BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of West Florida Natural Gas Company for a Rate Increase.	DOCKET NO. 871255-GU ORDER NO. 20638 ISSUED: 1/24/89

Pursuant to Notice, a Prehearing Conference was held on January 19, 1989, in Tallahassee, Florida, before Commissioner Gerald L. Gunter, Prehearing Officer.

APPEARANCES:

ROBERT GOLDMAN, Esquire, Messer, Vickers, Caparello, French and Madsen, P. O. Box 1876, Tallahassee, Florida 32301
On behalf of West Florida Natural Gas Company.

JOHN W. McWHIRTER, Esquire, Lawson, McWhirter, Grandoff and Reeves, 201 East Kennedy Blvd. Suite 800, P.O. Box 3350,Tampa, Florida, 33601-3350
On behalf of Arizona Chemical Company

MARSHA E. RULE, Esquire, Florida Public Service Commission, 101 East Gaines Street, Tallahassee, Florida 32399-0863
On behalf of the Commission Staff.

PRENTICE P. PRUITT, Office of General Counsel, Florida Public Service Commission 101 East Gaines Street, Tallahassee, Florida 32399-0861
Counsel to the Commissioners.

PREHEARING ORDER

Background

This proceeding was initiated on November 9, 1987, when West Florida Natural Gas Company (WFNG) requested test year approval. On March 15, 1988, the utility filed its Minimum Filing Requirements, requesting authority to increase rates and charges and for approval of a flexible interruptible rate. The proposed rates were designed to generate a rate increase of $1,109,227, based on the test year 12-months ended June 30, 1987 and an attrition year 12-months ended June 30, 1989. By Commission Order No. 19239 dated April 28, 1988, the Commission suspended the utility's proposed permanent rates, but granted an interim increase of $584,212, based on a 13-month average rate base on a 12-month test period ended June 30, 1987. Arizona Chemical Company (ACC) was granted leave to intervene in this docket on May 16,1988.

On August 19, 1988, in compliance with Order No. 19750, West Florida Natural Gas Company filed revised direct testimony and schedules addressing three issues: refinancing of outstanding debt; reconciliation of capital structure on a pro-rata basis; and the cost of the environmental clean-up of a prior manufactured gas plant site located in WFNG's Ocala Division. The revised schedules are designed to generate an additional $705,407 for a total rate increase of $1,814,634, based on the original test year and attrition year. Due to the extra time required to process the revised schedules, WFNG agreed to waive the statutory time requirements specified in Ch. 366.06, F.S.

Use of Prefiled Testimony

All testimony which has been prefiled in this case will be inserted into the record as though read after the witness has taken the stand and affirmed the correctness of the testimony and exhibits, unless there is a sustainable objection. All testimony remains subject to appropriate objections. Each witness will have the opportunity to orally summarize his testimony at the time he or she takes the stand.

Use of Depositions and Interrogatories

If any party desires to use any portion of a deposition or an interrogatory, at the time the party seeks to introduce that deposition or a portion thereof, the request will be subject to proper objections and the appropriate evidentiary rules will govern. The parties will be free to utilize any exhibits requested at the time of the depositions subject to the same conditions.

Order of Witnesses

The witness schedule is set forth below in order of appearance by the witness's name, subject matter, and the issues which will be covered by his or her testimony.

	Witness	Subject Matter	Issues
Direct			
1.	James E. McIntyre (President, WFNG)	Need for rate relief, WFNG's proposed flexible interruptible rate methodology, and recent refinancing of outstanding debt.	28,67,75,58, 80
2.	Gregory E. Sowder (WFNG Regulatory Accountant)	Rate base, net operating income, capital structure, revenue deficiency, cost of service method employed by WFNG, support schedules which he prepared.	1-12, 14-22, 27, 28, 31-56, 58, 59, 61-63, 66, 67, 70-77, 79
3.	Patti A. Smith (Controller, WFNG)	Support schedules she prepared.	23-26, 29, 57, 60, 64, 65, 68
4.	Larry B. Brockman (WFNG Consultant)	Cost of service study and rate design, including flexible rate methodology; Arizona Chemical contract.	75, 77, 80

	Witness	Subject Matter	Issues
5.	Glen P. McIsaac (WFNG Consultant)	Removal of non-rate base items from capital structure pro rata rather than from equity entirely, cost of common equity.	31
6.	William F. Pence (WFNG Special Environmental Counsel)	Ocala manufactured gas plant site.	No issues identified
7.	Manco Snapp (Or other representative of ACC)	Corporate Operations and energy plans.	No issue identified
8.	Brian R. Barber (Rate consultant, ACC)	Cost of service methodologies and rate design.	71-77, 80
9.	Sylvia Johe (Staff)	Findings contained in Staff Audit Report and Supplemental Audit Report.	1, 2, 14, 15 33, 34, 43-47, 57, 59
10.	Scott Seery (Staff)	Cost of equity, reconciliation of rate base to capital structure.	30, 32, 69, 70
11.	Roger Fletcher (Staff)	WFNG's violation of meter testing requirements.	81

Rebuttal

	Witness	Subject Matter	Issues
12.	Gregory E. Sowder (WFNG)	Respond to findings in Staff Audit and Supplemental Audit Reports, inactive service lines and plant allocations.	3, 5, 15, 35, 37, 62
13.	Patti A. Smith (WFNG)	Staff Audit Finding No. 4.	13
14.	Daniel W. Hughes (WFNG)	Meter testing.	81
15.	Glenn P. McIsaac (WFNG)	Rate of return on common equity.	30, 32, 69, 70
16.	Larry B. Brockman (WFNG)	Flexible interrupible rate.	80

