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January 12, 1998

IN REPLY REFER TO:

Ansley Watson, Jr.
P.O. Box - 1531
Tampa, Florida 33601

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

ORIGINAL

Re: Docket No. 980002-EG -- Conservation Cost Recovery Clause

Dear Ms. Bayo:

Enclosed for filing in the above docket on behalf of Peoples Gas System are the original and 15 copies of the following:

1. Petition of Peoples Gas System for Approval of its Conservation Cost Recovery Factors;
2. Prepared Direct Testimony of Vernon I. Krutsinger; and
3. Exhibit (VIK-2), consisting of Schedule C-1 through C-5.

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

Thank you for your usual assistance.

Sincerely,

Ansley Watson, Jr.
ANSLEY WATSON, JR.

ACK _____
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AWjr/a
Enclosures

Petition
 DOCUMENT NUMBER-DATE
 00663 JAN 13 88
 FPSC-RECORDS/REPORTING

testimony
 DOCUMENT NUMBER-DATE
 00665 JAN 13 88
 FPSC-RECORDS/REPORTING

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Blanca S. Bayo, Director
January 12, 1998
Page 2

cc: Mr. Vernon Krutsinger
All Parties of Record

In Re: Conservation Cost : DOCKET NO. 980002-EG
Recovery Clause :
_____ : Submitted for Filing: 1-13-98

**PETITION OF PEOPLES GAS SYSTEM FOR
APPROVAL OF ITS CONSERVATION COST RECOVERY FACTORS**

Peoples Gas System ("PGS"), by its undersigned attorneys and pursuant to Rule 25-17.015, Florida Administrative Code, hereby petitions the Commission for approval of its conservation cost recovery factors to be applied to bills rendered for meter readings taken between April 1, 1998 and March 31, 1999 inclusive, and to continue in effect thereafter until modified by the Commission. Petitioner alleges:

1. The name of the petitioner and the mailing address of its principal office is:

Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

2. The names and mailing addresses of the persons authorized to receive notices and communications with respect to this petition are:

Ansley Watson, Jr., Esq.
Macfarlane Ferguson & McMullen
P. O. Box 1531
Tampa, Florida 33601-1531

Mr. Vernon I. Krutsinger
Manager - Energy Conservation
Peoples Gas System
P. O. Box 2562
Tampa, Florida 33601-2562

3. The conservation cost recovery factors were calculated in accordance with the methodology which has been previously approved by the Commission in this docket. The factors are designed to recover the projected conservation program expenses of PGS for the period October 1, 1998 through March 31, 1999, adjusted for the net true-up (which includes the

DOCUMENT NUMBER-DATE

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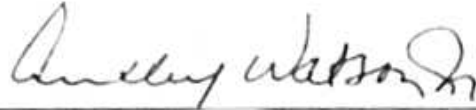
FPSC RECORDS/REPORTING

estimated conservation true-up for the period October 1997 - September 1998), as well as interest calculated in accordance with the methodology established by the Commission. The calculation of the factors and the supporting documentation are contained in the prepared testimony of PGS witness Vernor I. Krutsinger, which prepared testimony is filed herewith.

4. PGS projects total conservation program expenses, net of all program revenues, of \$3,379,788 for the period October 1, 1998 through March 31, 1999. The net true-up is an underrecovery of \$2,543,430. After increasing the projected conservation expenses by the amount of this underrecovery, \$5,923,218 remains to be recovered during the April 1998 - March 1999 period. When this expense is allocated to the affected rate classes pursuant to the methodology approved by the Commission, and expanded for taxes, the recovery factors for the period April 1998 - March 1999 required to recover such expense are 4.794 cents per therm for the Residential rate class, 0.600 cents per therm for the commercial street lighting rate class, 4.433 cents per therm for the small commercial rate class, 1.748 cents per therm for the commercial rate class, 1.417 cents per therm for the Commercial - Large Volume 1 rate class, 1.031 cents per therm for the Commercial - Large Volume 2 rate class, and 0.461 cents per therm for the Natural Gas Vehicle Service rate class.

WHEREFORE, Peoples Gas System prays the Commission will grant this petition, and approve the conservation adjustment factors hereinabove set forth to be applied to bills rendered for meter readings taken between April 1, 1998 and March 31, 1999, inclusive.

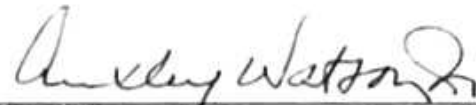
Respectfully submitted,



Ansley Watson, Jr.
Macfarlane Ferguson & McMullen
P. O. Box 1531, Tampa, Florida 33601
(813) 273-4200
Attorneys for Peoples Gas System

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Petition of Peoples Gas System, the Direct Testimony of Vernon I. Krutsinger, and Exhibit VIK-2 (Schedules C-1 through C-5) were furnished this 12th day of January, 1998, by regular U.S. Mail, to all known parties of record in this docket.



Ansley Watson, Jr.