FLORIDA PUBLIC SERVICE COMMISSION
Capital Circle Office Center ● 2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

M E M O R A N D U M

August 1, 1996

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (BULECZA-BANKS, FULFORD, GING, MAKIN, MILLS)
DIVISION OF AUDITING & FINANCIAL ANALYSIS (BOYER, JOHNSON, JONES, LESTER, MERTA, REVELL, C. ROMIG)
DIVISION OF LEGAL SERVICES (JOHNSON)

RE: DOCKET NO. [redacted] - CITY GAS COMPANY OF FLORIDA - APPLICATION FOR A RATE INCREASE BY CITY GAS COMPANY OF FLORIDA

AGENDA: 08/13/96 - REGULAR AGENDA - DECISION ON INTERIM RATE - PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: 60-DAY SUSPENSION DATE: 08/17/96
5 MONTH EFFECTIVE DATE: 11/17/96

SPECIAL INSTRUCTIONS: S:\PSC\AFA\WP\[redacted]

CASE BACKGROUND

This proceeding commenced on June 18, 1996, with the filing of a petition for a permanent rate increase by City Gas Company of Florida, an operating division of NUI Corporation, (City Gas or the Company). City Gas requested an increase of $5,283,344 in additional annual revenues. The Company based its request on a 13-month average rate base of $94,432,747 for a projected test year ending September 30, 1997. The requested overall rate of return is 8.25% based on a 11.90% return on equity.

The Company also requested an interim increase of $2,312,853. It calculated the interim increase request using a 13-month average rate base of $85,689,571, at a 7.35% rate of return using a 10.30% return on equity. The interim test year is the period ended September 30, 1995.

The Commission last granted City Gas a rate increase in Docket No. 940276-GU. In Order No. PSC-94-1570-FOF-GU, dated December 19, 1994, the Commission found the Company's jurisdictional rate base to be $82,638,219 for the projected test year ending September 30, 1995. The authorized rate of return was found to be 7.26% for the test year using a 11.30% return on equity.

Pursuant to Section 366.06(5), Florida Statutes, City Gas requested to proceed under the rules governing Proposed Agency Action (PAA). Under that section, if the Commission fails to issue an Order on PAA within 5 months of the filing, the utility is entitled to place the proposed rates in effect under bond or corporate undertaking.

DISCUSSION OF ISSUES

ISSUE 1: Should the request a for permanent increase in rates and charges be suspended for City Gas Company?

RECOMMENDATION: Yes. Staff recommends that rates and charges of $5,283,344 be suspended for City Gas Company. (MERTA)

STAFF ANALYSIS: City Gas Company filed its petition and MFRs on June 18, 1996. City Gas requested a permanent rate increase of $5,283,344 which would produce a 8.25% overall return on its 13-month average adjusted rate base. This overall rate of return was calculated using a 11.90% return on equity. The Company also requested interim rate relief in accordance with Section 366.071, Florida Statutes. In order to allow Staff time to complete its review of the Company's MFRs, Staff recommends that the rates be suspended.

The Commission must take action to suspend the permanent rates and act on the interim request in 60 days, on or before August 17, 1996. The permanent rates will take effect November 17, 1996, absent Commission vote.

Pursuant to Section 366.06(5), Florida Statutes, City Gas requested to proceed under the rules governing Proposed Agency Action (PAA). Under that section, if the Commission fails to issue an Order on PAA within 5 months of the filing, the utility is entitled to place the proposed rates in effect under bond or corporate undertaking.

ISSUE 2: The Company proposes an interim test year rate base of $85,689,571. Is this appropriate?
RECOMMENDATION: No. The appropriate interim test year rate base is $84,261,391. (MERTA, BOYER, REVELL)

STAFF ANALYSIS: Discussed below are Staff's adjustments used to determine the recommended interim rate base of $84,261,391. Staff reviewed the rate base adjustments made in the Company's last case and in the current filing to determine if the current case was filed consistent with the findings in Order No. PSC-94-1570-FOF-GU. Staff finds the Company's adjustments to be consistent with the last case except as noted below. (Attachments 1 and 1A)

DOCKET NO. 960502-GU
DATE: August 1, 1996

<u>**Adjustment 1**</u>: Artwork - The Company has various pieces of artwork located at the Company's offices in Hialeah. The cost of this artwork was removed from rate base by the Company in its last rate case. Staff agreed with that adjustment. The Company is currently including this adjustment on its monthly Earnings Surveillance Report. In the current rate case filing, the Company did not remove the cost of the artwork from rate base. Therefore, Staff recommends that Account 399, Miscellaneous Tangible Property, be reduced by $38,597. As a result of an asset reduction, there normally would also be adjustments to the corresponding depreciation and reserve accounts. The Company was not depreciating the artwork; therefore, Staff is not recommending any additional adjustments.