EXHIBIT LIST

Exhibit Number	Witness	Description
101	Sowder	Revised MFRs A-1 through A-8; MFRs B-1 through B-15; Revised MFRs C-1, C-2, C-34, C-36, C-40 and MFRs C-3 through C-19, C-23, C-26, C-27, C-29, C-33, C-35, C-37 through C-39; Revised MFR D-1 and MFRs D-3 through D-7, D-9 through D-12, D-14; MFRs E-1, E-3, E-4, E-7 through E-9 and Revised MFRs E-2, E-5, E-6; MFRs F-1 through F-10; Revised MFRs G-1, G-2, pages 1-3 and 8-17, G-3, G-5, G-6 and MFRs G-2, pages 4-7 and G-4
102	Smith	Revised MFR A-9; Revised MFR B-16; MFR B-17; Revised MFRs C-20, C-21, C-24, C-28, C-31 and MFRs C-22, C-25, C-30, C-32; Revised MFRs D-2, D-8, D-13; Revised MFRs G-7 through G-9
103	Sowder	Cost of service study (attached to Sowder Revised Direct Testimony as Revised Exhibit GES-2; 14 pages)
104	Sowder	Comparative Investor-Owned Rate Structures (attached to Sowder Revised Direct Testimony as Revised Exhibit GES-3)
105	Sowder Smith	Company response to Staff Audit Report (three pages)
106	Brockman	Flexible rate proposal

107	Brockman	Examples of Flex Rate Proposal Operation
108	Sowder	Notices of publication of service hearings (composite, two pages)
109	Sowder	Notices to customers (bill stuffers)
110	McIsaac	Comparison of Earnings Volatility (Second Revised Exhibit GPM-1 to McIsaac Direct Testimony)
111	McIsaac	Stability of Growth in Revenues (Exhibit GPM-2 to McIsaac Direct Testimony)
112	McIsaac	Comparison of Sales Concentration (Exhibit GPM-3 to McIsaac Direct Testimony)
113	McIsaac	Calculation of Stock Price in Staff's DCF (Exhibit GPM-4 attached to McIsaac Rebuttal Testimony)
114	McIsaac	Risk Characteristics of Natural Gas Distribution Companies (Exhibit GPM-5 attached to McIsaac Rebuttal Testimony)
115	McIsaac	DCF Cost of Equity Based Upon Value Line Stock Price Projections (Exhibit GPM-6 attached to McIsaac Rebuttal Testimony)
116	McIsaac	DCF Cost of Equity Based Upon Stock Price Projected at Current P/E Ratio (Exhibit GPM-7 attached to McIsaac Rebuttal Testimony)

117	McIsaac	DCF Cost of Equity Based Upon Projected Constant Growth Rate After Year 4 (Exhibit GPM-8 attached to McIsaac Rebuttal Testimony)
118	McIsaac	Stock price Projections Used in DCF Analysis (Exhibit GPM-9 to McIsaac Rebuttal Testimony)
119	Pence, McIntyre	Manufactured gas plant documents (attached to Pence Direct Testimony - composite exhibit)
120	Hughes	Meter Change-Out Monthly Report (Exhibit DWH-1 to Hughes Rebuttal Testimony)
121	Smith	Distribution List and Employee Gross and FICA (Exhibit PAS-1 to Smith Rebuttal Testimony; composite; eight pages total)
122	Smith	Reconciliation of Allocated Salaries (Exhibit PAS-2 to Smith Rebuttal Testimony)
123	McIntyre Sowder	Interrogatory 44 and response
124	Sowder	Projected Benefits for New Employee (Sowder Deposition Exhibit GES-4)
125	Sowder	Manufactured gas plant (Coal Tar Pit) Payments (Sowder Deposition Exhibit GES-12)
126	Sowder	13 Month Average Environmental Costs (Sowder Deposition Exhibit GES-13)

127	Sowder	Breakdown of Issuance Expenses (Sowder Deposition Exhibit GES-23; two pages)
128	Sowder	Interrogatory 74 and response
129	Sowder	Interrogatory 75 and response (including accompanying 3 page Exhibit GES-17)
130	Sowder	Interrogatory 76 and response
131	Sowder	Interrogatory 69 and five page schedule provided in response
132	Sowder	Property Taxes Associated with Utility Plant Allocated to Non-utility Books (Sowder Deposition Exhibit GES-2)
133	Seery, McIsaac	"A Note on the Flotation Costs of New Equity Capital Issues of Electric Companies", cited in Seery Direct Testimony (Seery Deposition Exhibit 5)
136	Seery	Deposition of Scott Seery, pages 4, 12-15, 28-34, 37-38, 51-54, 56, 57.
137	Seery	Cicchetti Memorandum dated August 10, 1988 (Seery Deposition Exhibit 1)
138	Seery	Non-Constant Growth, Quarterly Compounded DCF Analysis (Seery Deposition Exhibit 2)
139	Seery	PSC Staff Memorandum June 14, 1988 (Seery Deposition Exhibit 3)
140	Seery	Direct Testimony of Mark Cicchetti in Docket No. 880006-WS (Seery Deposition Exhibit 4)

141	McIsaac	McIsaac deposition pages 15-17, 19-21
142	Brockman	Brockman deposition, pages 8-10, 12-13, 15-17, 19-22
143	Brockman	Proposed Arizona Chemical/WFNG contract

NOTE: Exhibit numbers 201 - 299 have been reserved for Arizona Chemical Company. However, Arizona Chemical Company has identified no exhibits at this time.

