.
7. Julie Hilton stand-up outside in front of gulf.
8. Closing animation. ←

This announcement was broadcast a total of 14 times at the dates and times coded on our attached invoice number 4254-01 dated 8/30/98 as entered in the station's program log. This announcement was billed to this station's client at the total of \$ 725.00
Eric M. Shults 1/26/01
Notary, Expiration Date



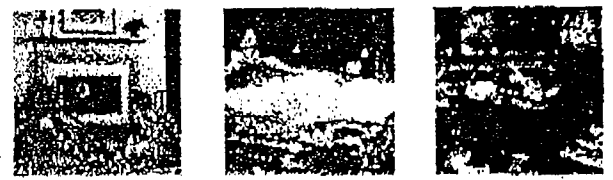
Julie Hilton
Station Official

Eric M. Shults

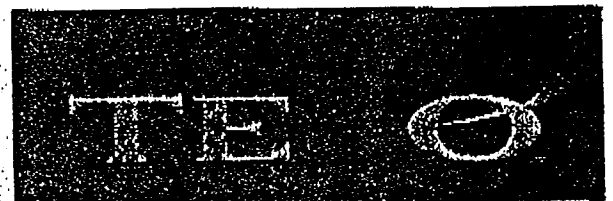
The Sign of Better Living.

When You're Ready for
Comfort, Economy, and Reliability.

Ask for TECO Peoples Gas.



The Gas Advantage



PEOPLES GAS

(352) 622-0111

Ask about our Energy Saving Conservation Program.

14.