<u>**Adjustment 2**</u>: Common Plant - As part of its interim rate base adjustment, City Gas removed $1,781,409 for Common Plant, $434,462 for Accumulated Depreciation-Common Reserve, and $50,087 for Common Plant Depreciation Expense. In the current and last rate cases, City Gas allocated the common plant using similar methodologies, apportioning the plant, reserve and expense based on square footage and usage, as well as, payroll distribution. There are several adjustments to those amounts that need to be made to properly allocate the plant, reserve, and expense to non-regulated operations, and to be consistent with the last rate case.

First, City Gas is not allocating 100% of the Former Propane Sales facilities to non-regulated operations. This facility was used to provide propane tank refill services and should not be allocated to City Gas' regulated operations.

Second, City Gas has identified the square footage of several buildings that it has determined should be allocated among all NUI-Southern Division operations. However, Staff believes that not all of the areas identified should be allocated 100% among the Southern Division. It was not until mid-way through the fiscal year, April 1, 1995, that the Southern Division was first formed and operations for that division performed at the Hialeah offices. Therefore, Staff believes that only 50% of the costs associated with these areas should be allocated among all NUI-Southern operations. To do so, Staff has recalculated the allocation factors for the Southern Division using only 50% of the non-City Gas costs. The City Gas Non-Regulated operations factor should be 75.86%, the City Gas Non-Regulated operations factor should be 12.33%, and the non-City Gas operations factor should be 11.81%.

The third item is the City Gas allocation of the Hialeah Building #955. The 17.84% non-regulated factor the Company used in its estimation of common plant, reserve, and expense was calculated based upon square footage of the building. The computation takes each area individually and applies an appropriate allocation factor depending upon whether the space is used for City Gas regulated, non-regulated, or other NUI-Southern activities. There are several areas that City Gas is allocating only to regulated and non-regulated operations, which Staff believes should be allocated to all NUI-Southern activities. Therefore, Staff recalculated the Hialeah Building #955 allocation factors, applying the NUI-Southern allocation factor to the areas in question. The new non-regulated factor for the Hialeah Building #955 is 20.75%.

Fourth, is the City Gas allocation of the 1001 Office. The 13.35% non-regulated factor was also calculated based upon square footage of the facility. As with the Building #955 factor, the computation takes each area individually and applies an appropriate allocation factor depending upon whether the space is used for City Gas regulated, non-regulated, or other NUI-Southern activities. There are several areas that City Gas is allocating only to regulated and non-regulated operations, which Staff believes should be allocated between City Gas regulated, non-regulated, and other NUI-Southern activities. Therefore, Staff recalculated the 1001 Office allocation factors, applying the NUI-Southern allocation factors to the areas in question. The new non-regulated factor for the 1001 Office is 21.70%.

As a result of the above two corrections to the Building #955 and 1001 Office factors, there are two additional corrections that are necessary. For Account 391, Office Furniture & Equipment, the non-regulated operations factor applied is obtained from a weighted average of the five buildings used by City Gas. Therefore, after recomputing the Account 391 factors based upon the new Building #955 and 1001 Office factors, Staff determined the non-regulated factor to be 18.69%.

In addition, the Hialeah General Office land allocation should be modified. The percentage is based upon the weighted average of the square footage used for Buildings #933 and #955. Therefore, after recomputing based upon the new Building #955 factors, Staff determined the non-regulated factor to be 21.24%.

Fifth, several accounts that included common use assets had not been allocated to non-regulated operations. Account 303, Miscellaneous Intangible Plant, and Account 398, Miscellaneous Equipment had not been allocated to non-regulated operations. Account 303 included the cost of the left-turn lane the Company recently had the City of Hialeah install in front of its Hialeah Buildings #955 and #933. Staff believes that the cost of the left-turn lane should be allocated to non-regulated operations based upon the operations performed in Buildings #955 and #933. Activities performed in Building #933 include City Gas utility and non-utility operations, while Building #955 includes those plus other NUI-Southern activities. Because the left-turn lane serves both buildings, the non-regulated allocation factor for the account should be the same as the factor used for the Hialeah General Office land allocation. As stated above, Staff has determined this factor to be 21.24%.