301	Johe	Staff Audit Report
302	Johe	Staff Supplemental Audit Report
303	Seery	Moody's Natural Gas Distribution Index Risk Characteristics (Seery Direct Testimony Schedule 1)
304	Seery	Discounted Cash Flow Model Equation (Seery Direct Testimony Schedule 2)
305	Seery	Non-Constant Growth Quarterly Discounted Cash Flow Model (Seery Direct Testimony Schedule 3
306	Seery	Non-Constant Growth, Quarterly Compounded Discounted Cash Flow Analysis for Moody's Natural Gas Distribution Index (Seery Direct Testimony Schedule 4)
307	Seery	1987 Revenues (Seery Schedule 5)
308	Seery	Risk Premium Model (Seery Direct Testimony Schedule 6)
309	Seery	Bond Yield Differentials (Seery Direct Testimony Schedule 7)

310	Seery	Estimated Monthly Risk Premiums - Moody's Natural Gas Distribution Index 1979-1988 (Seery Direct Testimony Schedule 8)
311	Seery	Ratemaking Rate of Return (Seery Direct Testimony Schedule 9)
312	Seery	Derivation of the Non-Constant Growth Quarterly Compounded Discounted Cash Flow Model (Seery Direct Testimony Append. 10)
313	Fletcher	Meter Test Program Evaluation 6/8/88 (Fletcher Direct Testimony Exhibit 1)
314	Fletcher	Vehicle Usage Allocation Report 6/8/88 (Fletcher Direct Testimony Exhibit 2)
315	Fletcher	Physical Retirement of Inactive Service Lines Report 5/23/88 (Fletcher Direct Testimony Exhibit 3)
316	Fletcher	Plant Allocation/ Schedules B-5 and B-25 of MFR's 5/23/88 (Fletcher Direct Testimony Exhibit 4)
317	Fletcher	Plant-in-Service Attrition Year Assumption 5/23/88 (Fletcher Direct Testimony Exhibit 5)

PARTIES' STATEMENT OF BASIC POSITION

Staff's Statement of Basic Position

West Florida Natural Gas Company should be allowed to increase its rates and charges to reflect an increase of $1,518,271. This reflects a test year deficiency of $442,018 and an attrition year deficiency of $1,076,253. The utility's proposed contract with Arizona Chemical Company, which is basically a "take or pay" contract for interruptible gas service, should be approved. Further, the utility should be fined $10,000 for past violations of the Commission's Gas Meter Testing Rule 25-7.064, F.A.C., which should be recorded "below the line". Finally, the utility should submit to Staff within 90 days following final order in this docket, an economic study to ascertain the period of inactivity at which it is most cost effective to cut a service line at the main, in order to determine how best to treat future service line retirements.

WFNG's Statement of Basic Position

1. West Florida Natural Gas Company should be awarded increased revenues of $1,518,271, consisting of $442,018 for the test year ended June 30, 1987 and $1,076,253 for the attrition year ended June 30, 1989. Although WFNG does not agree to Staff's positions on all issues in this docket, for the purposes of settlement the utility is willing to accept those positions with which it does not agree.

2. The proposed contract submitted by WFNG and Arizona Chemical Company should be approved.

3. WFNG's proposed new flexible interruptible rate methodology should be approved.

4. The revenue increase should be allocated among the customer classes in the manner proposed by WFNG.

Arizona Chemical Company's Statement of Basic Position

Arizona Chemical Company does not propose to present witnesses on revenue issues in this case. Arizona Chemical Company agrees with the cost of service methodology presented by the company, and agreees that the proposed large service interruptible contract is satisfactory to this intervenor.

STATEMENT OF ISSUES AND POSITIONS

NOTE: The utility has agreed with Staff's position on most issues, and has agreed to accept Staff's position on all other issues for purposes of settlement.

Test Year Rate Base Issues

1. ISSUE: Should test year Plant-In-Service, and Accumulated Depreciation, be increased to reflect an error in booking of meter purchases?

   STAFF: Yes. Plant-In-Service should be increased $1,296, and Accumulated Depreciation by $5. (Johe)

   WFNG: Agree with Staff. (Sowder)

   ACC: No position at this time.

2. **ISSUE:** Should an Adjustment be made to reduce Utility Plant, Accumulated Depreciation, and the related Depreciation Expense to correct the Administrative and General Transfer?

STAFF: Yes. An adjustment should be made to reduce Utility Plant by $20,148, Accumulated Depreciation by $127, and Depreciation Expense by $415. (Johe)

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

3. **ISSUE:** Should Utility Plant, the related Accumulated Depreciation, and Depreciation Expense be reduced in the test year to reflect a change in the Common Plant Allocation Factor?

STAFF: Yes. Utility Plant, Accumulated Depreciation, and Depreciation Expense should be reduced by $20,143, $513, and $388, respectively.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

4. **ISSUE:** Should an adjustment be made to reduce test year Plant-In-Service and Accumulated Depreciation to remove non-utility house piping?

STAFF: Yes. Plant-In-Service should be reduced by $136,639, Accumulated Depreciation should be reduced by $6,640.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

5. **ISSUE:** Should Utility Plant, the related Accumulated Depreciation and Depreciation Expense be reduced to reflect both a change in the allocation factor and to remove unsubstantiated items.

STAFF: Yes. Utility Plant should be reduced by $83,221, Accumulated Depreciation should be reduced by $16,843 and Depreciation Expense should be reduced by $4,079.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

6. **ISSUE:** Should adjustments be made to test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense to remove property in Account 320, "Other Equipment," which is unidentifiable and/or no longer used and useful?

STAFF: Yes. Adjustments should be made to reduce Plant-In-Service by $82,995, Accumulated Depreciation by $40,507, and Depreciation Expense by $2,064.

WFNG: WFNG agrees with Staff for purposes of settlement. (Sowder)

ACC: No position at this time.

7. ISSUE: Should an adjustment be made to record the utility's acquisition adjustment in the proper account?

STAFF: Yes. The utility's acquisition adjustment should be removed from Account 399, "Other Tangible Property," and properly recorded in Account 114, "Gas Plant Acquisition Adjustments." The associated Accumulated Depreciation should also be removed and properly recorded in Account 115, "Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments."

