



MIAMIBEACH

OFFICE OF THE CITY MANAGER
NO. LTC # 207-2008

LETTER TO COMMISSION

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: August 14, 2008

SUBJECT: **PEOPLES GAS SYSTEM RATE INCREASE**

This is to inform you that Peoples Gas System have filed a petition with the Florida Public Service Commission requesting an increase in its customer base rates and service charges. Attached is their letter explaining the reasons for the increase and a Summary of Proposed Increase for your review.



JMG/RCM/sam

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Attachments

RECEIVED
2008 AUG 14 PM 4:28
CITY CLERK'S OFFICE



PEOPLES GAS

August 11, 2008

Jorge Gonazalez
City Manager
1700 Convention Center Drive
Miami Beach, FL 33139

Dear Mr. Gonazalez,

Today, Peoples Gas System ("Peoples Gas" or "the company") formally filed a petition with the Florida Public Service Commission (FPSC) requesting an increase in its customer base rates and service charges. These rates and charges have remained fixed since the company's last request for a change in 2002. This letter and the enclosed copy of the company's petitions are provided to you as required by Rule 25-22.0406 Florida Administrative Code, Notice and Public Information on General Rate Increase Requests.

Base rates and service charges cover the investments made to build, maintain and operate the company's natural gas distribution system. Under Florida regulation, a utility is allowed the opportunity to recover its costs, including a fair return on those investments. The ability of a utility to earn this fair return is what provides the continuing access to capital markets required to finance the continuing growth and safe operation of the distribution system. Because the utility's cost of doing business changes over time, the base rates and service charges need to be periodically adjusted to reflect the current cost of doing business.

Since our last base rate increase in 2002, Peoples Gas has added approximately 100,000 new customers. To serve those new customers and to address new federally mandated requirements, the company has installed or replaced more than 1,500 miles of gas main in the more than 200 communities it serves throughout Florida. The costs of goods and services measured by the Consumer Price Index have risen more than 17 percent over this time period, while the price of steel pipe of the diameters generally used by Peoples for the construction of our distribution system have more than doubled and corresponding costs of plastic pipe have increased more than 45 percent.

Continuing to expand the Peoples Gas distribution system and increase the end use of natural gas by consumers is something that benefits all Floridians. Because 99 percent of the natural gas used in the United States is produced in North America, use of natural gas by consumers in Florida reduces our country's dependence on foreign oil. Natural gas is the cleanest burning

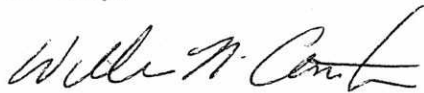
PEOPLES GAS
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P.O. BOX 2562
TAMPA, FL 33601-2562
AN EQUAL OPPORTUNITY COMPANY

WWW.PEOPLES GAS.COM

fossil fuel and when used in place of electricity reduces Florida's carbon footprint. Typical Florida homeowners replacing four less-efficient electric appliances with today's highly-efficient natural gas appliances can reduce their home's carbon footprint by as much as 4,000 pounds of carbon annually.

While none of us at Peoples Gas wants to see even a minimal increase in the cost of the natural gas service we provide for our customers, especially during these challenging economic times, we must seek rates that address the investments we've made and continue to make to serve our growing customer base. Team members across the company have worked hard to control costs while not compromising the safety or reliability of the service that we provide. These efforts have delayed our need for new base rates as long as is possible. A change in price is essential for us to continue to bring the economic and environmental benefits of natural gas to the communities that we serve, with the level of high quality service that our customers expect and deserve.

Sincerely,

A handwritten signature in black ink, appearing to read "William N. Cantrell". The signature is fluid and cursive, with a prominent initial "W" and a long, sweeping tail.

William N. Cantrell
President
Peoples Gas System

PEOPLES GAS SYSTEM

Summary of Proposed Increase

Customer Class	Annual Customer Cost (1)		Increase	
	Present Rates	Proposed Rates	Amount	Percent
Residential	\$ 132,550,431	\$ 148,459,065	\$ 15,908,634	12.0%
Residential Generator	153,109	171,840	18,731	12.2%
Small General Service	14,317,892	15,376,931	1,059,040	7.4%
Commercial Generator	262,976	332,640	69,664	26.5%
General Service - 1	93,592,943	97,222,906	3,629,962	3.9%
General Service - 2	170,351,699	173,261,580	2,909,881	1.7%
General Service - 3	98,651,834	100,630,979	1,979,145	2.0%
General Service - 4	56,176,080	55,357,783	(818,297)	-1.5%
General Service - 5	79,069,731	80,188,529	1,118,797	1.4%
Commercial Street Lightning	1,122,784	1,185,342	62,558	5.6%
Natural Gas Vehicles	545,237	567,812	22,576	4.1%
Wholesale	1,982,739	2,020,884	38,145	1.9%
Small Interruptible Service	58,003,126	58,048,127	45,002	0.1%
Interruptible Service	154,983,987	154,812,149	(171,838)	-0.1%
Large Interruptible Service	171,333,119	171,107,876	(225,244)	-0.1%
Special Contracts	341,874,636	341,814,455	(60,180)	0.0%
Sub-Total	1,374,972,323	1,400,558,899	25,586,576	1.9%
Miscellaneous Service Revenue	6,844,700	7,746,215	901,516	13.2%
Total	<u>\$ 1,381,817,023</u>	<u>\$ 1,408,305,114</u>	<u>\$ 26,488,091</u>	<u>1.9%</u>

(1) Includes Purchased Gas Adjustment for sales customers and estimated cost of gas for transportation customers.