The amounts in Account 398 were for breathalyzer machines, ice machines, microwaves, lounge equipment, refrigerators, and other miscellaneous equipment used at all City Gas and NUI-Southern offices. These assets should be allocated to non-regulated operations based upon the 21.24% Office Furniture & Equipment allocation factor used for Account 391.

Finally, Account 399, Miscellaneous Tangible Property, was not allocated 100% to non-regulated operations. The amount in the account is for artwork. Adjustment #1 discussed this correction.

Based upon the above changes, additional amounts of common plant, reserve and expense should be removed. Staff recommends removing an additional $96,939 for common plant, $29,777 for common plant reserve, and $3,420 for common plant depreciation expense. The following table shows the affects of each item.

DOCKET NO. 960502-GU
DATE: August 1, 1996

City Gas Company of Florida Adjustment 2: Common Plant Summary			
ADJUSTMENT	**PLANT**	**RESERVE**	**EXPENSE**
NUI-Southern Factor	($59,869)	($19,982)	($2,358)
Former Propane Sales Facilities	23,224	4,457	231
Hialeah Building #955 Factor (1)	105,537	34,712	3,640
1001 Office Factor (1)	17,877	6,631	1,375
Miscellaneous Intangible Plant	4,980	1,639	199
Miscellaneous Equipment	5,190	2,320	333
Total Adjustment	$96,939	$29,777	$3,420

Note:
(1) - Office Furniture & Equipment and Hialeah General Office factors are based upon the changes in these items.

Adjustment 3: PGA Overrecovery - The Company has excluded from working capital a net overrecovery of fuel costs, a liability, of $424,090. The Commission has a long standing policy of including overrecoveries in working capital, as it did in the Company's last rate case, Docket No. 940276-GU. Therefore, Staff recommends that $424,090 in fuel overrecoveries be included as a liability to reduce working capital.

Adjustment 4: Interest Receivable - The Company made an adjustment to remove $429,053 for Interest Receivable. This account includes the interest receivable on the proceeds of industrial development bonds, which are invested in an interest-bearing account until drawn down for construction purposes. The funds and interest are used in the capital structure to reduce the debt principal and interest, which reduces the effective cost rate of debt. In the last rate case, the Company did not have any interest receivable in working capital and made no adjustments to the per books amount. In this rate case, the Company made an adjustment to remove interest receivable from working capital. Since no adjustment was made in the last case, and interest receivable is normally included as a component of working capital, the Company's adjustment to remove it should be reversed for interim purposes. In fairness to the Company, since Staff is recommending in Adjustment No. 5 that Interest Accrued be included in working capital, the Interest Receivable should also be included. Therefore, Staff recommends that $429,053, be included as an increase to working capital to reinstate the per books amount.

Adjustment 5: Interest Accrued - The Company made an adjustment to remove $1,327,384 for Interest Accrued. This account includes interest payable on long term debt, short term debt, mid-term notes, bonds accrued but not matured, and customer deposits. Commission practice is to include this liability in working capital. In the last rate case, the Company included interest accrued in working capital and made no adjustments to the per books amount. Therefore, consistent with the last rate case, Staff recommends that $1,327,384 be included as a reduction to working capital to reinstate the per books amount.

ISSUE 3: The Company proposes an interim test year net operating income of $4,864,567. Is this appropriate?