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

8. ISSUE: Should test year Construction-Work-In-Progress (CWIP) be reduced to reflect over-allocation of common property?

STAFF: Yes. Test year CWIP should be reduced by $72,828.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

9. ISSUE: What is the appropriate test year Depreciation Reserve?

STAFF: The appropriate test year Depreciation Reserve is $4,735,940.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

10. ISSUE: What is the appropriate test year Working Capital Allowance?

STAFF: The appropriate test year Working Capital Allowance is zero.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

11. <u>ISSUE:</u> What is the appropriate test year rate base?

<u>STAFF:</u> The appropriate test year rate base is $14,098,547.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

<u>Net Operating Income Issues</u>

12. <u>ISSUE:</u> Should an adjustment be made to the test year revenues and associated other taxes to remove the effect of the Company's pro forma adjustments?

<u>STAFF:</u> Yes. Test year revenues and associated taxes should be increased by $192,359 and $3,126 respectively. The adjustments made by the utility reflect items which occured outside the test year, and therefore, are more appropriately addressed in the attrition year.

<u>WFNG:</u> The amounts in question relate to the elimination of interruptible revenues due to loss of Stone Container as an Interruptible customer, and to the addition of firm revenue from the residential classes due to the relief granted in Docket No. 870227-GU. The utility is of the view that it has properly treated these amounts as pro forma adjustments to the test year, but is willing to accept Staff's treatment of these items in the attrition year as there is no net effect on the end result. (Sowder).

<u>ACC:</u> No position at this time.

13. <u>ISSUE:</u> Are the payroll allocation factors used by the Company to determine the utility portion of payroll expense appropriate?

<u>STAFF:</u> No. Staff does not believe the payroll allocation factors used by the utility are appropriate. Most of the factors applied by the utility were determined in 1985 and may or may not be appropriate. The utility did not supply documentation in support of the factors applied. Since payroll expense is approximately 44% of total O&M expense, Staff is of the opinion that supporting documentation is necessary. However, since the utility's total payroll expense is not unreasonable compared to prior cases and since Staff cannot determine whether an adjustment is necessary, Staff will accept the utility's payroll expense, subject to other Staff adjustments. Staff recommends that in the absence of supporting documentation in the utility's next rate case, all payroll expenses be eliminated.

<u>WFNG:</u> WFNG believes payroll expense has been fairly allocated in this case, but agrees to develop improved documentation for future rate cases. (Smith)

<u>ACC:</u> No position at this time.

14. <u>ISSUE:</u> Should test year O&M Expense be reduced for banquet expenses, dues, and business entertainment charges to include dinners, lunches, LP items and cover charges for night clubs?

<u>STAFF:</u> Yes. O&M Expense should be reduced by $20,009. (Johe)

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

15. <u>ISSUE:</u> Should demonstrating and selling expenses be removed from the test year O&M Expense?

<u>STAFF:</u> Yes. O&M Expense should be reduced by $4,253. (Johe)

<u>WFNG:</u> Agree with Staff for purposes of settlement. (Sowder)

<u>ACC:</u> No position at this time.

16. <u>ISSUE:</u> Should an adjustment be made to allocate 23.7 percent of vehicle maintenance expense to non-utility?

<u>STAFF:</u> Yes. Vehicle Maintenance should be reduced by $9,170.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

17. <u>ISSUE:</u> Should an adjustment be made to allocate 37 percent of General Plant Maintenance Expense to non-utility?

<u>STAFF:</u> Yes. General Maintenance expense should be reduced by $11,561.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

18. <u>ISSUE:</u> Should an adjustment be made to allocate 38.9 percent of office equipment repairs and maintenance expense to non-utility?

<u>STAFF:</u> Yes. Test year office equipment repairs and maintenance expense should be reduced by $1,811.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

19. ISSUE: Should an adjustment be made to eliminate the allocation of home office insurance expense of $5,063?

STAFF: Yes. Test year operating expenses should be reduced by $5,063.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

20. ISSUE: Should an adjustment be made to legal and professional fees to correct for the effect of an out of period entry made by the utility's outside auditors?

STAFF: Yes. Test year legal and professional fees should be increased by $13,084.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

21. ISSUE: Should an adjustment be made to Miscellaneous General Expenses to remove an out of period entry made to correct the balance in Accounts Payable?

STAFF: Yes. Test year Miscellaneous General Expenses should be increased by $5,295.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

22. ISSUE: What is the appropriate amount of the test year depreciation and amortization expense?

STAFF: The appropriate amount of test year depreciation and amortization expense is $587,952.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

23. ISSUE: Should other taxes include $8,250 for the Florida Emergency Excise Tax?

STAFF: No. $8,250 should be removed from Other Taxes since the Florida Emergency Excise Tax has been included as part of the income tax expense.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

24. **ISSUE:** Should Taxes - Other be increased to include property taxes associated with the allocation of commonly used property owned by West Florida LP Gas Company?

STAFF: Yes. Taxes - Other should be increased by $1,352.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

25. **ISSUE:** What is the appropriate time frame over which the excess deferred taxes should be written back?

STAFF: The excess deferred taxes should be written back over the remaining life of the associated assets or 24 years. This requires a reduction in income tax expense of $2,656 beginning in the attrition year.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

26. **ISSUE:** What is the appropriate amount of Deferred Tax Expense to be included in the test year NOI?

STAFF: The appropriate amount of Deferred Tax Expense to be included in the test year NOI is $239,441.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

27. **ISSUE:** What is the appropriate amount of test year NOI? (This is a calculation based on the resolution of test year Net Operating Issues above.)

