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January 12, 2017

VIA E-MAIL ATTACHMENT

Braulio L. Baez, Executive Director
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

J.R. Kelly, Public Counsel
Office of Public Counsel
c/o The Florida Legislature
111 W. Madison St.
Room 812
Tallahassee, Florida 32399-1400

Re: Docket No. 150259-GU -- Initiation of show cause proceedings against Peoples Gas System for apparent violations of Sections 368.01 - 05, F.S., and Chapter 25-12, F.A.C.

Gentlemen:

As you know, Peoples Gas System (“PGS”) has made an effort to keep both the Commission Staff and the Office of Public Counsel updated on a regular basis with respect to the status of the company’s compliance with the requirements of the Settlement Agreement and the Commission’s order in the above docket approving it (hereinafter, the “Order”).¹

In essence, the Order required that PGS (i) make a penalty payment of \$1 million to the Commission, to be forwarded to the Department of Financial Services for deposit into the General Revenue Fund, and (ii) issue a one-time credit in the amount of \$2 million to customers subject to the company’s Cast Iron/Bare Steel Replacement Rider

¹ Order No. PSC-16-0205-AS-GU, issued May 19, 2016, to which the Settlement Agreement is appended as Attachment A.

(Rider CI/BSR) to reflect O&M savings within Rider CI/BSR in the month following the approval of the Settlement Agreement, clearly identify the inclusion of the one-time credit in its 2016 Rider CI/BSR petition for approval of its 2017 Rider CI/BSR monthly surcharges, and include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that it issued the one-time credit. In addition to the previously described requirements, paragraph 5 of the Settlement Agreement, as summarized in the Order, required certain other actions by PGS related to the company's pipeline safety compliance.

As reflected by Document No. 03208-16, the Commission received and deposited PGS's check in payment of the \$1 million penalty on May 25, 2016, satisfying that requirement of the Order.

PGS filed its petition for approval of its 2017 Rider CI/BSR monthly surcharges on September 1, 2016 (Document No. 07264-16, Docket No. 160201-GU). At its November 1, 2016 Agenda Conference, the Commission approved its Staff's recommendation to grant PGS's petition as filed. The recommendation stated:

Order No. PSC-16-0205-AS-GU required Peoples to add a one-time credit of \$2,000,000 to customers subject to the rider and to clearly identify the inclusion of the \$2,000,000 one-time credit in its rider petition. [footnote omitted] Peoples has complied with that order.

On November 21, 2016, the Commission issued its Order No. PSC-16-0524-TRF-GU approving PGS's Rider CI/BSR surcharges and containing language identical to that quoted above from the Staff Recommendation. On December 14, 2016, the Commission issued its Order No. PSC-16-0557-CO-GU confirming that Order No. PSC-16-0524-TRF-GU was final.

With respect to the requirements of paragraph 5 of the Settlement Agreement, Attachment A to this letter reflects, in summary fashion, PGS's compliance with each such requirement.

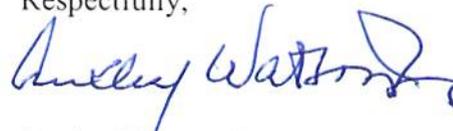
The Order provides that "upon receipt of Peoples Gas Systems petition for approval of its 2017 Rider CI/BSR monthly surcharges, demonstrating its implementation of the \$2,000,000 one-time credit and receipt of the \$1,000,000 penalty payment, this docket may be closed administratively."

On behalf of PGS, we would respectfully request that Docket No. 150259-GU be closed administratively, inasmuch as the requirements of the Order and the Settlement Agreement have been satisfied by the company.

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I want to again express appreciation to both of you, and to all in your respective organizations who worked on the matters in this docket, for the courtesy and professionalism exhibited by each.

Respectfully,

A handwritten signature in blue ink, appearing to read "Ansley Watson, Jr.", with a stylized flourish at the end.

Ansley Watson, Jr.

AWjr/a
Attachment

2016 Settlement Agreement

Reference	Description	Due	Status
5. a. i.	Pipeline Safety Management Compliance Training for Employees & Contractors	11/5/16	Completed 10/28/16
5. a. ii.	Require PGS Gas Delivery management employees to acknowledge a commitment to vigilant oversight of safety and inspection compliance	11/5/16	Completed 9/15/16
5. a. iii.	Assess and act on the performance of each PGS Delivery Management Employee	11/5/16	Completed 10/11/16
5. b.	Review KPMG/AS's report and develop a plan & timetable for implementing IC's	12/31/16	Completed 12/8/16
5. c. i.	AS will conduct or oversee all needed audit activity	NA	Ongoing
5. c. ii.	AS Management will make regular reports to the Board of overall program effectiveness	NA	Ongoing
5. d. i.	PGS Gas Delivery will reinstitute the broader scope and testing of compliance reviews previously conducted	NA	Ongoing
5. d. ii.	AS will conduct regular reviews of the compliance results	NA	Ongoing
5. d. iii.	All PGS Gas Operations managers will regularly conduct and document reviews of status reports	NA	Ongoing
5. e. i.	PGS will implement the use of GL Essentials by contractors	12/31/16	Completed 9/30/16
5. e. ii.	Operations Management will develop standardized written procedures for GL Essentials, and monitor its use by employees & contractors and address needs	12/31/16	Completed written procedures 3/21/16. Continued monitoring is ongoing.
5. e. iii.	PGS will institute a mechanism to gather employee input regarding problems with facilities inspections and GL Essentials	12/31/16	Completed kickoff meeting 1/27/16. Continued monitoring is ongoing.

01/12/2017