RECOMMENDATION: No. The appropriate interim test year net operating income is $4,851,182. (MERTA, C. ROMIG, BOYER, REVELL)

STAFF ANALYSIS: Discussed below are Staff's adjustments used to determine the recommended interim test year net operating income of $4,851,182. Staff reviewed the net operating income adjustments made in the Company's last case and in the current filing to determine if the current case was filed consistent with the findings in Order No. PSC-94-1570-FOF-GU. Staff finds the Company's adjustments to be consistent with the last case except as noted below. (Attachment 2)

Adjustment 6: Institutional or Goodwill Advertising - The Company included $5,450 in expenses for institutional or goodwill advertising. In Order No. 6500, issued February 6, 1975, the Commission defined the parameters for advertising which may be recovered in base rates. Advertising was classified into four categories: informational, promotional, community affairs, and image building. Only advertising informational in nature, designed to inform the customer of proper emergency and safety precautions and procedures, of changes in rates and charges, conditions of service, methods to conserve energy and reduce usage, and similar matters, is an allowable expense. Institutional advertising is designed to enhance or preserve the corporate image, and to present it in a favorable light to the general public and to potential investors in its securities. This type of advertising, as well as advertising which states a utility's position on matters of public controversy, was specifically disallowed. A similar adjustment was made in the Company's last rate case. Therefore, Staff recommends that expenses be reduced by $5,450 for institutional or goodwill advertising.

Adjustment 7: CNG Outside Professional Services - The Company included an expense of $3,750 in Account 923, Outside Services Employed, for the compressed natural gas project (CNG) at the airport. In its last rate case, Docket No. 940276-GU, expenses for this project were considered to be non-utility in nature and were removed. Since the expenses in this case relate to the same project, Staff recommends that expenses in the amount of $3,750 be removed from Account 923.

Adjustment 8: Property Taxes - For interim purposes, the Company reduced property taxes by $48,401. This $48,401 represents three separate adjustments to property taxes related to real property removed from rate base: $30,774 for Treasure Coast, $15,127 for Western Energy, and $2,500 for Common Plant allocated to non-regulated property. Staff agrees with the property tax adjustments for Treasure Coast and Western Energy because Staff believes that they are calculated consistent with the method approved in the final order of its last case. However, Staff does not agree that the Company's $2,500 adjustment for property taxes related to Common Plant is adequate. In its last order, the Commission allocated $1,251,259 of Common Plant and $2,500 of common plant property taxes to non-regulated activities. The $2,500 implies a millage rate of .0019 ($2,500/$1,251,259). For interim purposes, the Company allocated $1,781,409 of Common Plant (an increased amount), but the same $2,500 of common plant property taxes to non-regulated activities. Staff believes that the $2,500 should be increased to reflect the increased Common Plant allocated to non-regulated activities. Further, in Adjustment 2 above, Staff recommends increasing the Common Plant allocated to non-regulated activities by a further $96,939 to $1,878,348. Using the implied .0019 millage rate from its last order, Staff recommends increasing the Company's interim adjustment by $1,069, from $2,500 to $3,569 (.0019*$1,878,348).

Adjustment 9: Income Tax Expense - Income tax expense should be increased by $5,151, which represents the income tax effect of Staff's adjustments to the Company's interim net operating income.

Adjustment 10: Interest Reconciliation - The interest reconciliation adjustment should be increased by $21,923, a calculation based on the effect of Staff's adjustments to the Company's interim capital structure and cost rates.

ISSUE 4: The Company proposed an interim return on equity of 10.30% and an overall rate of return of 7.35%. Is this appropriate?

RECOMMENDATION: No. The appropriate interim return on equity is 10.30% and the appropriate overall rate of return is 7.34%. (LESTER, C. ROMIG)

STAFF ANALYSIS: For interim rates, City filed a 13 month average capital structure for the year ended September 30, 1995. Consistent with the last rate case, City adjusted the investor sources of its divisional capital structure to reflect the consolidated capital structure of NUI Corporation. Also consistent with the last rate case, City did not remove an amount for non-utility investment from common equity in reconciling capital structure and rate base. This was done because the removal of an amount for non-utility investment solely from common equity would have caused the equity ratio to be well below a reasonable level.

The Commission established City's current authorized return on equity (ROE) at 11.30% by Order No. PSC-94-1570-FOF-GU, issued December 19, 1994. For interim purposes, the Company used 10.30% for the ROE, which is the low end of the range for the authorized ROE. The recommended return on equity is slightly lower than the requested return on equity due to the effect of rate base adjustments on the capital structure. Based on the capital structure, the appropriate overall rate of return is 7.34%. (Attachment 3)

ISSUE 5: The Company proposed an interim revenue expansion factor of 1.6133. Is this appropriate?