STAFF: The appropriate test year NOI is $1,054,353.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

28. **ISSUE:** What is the appropriate test year deficiency?

STAFF: The appropriate test year deficiency is $442,018.

WFNG: Agree with Staff. (McIntyre, Sowder)

ACC: No position at this time.

Test Year Cost of Capital Issues

29. **ISSUE:** What is the appropriate amount of deferred taxes to be included in the Capital Structure for the historic test year?

STAFF: The appropriate amount of deferred taxes to be included in the test year capital structure is $592,761 before reconciliation. This includes an adjustment to increase deferred income taxes associated with ITC carryforwards of $252,538 with a corresponding decrease in ITCs of $86,923.

WFNG: Agree with Staff (Smith).

ACC: No position at this time.

30. ISSUE: What is the cost of common equity for the test year?

STAFF: The cost of common equity for the test year is 13.5 percent. (Seery)

WFNG: 14.35%, but WFNG accepts 13.5% for purposes of settlement. (McIsaac)

ACC: No position at this time.

31. ISSUE: In reconciling capital structure to rate base, should non-utility items be allocated specifically to equity, or should non-utility items be allocated on a prorata basis?

STAFF: WFNG's investment in non-utility properly should be removed from the capital structure directly from equity and debt.

WFNG: Agree with Staff. (McIsaac, Sowder)

ACC: No position at this time.

32. ISSUE: What is the weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the test year?

STAFF: The weighted average cost of capital for the test year is 9.40 percent. The proper components, amounts, and cost rates are shown on Schedule 3. (Seery)

WFNG: Agree with Staff for purposes of settlement. (Sowder, McIsaac)

ACC: No position at this time.

Attrition Year Rate Base Issues

33. ISSUE: Should attrition year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense be increased to reflect an error in booking of meter purchases?

STAFF: Yes. Plant-In-Service should be increased by $8,425, Accumulated Depreciation by $620, and Depreciation Expense by $371. (Johe)

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

34. ISSUE: Should an Adjustment be made to reduce attrition year Utility Plant, Accumulated Depreciation, and the related Depreciation Expense to reflect correction of the Administrative and General transfer in the test year?

STAFF: Yes. An adjustment should be made to reduce Utility Plant by $20,433, Accumulated Depreciation by $1,488, and Depreciation Expense by $712. (Johe)

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

35. ISSUE: Should Plant-In-Service, the related depreciation reserve, and the Depreciation Expense be reduced in the attrition year to reflect a change in the common plant factor?

STAFF: Yes. Plant-In-Service, the depreciation issue, and Depreciation Expense should be reduced by $20,323, $903, and $393, respectively.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

36. ISSUE: Should an adjustment be made to attrition year Utility Plant, Accumulated Depreciation, and related Depreciation Expense to remove non-utility house piping?

STAFF: Yes. Utility Plant should be reduced by $136,639, Accumulated Depreciation should be reduced by $6,640, and Depreciation Expense should be reduced by $3,617.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

37. ISSUE: Should Utility Plant, the related Accumulated Depreciation and Depreciation Expense be reduced to reflect both a change in the allocation factor and the removal of unsubstantiated items?

STAFF: Yes. Utility Plant should be reduced by $22,848, Accumulated Depreciation by $9,036, and Depreciation Expense by $1,203.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

38. ISSUE: Should adjustments be made to attrition year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense to reflect corrections in the Company's test year plus one budget?

STAFF: Yes. Attrition year Plant-in-Service, Accumulated Depreciation, and Depreciation Expense should be increased by $56,490, $59,511, and $16,029, respectively.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

39. ISSUE: Should the attrition year Common Plant Allocations to Plant-in-Service and Accumulated Depreciation be adjusted in the attrition year for the effect of adjustments made in issue 38 (above)?

STAFF: Yes. Attrition year Plant-in-Service and Accumulated Depreciation, should be decreased by $18,074, and $11,207, respectively.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

40. ISSUE: Should attrition year Plant-in-Service, Accumulated Depreciation, and Depreciation Expense be reduced to remove property in Account 320, "Other Equipment," which is unidentifiable and/or no longer used and useful?

STAFF: Yes. Plant-in-Service should be reduced by $82,995, Accumulated Depreciation should be reduced by $44,659, and Depreciation Expense should be reduced by $2,076.

WFNG: Agree with Staff for purposes of settlement. (Sowder).

ACC: No position at this time.

41. ISSUE: Should an adjustment be made to record the utility's acquisition adjustment in the proper account?

STAFF: Yes. The utility's acquisition adjustment should be removed from Account 399, "Other Tangible Property," and properly recorded in Account 114, "Gas Plant Acquisition Adjustments." The associated Accumulated Depreciation should also be removed and properly recorded in Account 115, "Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments."

__WFNG:__ Agree with Staff. (Sowder)

__ACC:__ No position at this time.

42. __ISSUE:__ What is the appropriate attrition year depreciation reserve?

__STAFF:__ The appropriate attrition year depreciation reserve is $5,849,726.

__WFNG:__ Agree with Staff. (Sowder)

__ACC:__ No position at this time.

43. __ISSUE:__ Should attrition year Working Capital Allowance be reduced by $1,262 to remove an interest-bearing Notes Receivable account?

__STAFF:__ Yes. Working Capital Allowance should be reduced by $1,262. (Johe)

__WFNG:__ Agree with Staff. (Sowder)

__ACC:__ No position at this time.

44. __ISSUE:__ Should Miscellaneous Current and Accrued Assets be reduced in the attrition year working capital to remove interest-earning items?

__STAFF:__ Yes. Miscellaneous Current and Accrued Assets should be reduced by $2,280 in the attrition year Working Capital Allowance. (Johe)

__WFNG:__ Agree with Staff. (Sowder)

__ACC:__ No position at this time.

45. __ISSUE:__ Should an adjustment be made to Customer Accounts Receivable in Working Capital to remove receivables associated with non-utility operations?

__STAFF:__ Yes. An adjustment should be made to reduce Accounts Receivable by $28,525. (Johe)

__WFNG:__ Agree with Staff. (Sowder)

__ACC:__ No position at this time.

46. __ISSUE:__ Should Miscellaneous Deferred Debits be adjusted to remove items already recovered through other regulatory means?

__STAFF:__ Yes. Miscellaneous Deferred Debit should be adjusted as follows: (Johe)

Unrecovered Conservation Expense	$126,120
Unamortized Rate Case	(16,597)
Unrecovered Gas Costs	(104,486)
TOTAL	$ 5,037

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

47. ISSUE: Should attrition year Working Capital be increased to reflect the removal of a take-or-pay liability recorded in Other Deferred Credits?

STAFF: Yes. Other Deferred Credits should be reduced by the take-or-pay liability, thus increasing the Working Capital Allowance by $32,073. (Johe)

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

48. ISSUE: What is the appropriate working capital allowance to be used in the attrition year rate base?

STAFF: The appropriate attrition year working capital allowance is $1,188,944.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

49. ISSUE: What is the appropriate attrition year rate base?

STAFF: The appropriate attrition year rate base is $16,362,103.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

50. ISSUE: Should the Company's leased appliance be included in rate base?

STAFF: No. Staff does not believe that the Commission has the authority to require leased appliances to be included in rate base.

WFNG: The utility agrees with Staff for several reasons. First, it questions the legality of including leased appliances (water heaters) in rate base, as the appliances are not used and useful in providing utility service (i.e., natural gas to the outlet side of the customer meter). Second, the utility does not "lease" the appliances in the conventional sense; rather, the transactions are vehicles for financing customer purchases of the water heaters. Third, the utility's competitors are not regulated. Fourth, the Commission has not in the past attempted to mandate regulation of the appliance business and including appliances in rate base would be inconsistent with the Commission's treatment of customer premise equipment in the telephone industry. Finally, including leased appliances in rate base would appear to occasion a comprehensive new body of regulation, including the terms and conditions of transactions, prescribing tariffs, and repair and maintenance of the appliances. (Sowder).

ACC: No position at this time.

Attrition Year Net Operating Income Issues

51. ISSUE: Should an adjustment be made to the attrition year Revenues for the effect of customer growth and changes in consumption?

STAFF: Attrition Year Revenues should be increased by $89,434 to reflect changed consumption.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

52. ISSUE: What is the appropriate amount of attrition year Revenues?

STAFF: The appropriate amount of attrition year operating revenues is $5,608,040.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

53. ISSUE: Should an adjustment be made to the attrition year Operating & Maintenance Expense for the effect of applicable test year adjustments?

STAFF: Yes. Attrition year Operating and Maintenance Expense should be reduced by $33,488 for the effect of applicable test year adjustments.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

54. ISSUE: Should an adjustment be made to the attrition year Operating and Maintenance Expense to eliminate the trend effect of test year adjustment?

STAFF: Yes. Attrition year Operating and Maintenance Expense should be reduced by $7,501 for the trend effect of test year adjustments.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

55. ISSUE: Should an adjustment be made to reduce the attrition year Operating and Maintenance Expense for Company trending errors?

STAFF: Yes. Attrition year Operating and Maintenance Expense should be reduced by $40,269.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

56. ISSUE: Should the attrition year Operating and Maintenance Expense be reduced for the effect of changing the trend factors applied to data processing charges, communication expenses, and outside services expenses?

STAFF: Yes. Attrition year Operating and Maintenance Expense should be reduced by $33,473.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

57. ISSUE: Should the attrition year insurance expense be adjusted for the effect of a known refund?

STAFF: Yes. Attrition year insurance expense should be reduced by $3,661. (Johe)

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

58. ISSUE: Should the attrition year Operations and Maintenance Expense and associated payroll tax be adjusted for an additional clerical position to be added in November, 1988?

STAFF: Yes. Attrition year Operations and Maintenance Expenses and associated taxes, and employee benefits should be increased by $8,516 and $601 respectively.

WFNG: Agree with Staff. (McIntyre, Sowder)

ACC: No position at this time.

59. ISSUE: Should the attrition year Rent Expense be adjusted for known rent increases?

STAFF: Yes. Attrition year Rent Expense should be increased by $20,973. (Johe)

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

60. <u>ISSUE:</u> What is the appropriate amount of property, liability, and vehicle insurance expense to be included in the attrition year operating expenses?

STAFF: The appropriate amount of property, liability, and vehicle insurance expense to be included in the attrition year operating expense is $225,097. An adjustment should be made to reduce attrition year operating and maintenance expense by $52,906.

<u>WFNG:</u> Agree with Staff. (Smith)

<u>ACC:</u> No position at this time.

61. <u>ISSUE:</u> Should an adjustment be made to remove one month of amortization expense for the environmental clean-up project?

<u>STAFF:</u> Yes. An adjustment should be made to reduce amortization expense by $14,621.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

62. <u>ISSUE:</u> Commission Order No. 16269, issued on June 29, 1986, states that inactive service lines that have been inactive for more than two years should be physically abandoned as well as retired from plant. Is the Company in compliance with this Order?

<u>STAFF:</u> Yes. However, with respect to the approximately 2800 service lines which were identified in the utility's last rate case as having been inactive for more than two years, the utility agrees to cut services at the main within three years following the date of the final order in this rate case. The $268,800 cost will also be amortized over three years, at $89,600 per year, and included in amortization expense in this case. In addition, the utility agrees to submit to Staff within 90 days following the final order in this case an economic study to ascertain the period of inactivity at which it is most cost effective to cut a service line at the main, in order to determine how best to treat future service line retirements.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time.