RECOMMENDATION: Yes. The appropriate factor is 1.6133. (MERTA)

STAFF ANALYSIS: Staff and the Company agree on all components of the revenue expansion factor. Therefore, Staff recommends that 1.6133 be approved. (Attachment 4)

ISSUE 6: The Company requested an interim increase of $2,312,853. Should this amount be granted?

RECOMMENDATION: No. After making the above adjustments, the interim increase to City Gas Company should be $2,151,503. (MERTA)

STAFF ANALYSIS: The Company requested $2,312,853 in interim relief for the historical base year ended September 30, 1995. This would have allowed the Company to earn an overall rate of return of 7.35%. Based on the previously discussed adjustments, Staff has determined the interim rate base is $84,261,391 (Attachment 1), and the net operating income is $4,851,182 (Attachment 2). Applying a 7.34% overall rate of return (Attachment 3), the Company is entitled to $2,151,503 in interim relief (Attachment 5).

ISSUE 7: How should the interim increase for City Gas Company be distributed among the customers?

RECOMMENDATION: Any interim increase authorized should be applied uniformly across the board to all rate classes' base rates exclusive of fuel costs and collected on a cents-per-therm basis, as shown on Attachments 6 and 7. The interim rates should be made effective for all meter readings taken on or after thirty days from the date of the vote and decision herein. (MAKIN)

STAFF ANALYSIS: The Company proposed to collect interim rates across the board from all its customers in accordance with Rule 25-7.040, Florida Administrative Code.

The Company should be required to give appropriate notice to customers commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose and effect of the increase. A copy of the notice should be submitted to the Bureau of Gas Regulation for approval prior to its use.

ISSUE 8: Should any interim increase granted City Gas Company be subject to refund, with interest, under bond or corporate undertaking?

RECOMMENDATION: Yes. Interim revenues should be subject to refund, with interest, and City Gas Company should file an appropriate corporate undertaking. (MERTA, MAKIN)

STAFF ANALYSIS: Any amount of interim relief granted to City Gas Company should be placed subject to refund, with interest, through a corporate undertaking. This is consistent with the Commission's order in City Gas' last interim filing (Order No. PSC-94-0957-FOF-GU in Docket No. 940276-GU) and with prior Commission policy.

In determining whether any portion of the $2,151,503 interim increase should be refunded, the 1997 projected test year as appropriately adjusted for interim purposes, should be used to calculate any refund since the test period for the permanent rates overlaps the period interim rates will be in effect.

ISSUE 9: Should this docket be closed?

RECOMMENDATION: No. This docket shall remain open to process the revenue increase request of the Company. (MERTA, JOHNSON)

STAFF ANALYSIS: This docket should remain open until staff completes its review of the Company's requested rate increase.

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CITY GAS COMPANY OF FLORIDA
DOCKET NO. 960502-GU
COMPARATIVE AVERAGE RATE BASES
TYE 09/30/95

ATTACHMENT 1
29-Jul-96
INTERIM

ADJ. NO.		COMPANY TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	PLANT IN SERVICE					
	UTILITY PLANT	142,684,549				
	Remove leased appliances		(23,031,257)			
	Remove Western Energy cost		(428,406)			
	Remove Treasure Coast infrastructure		(217,129)			
1	Artwork				(38,597)	
2	COMMON PLANT ALLOCATED	0	(1,781,409)		(96,939)	
	ACQUISITION ADJUSTMENT	29,484,723				
	NUI acquisition adjustment		(29,335,430)			
	Ft. Pierce acquisition adjustment		(21,415)			
	PLANT HELD FOR FUTURE USE	1,459,792				
	Western Energy		(971,253)			
	Treasure Coast infrastructure		(488,539)			
	CONSTRUCTION WORK IN PROGRESS	3,263,842				
	Treasure Coast infrastructure		(121,321)			
	Leased appliances		(192,125)			
	TOTAL PLANT	176,892,906	(56,588,284)	120,304,622	(135,536)	120,169,086
	DEDUCTIONS					
	ACCUM. DEPR.- PLANT IN SERVICE	49,308,086				
	Leased appliances		(7,650,194)			
	Western Energy		(38,187)			
	Treasure Coast Infrastructure		(32,758)			
2	ACCUM DEPR. - COMMON PLANT	0	(434,462)		(29,777)	
	ACCUM. DEPR. - ACQUISITION ADJ.	6,698,563				
	NUI acquisition adjustment		(6,284,436)			
	Pre-merger acquisition		8,629			
	Ft. Pierce acquisition adjustment		(100)			
	CUSTOMER ADVANCES FOR CONSTR.	0	0			
	TOTAL DEDUCTIONS	56,006,649	(14,431,508)	41,575,141	(29,777)	41,545,364
	NET UTILITY PLANT	120,886,257	(42,156,776)	78,729,481	(105,759)	78,623,722
	WORKING CAPITAL ALLOWANCE	(41,943,387)	48,903,477	6,960,090	(1,322,421)	5,637,669
	TOTAL RATE BASE	78,942,870	6,746,701	85,689,571	(1,428,180)	84,261,391

CITY GAS COMPANY
DOCKET NO. 960502-GU
COMPARATIVE WORKING CAPITAL COMPONENTS
TYE 09/30/95

ATTACHMENT 1A
29-Jul-96
INTERIM

ADJ. NO.		COMPANY AS FILED TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	WORKING CAPITAL	(41,943,387)				
	Other Special Funds		(13,266)			
	Merchandise, Jobbing & Other		(124,584)			
	Accum. Prov. Uncollectible Accts.		21,358			
	Receivables - Assoc. Companies		(1,302,187)			
	Materials & Supplies		1,017			
	Merchandise		(229,959)			
	Stores Expense		(4,649)			
	Prepayments		(15,272)			
4	Interest Receivable		(429,053)		429,053	
	Unamortized Debt Expense		(669,358)			
	Other WIP		(79,191)			
	Unamortized Rate Case Expense		(505,742)			
	Misc. Deferred Debits		(2,729,159)			
	Notes Payable		23,098,186			
	Accounts Payable		238			
	Accts. Payable to Assoc. Cos.		616,551			
	Customer Deposits		5,485,253			
	Taxes Accrued-General		69,510			
5	Interest Accrued		1,327,384		(1,327,384)	
	Allocation to M & J		(43,744)			
	Leased Appliance Receivables		(85,586)			
	Misc. Current Liabilities		586,767			
	Capital Leases - Current		18,543			
	Deferred Credits		2,310,848			
	Accum. Deferred Income Tax		19,988,364			
	Deferred ITC		1,611,208			
3	PGA Overrecovery				(424,090)	
	TOTALS	(41,943,387)	48,903,477	6,960,090	(1,322,421)	5,637,669

CITY GAS COMPANY OF FLORIDA
DOCKET NO. 960502-GU
COMPARATIVE NOIs
TYE 09/30/95

ATTACHMENT 2
Page 1 of 2

29-Jul-96
INTERIM

ADJ. NO.		COMPANY: TOTAL PER BOOKS	COMPANY: COMPANY ADJS.	COMPANY: COMPANY ADJUSTED	STAFF: STAFF ADJS.	STAFF: STAFF ADJUSTED
	OPERATING REVENUES	51,470,773				
	Remove cost of gas		(20,761,529)			
	Leased appliances		(3,552,109)			
	Pro forma adjustment		258,164			
	TOTAL REVENUES	51,470,773	(24,055,474)	27,415,299	0	27,415,299
	OPERATING EXPENSES:					
	OPERATION & MAINTENANCE EXPENSE	37,763,129				
	Remove cost of gas		(20,683,758)			
	Leased Appliances		(274,317)			
	AGA dues		(17,732)			
	Membership dues		(2,606)			
	Economic development expense		(7,004)			
	Executive salaries		(43,063)			
	Employee activities		(33,911)			
	Executive vehicles		(18,985)			
	Regulatory expense		(28,953)			
	A&G allocated to nonutility		(612,410)			
	Uncollectible accounts		(2,142)			
	MIS investigation		(10,012)			
6	Instit. or Goodwill Advertising				(5,450)	
7	CNG Outside Prof. Services				(3,750)	
	TOTAL O & M EXPENSE	37,763,129	(21,734,893)	16,028,236	(9,200)	16,019,036