63. ISSUE: What is the appropriate amount of attrition year depreciation and amortization expense?

STAFF: The appropriate amount of attrition year depreciation and amortization expense is $919,417.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

64. ISSUE: What is the appropriate amount of current tax expense to be included in the attrition Net Operating Income?

STAFF: The appropriate amount of current tax expense to be included in the attrition Net Operating Income is zero.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

65. ISSUE: What is the appropriate amount of deferred taxes to be included in the attrition year NOI?

STAFF: The appropriate amount of deferred taxes to be included in the attrition year NOI is $68,172.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

66. ISSUE: What is the appropriate attrition year NOI? (This is a calculation based on the resolution of Net Operating Issues above.)

STAFF: The appropriate amount of the attrition year NOI is $1,150,018.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time.

67. ISSUE: What is the appropriate attrition year deficiency?

STAFF: The appropriate attrition deficiency is $1,076,253.

WFNG: Agree with Staff.(McIntyre, Sowder)

ACC: No position at this time.

Attrition Year Cost of Capital Issues

68. ISSUE: What is the appropriate amount of deferred taxes to be included in the capital structure for the attrition year?

STAFF: The appropriate amount of deferred taxes to be included in the capital structure for the attrition year is $1,496,207 before reconciliation. This includes adjustments to deferred income taxes associated with net operating losses and ITC carryforwards of $318,917 and $327,000, respectively, with a corresponding decrease in ITCs of $105,136.

WFNG: Agree with Staff. (Smith)

ACC: No position at this time.

69. **ISSUE:** What is the cost of common equity for the attrition year?

STAFF: The cost of common equity for the attrition year is 13.5 percent. See Schedule 7. (Seery)

WFNG: 14.35%, but WFNG accepts Staff's position for purposes of settlement. (McIsaac)

ACC: No position at this time.

70. **ISSUE:** What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the attrition year?

STAFF: The weighted average cost of capital for the attrition year is 11.06 percent. The proper component, amounts, and cost rates are shown on Schedule 7. (Seery)

WFNG: Agree with Staff for purposes of settlement. (McIsaac, Sowder)

ACC: No position at this time.

Rate Design Issues

71. **ISSUE:** What are the billing determinants to be used in the Attrition Year?

STAFF: The billing determinants to be used in the attrition year are those shown on Schedule 9.

WFNG: Agree with Staff. (Sowder)

ACC: No position at this time. (Snapp)

72. **ISSUE:** Should the revenue increase, if any, be allocated between the classes so as to move toward equal rates of return for all classes?

STAFF: The revenue increase should be allocated between classes so as to move all rate classes' rates of return as close to parity as practical as shown on Schedule 9.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time. (Snapp)

73. <u>ISSUE:</u> Should the Company's originally proposed revenue requirement allocation be approved?

<u>STAFF:</u> No. Revenue requirements have changed due to prior adjustments. The revenue requirements should be allocated as shown on Schedule 9.

<u>WFNG:</u> Agree with Staff that revenue requirements have changed due to prior adjustments, and with methodology reflected in Staff's schedule. The utility would apply the methodology to different numbers, but will accept Staff's numbers for the purpose of settlement. (Sowder)

<u>ACC:</u> No position at this time. (Snapp)

74. <u>ISSUE:</u> What rates should the Commission approve?

<u>STAFF:</u> The rates as shown on Schedule 9.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time. (Snapp)

75. <u>ISSUE:</u> Should the special contract between the utility and Arizona Chemical Company be approved?

<u>STAFF:</u> Yes. The contract (attached hereto as Attachment 11) is essentially a "take or pay" contract which covers more than the cost to serve ACC. It therefore serves to insulate the general body of ratepayers from any revenue deficiency which might otherwise result if the utility were to flex its rates downward in order to retain this customer. Further, the contract accommodates the customer's desire for certainty in its base gas cost. The contract rate is based on the cost to serve and comes under the interruptible rate schedule as an optional provision. (See Issue 80 and Attachment 11.)

<u>WFNG:</u> Agree with Staff. (McIntyre, Sowder, Brockman)

<u>ACC:</u> Agree with Staff. (Snapp)

76. ISSUE: What should the related service charges be?

<u>STAFF:</u> The service charges should be as shown on Schedule 9.

<u>WFNG:</u> Agree with Staff. (Sowder)

<u>ACC:</u> No position at this time. (Snapp)

77. <u>ISSUE:</u> What is the appropriate Cost of Service methodology to be used in allocating costs to the various rate classes?

<u>STAFF:</u> Staff's Cost of Service Study as used by the Company. (Schedule 9)

<u>WFNG:</u> Agree with Staff. (Sowder, Brockman)

<u>ACC:</u> No position at this time. (Snapp)

78. <u>ISSUE:</u> Should any portion of the interim increase granted by Commission Order No. 19239, issued on April 28, 1988, be refunded to the customers?

<u>STAFF:</u> If the interim increase is greater than the increase granted by the Commission's final vote, the difference should be refunded pursuant to Rule 25-7.091, Florida Administrative Code.

<u>WFNG:</u> Agree with Staff.

<u>ACC:</u> No position at this time.

79. <u>ISSUE:</u> If leased appliances are to be included in rate base, what is the appropriate monthly rate to be charged?

<u>STAFF:</u> Staff believes that the Commission does not have the authority to require leased appliances to be included in rate base. However, if the Commission orders the inclusion of leased appliances in the Company's rate base, Staff recommends that the current lease rates be adopted.