ADJ. NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	DEPRECIATION & AMORTIZATION	7,712,154				
	Leased appliances		(1,880,918)			
	Remove NUI acquisition adjustment		(985,092)			
	Remove Ft. Pierce acquisition adjustment		(528)			
	Pre-merger acquisition adjustment		(10,548)			
	Out of period adjustment C-15		(501,811)			
2	Common plant		(50,087)		(3,420)	
	TOTAL DEPRECIATION & AMORT.	7,712,154	(3,428,984)	4,283,170	(3,420)	4,279,750
	TAXES OTHER THAN INCOME	1,725,650				
	Regulatory assessment tax		(77,771)			
8	Property taxes		(48,401)		(1,069)	
	Payroll taxes		(1,965)			
	Revenue taxes	0	0			
	Pro forma adjustment		968			
	TOTAL TAXES OTHER THAN INCOME	1,725,650	(127,169)	1,598,481	(1,069)	1,597,412
	INCOME TAX EXPENSE					
9	Income taxes - current & deferred	(59,901)	260,484		5,151	
	ITC Amortization	(12,168)				
10	Interest Reconciliation Adj.		452,430		21,923	
	TOTAL INCOME TAXES	(72,069)	712,914	640,845	27,074	667,919
	TOTAL OPERATING EXPENSES	47,128,864	(24,578,132)	22,550,732	13,385	22,564,117
	NET OPERATING INCOME	4,341,909	522,658	4,864,567	(13,385)	4,851,182

ATTACHMENT 3
29-Jul-96

CITY GAS COMPANY OF FLORIDA
DOCKET NO. 960502-GU
INTERIM TEST YEAR ENDING SEPTEMBER 30, 1995

	PER BOOKS	TO CONFORM W/RATIO OF INVESTOR SOURCES	SPECIFIC	PRO RATA	ADJUSTED	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	46,450,548	(7,828,008)	0	(11,631,569)	26,990,971	32.03%	10.30%	3.30%
PREFERRED STOCK	0	0	0	0	0	0.00%	0.00%	0.00%
LONG TERM DEBT	32,492,322	15,283,300	0	(14,402,842)	33,372,780	39.61%	7.32%	2.90%
SHORT TERM DEBT	23,098,186	(7,455,292)	0	(4,716,502)	10,926,392	12.97%	5.78%	0.75%
CUSTOMER DEPOSITS	5,485,253		0		5,485,253	6.51%	6.00%	0.39%
TAX CREDITS-ZERO COST	1,611,208		(63,230)		1,547,978	1.84%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	0		0		0	0.00%	0.00%	0.00%
ACC DEF INC TAXES-ZERO COST	18,475,639		(12,537,622)		5,938,017	7.05%	0.00%	0.00%
	$127,613,156	$0	($12,600,852)	($30,750,913)	$84,261,391	100.00%		7.34%

CITY GAS COMPANY OF FLORIDA
DOCKET NO. 960502-GU
NET OPERATING INCOME MULTIPLIER
TYE 09/30/95

ATTACHMENT 4
29-Jul-96
INTERIM

DESCRIPTION	COMPANY PER FILING	STAFF
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
REGULATORY ASSESSMENT RATE	0.3750%	0.3750%
BAD DEBT RATE	0.2400%	0.2400%
NET BEFORE INCOME TAXES	99.3850%	99.3850%
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4662%	5.4662%
NET BEFORE FEDERAL INCOME TAXES	93.9188%	93.9188%
FEDERAL INCOME TAX RATE	34.0000%	34.0000%
FEDERAL INCOME TAX	31.9324%	31.9324%
REVENUE EXPANSION FACTOR	61.9864%	61.9864%
NET OPERATING INCOME MULTIPLIER	1.6133	1.6133

CITY GAS COMPANY OF FLORIDA
DOCKET 960502-GU
COMPARATIVE DEFICIENCY CALCULATIONS
TYE 09/30/95

ATTACHMENT 5
29-Jul-96
INTERIM

	COMPANY ADJUSTED	STAFF ADJUSTED
RATE BASE (AVERAGE)	$85,689,571	$84,261,391
RATE OF RETURN	X 7.35%	X 7.34%
REQUIRED NOI	$6,298,183	$6,184,786
Operating Revenues	27,415,299	27,415,299
Operating Expenses:		
Operation & Maintenance	16,028,236	16,019,036
Depreciation & Amortization	4,283,170	4,279,750
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	1,598,481	1,597,412
Income Taxes	640,845	667,919
Total Operating Expenses	22,550,732	22,564,117
ACHIEVED NOI	4,864,567	4,851,182
NET REVENUE DEFICIENCY	1,433,616	1,333,604
Revenue Tax Factor	1.6133	1.6133
TOTAL REVENUE DEFICIENCY	$2,312,853	$2,151,503

CITY GAS COMPANY
ALLOCATION OF INTERIM INCREASE
BASED ON 12 MONTHS ENDED: SEPTEMBER 30, 1995

ATTACHMENT: 6
DOCKET NO. 960502-GU

	PRESENT REVENUE					INTERIM INCREASE		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
					(4)+(5)	(6)X(8)	(7)/(6)	(7)/(3)
RATE SCHEDULE	BILLS	THERM SALES	CUSTOMER CHARGE	ENERGY CHARGE	TOTAL	$ INCREASE	% INCREASE	INCREASE CENTS PER THERM
RS	1,087,910	21,165,456	$6,527,820	$8,387,506	$14,915,326	$1,178,612	7.90	5.569
GL	4,000	71,994	$0	$21,307	$21,307	$1,684	7.90	2.339
CS	55,331	45,118,286	$663,972	$8,014,293	$8,678,265	$685,758	7.90	1.520
NGV	58	92,994	$1,728	$12,539	$14,267	$1,127	7.90	1.212
IP	198	8,738,131	$7,128	$1,033,547	$1,040,675	$82,234	7.90	0.941
IL	36	7,664,573	$5,400	$846,629	$852,029	$67,328	7.90	0.878
CTS	67	878,837	$804	$156,121	$156,925	$12,400	7.90	1.411
ITS	169	7,688,365	$21,744	$909,380	$931,124	$73,578	7.90	0.957
ILT	36	5,474,608	$9,450	$604,725	$614,175	$48,532	7.90	0.886
CI-LVT	12	0	$3,150	$0	$3,150	$249	7.90	0.000
TOTAL	1,147,817	96,893,244	$7,241,196	$19,986,047	$27,227,243	$2,151,503	7.90	2.220

CITY GAS COMPANY
ALLOCATION OF INTERIM INCREASE
BASED ON 12 MONTHS ENDED: SEPTEMBER 30, 1995

ATTACHMENT: 7
DOCKET NO. 960502-GU

RATE SCHEDULE	PRESENT RATE	INTERIM RATE INCREASE	PROPOSED INTERIM RATE
RESIDENTIAL (RS)			
CUSTOMER CHARGE	$6.00	$0.00	$6.00
ENERGY CHARGE (cents/therm)	39.640	5.569	45.209
GAS LIGHTING (GL)			
CUSTOMER CHARGE	$0.00	$0.00	$0.00
ENERGY CHARGE (cents/therm)	29.591	2.339	31.930
COMMERCIAL (CS)			
CUSTOMER CHARGE	$12.00	$0.00	$12.00
ENERGY CHARGE (cents/therm)	17.763	1.520	19.283
NATURAL GAS VEHICLE (NGV)			
CUSTOMER CHARGE	$12.00	$0.00	$12.00
ENERGY CHARGE (cents/therm)	13.484	1.212	14.696
INTERRUPTIBLE PREFERRED (IP)			
CUSTOMER CHARGE	$36.00	$0.00	$36.00
ENERGY CHARGE (cents/therm)	11.828	0.941	12.769
INTERRUPTIBLE LARGE VOLUME (IL)			
CUSTOMER CHARGE	$50.00	$0.00	$50.00
ENERGY CHARGE (cents/therm)	11.828	0.878	12.706
COMMERCIAL TRANSPORTATION (CTS)			
CUSTOMER CHARGE	$12.00	$0.00	$12.00
ENERGY CHARGE (cents/therm)	17.763	1.411	19.174
INTERRUPTIBLE TRANSPORTATION (ITS)			
CUSTOMER CHARGE	$150.00	$0.00	$150.00
ENERGY CHARGE (cents/therm)	11.828	0.957	12.785
INTERRUPTIBLE LARGE VOLUME TRANSPORTATION (ILT)			
CUSTOMER CHARGE	$300.00	$0.00	$300.00
ENERGY CHARGE (cents/therm)	11.046	0.886	11.932
CONTRACT INTERRUPTIBLE LARGE VOLUME TRANSPORTATION (CI-LVT)			
CUSTOMER CHARGE	$300.00	$0.00	$300.00
ENERGY CHARGE (cents/therm)	11.046	0.000	11.046