<u>WFNG:</u> As explained in Issue 50, the utility does not believe its appliances are "leased" in the conventional sense or that they should be included in rate base. However, if the Commission were to mandate such regulation, the utility agrees with Staff that rates for existing customers, which vary among them, should not be altered. With respect to new customers, the rates in effect January 1, 1989 should be adopted. (Sowder)

<u>ACC:</u> No position at this time.

80. <u>ISSUE:</u> What is the appropriate flexible rate for the interruptible class?

<u>STAFF:</u> The flexible rate for the interruptible class, as proposed by WFNG's Tariff Sheets 7.104, 7.105, and 7.502 - 7.504 is an appropriate flexible rate, which provides for the option of a contract rate, subject to PSC approval. The Tariff Sheets are attached hereto as Attachment 12. The utility agrees that any shortfalls or surpluses it experiences under these provisions will be treated "above the line," that is, included in the determination of the utility's earnings for regulatory purposes. (See Issue 75)

WFNG: WFNG has proposed the appropriate flexible rate in its Tariff Sheets No. 7.104, 7.105 and 7.502 - 7.504. (McIntyre, Brockman)

ACC: Agree with Staff and the utility. (Snapp)

Quality of Service Issues

81. ISSUE: Has the Company complied with the Commission's Gas Meter Testing Rule 25-7.064, Florida Administrative Code?

STAFF: No. The utility's Ocala Division did not correctly sample the meters in the 250 cfh category, and also failed to test some larger meters in a timely fashion. However, the utility, at its own expense, has corrected the deficiencies and has instituted new procedures to ensure compliance in the future. The quality of service to utility ratepayers has not been impaired by this noncompliance, which is the result of neglect and not a refusal to comply or a willful violation. The utility should pay a penalty in the total amount of $10,000 for this violation. The penalty should be paid within ten days of the Commission's approval of this penalty, and should be recorded below the line. (Fletcher)

WFNG: Agree with Staff. (Hughes)

ACC: No position at this time.

LEGAL ISSUE

82. ISSUE: Should the Company's current non-jurisdictional leased appliances be required to be included in rate base.

STAFF: No. Staff does not believe the Commission has the authority to require leased appliances in the rate base as jurisdictional items.

WFNG: Agree with Staff, for the reasons stated in Issue 50.

ACC: No position at this time.

AGREED ISSUES

Staff met with representatives of West Florida Natural Gas Company and Arizona Chemical Company in order to identify and discuss all issues involved in this docket. As a result of such discussions, WFNG has agreed to Staff's positions on most issues, and has agreed to accept Staff's positions on all other issues for purposes of settlement. ACC has taken no position on most issues, and has agreed with Staff's positions on those issues with which it is concerned. The utility and intervenor have stipulated to Staff's positions. If granted, Commission approval of the Stipulation will resolve all issues in this docket.

MOTIONS

There are no pending Motions.

REQUIREMENTS

All applicable procedural orders and rules have been complied with.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that these proceedings shall be governed by this order unless modified by the Commission.

By ORDER of Commissioner Gerald L. Gunter, as Prehearing Officer, this 24th day of January, 1989.

GERALD L. GUNTER, Commissioner
and Prehearing Officer

(S E A L)

MER

WEST FLORIDA NATURAL GAS
DOCKET NO. 871255-GU
COMPARATIVE AVERAGE RATE BASES
TYE 6/30/87
$1

SCHEDULE NO. 1
TEST YEAR

ADJ. NO.		COMPANY: TOTAL PER BOOKS	COMPANY: ADJUST.	COMPANY: ADD'L ADJS PER REVISED	COMPANY: COMPANY ADJUSTED	STAFF: JURIS. ADJUST.	STAFF: ADJ. JURIS.
	PLANT IN SERVICE						
	UTILITY PLANT	20,881,271	(1,243,988)				
1	METERS PURCHASED					1,296	
2	OVERHEAD ALLOCATION ADJ.					(20,148)	
3	COMMON PLANT ALLOCATED	0	(839,692)			(20,143)	
4	ADJ TO REMOVE HOUSE PIPING					(136,639)	
	ACQUISITION ADJUSTMENT	267,836	(267,836)				
5	PROPERTY ALLOC. FROM LP	0	295,711			(83,221)	
6	OTHER EQUIPMENT					(82,995)	
7	OTHER TANGIBLE PROPERTY					(465,716)	
7	AQUISITION ADJUSTMENT					465,716	
	TOTALS	21,149,107	(2,055,805)	0	19,093,302	(341,850)	18,751,452
	ACCUM. DEPR. & AMORT.						
	UTILITY PLANT	(5,403,146)	503,650				
1	METERS PURCHASED					(5)	
2	OVERHEAD ALLOCATION ADJ.					127	
3	COMMON PLANT	0	132,060			513	
4	ADJ TO REMOVE HOUSE PIPING					6,640	
	AQUISTION ADJUSTMENT	(141,759)	141,759				
5	PROPERTY ALLOC. FROM LP	0	(33,129)			16,843	
6	OTHER EQUIPMENT					40,507	
7	OTHER TANGIBLE PROPERTY					308,444	
7	AQUISITION ADJUSTMENT					(308,444)	
9	TOTALS	(5,544,905)	744,340	0	(4,800,565)	64,625	(4,735,940)
	NET PLANT IN SERVICE	15,604,202	(1,311,465)	0	14,292,737	(277,225)	14,015,512
8	CONST. WORK IN PROGRESS	184,132	(28,269)			(72,828)	
	TOTALS	184,132	(28,269)	0	155,863	(72,828)	83,035
	CUSTOMER ADV FOR CONST.	0	0	0		0	
	TOTALS	0	0	0	0	0	0
	NET UTILITY PLANT	15,788,334	(1,339,734)	0	14,448,600	(350,053)	14,098,547
10	WORKING CAPITAL						
	TOTALS	0	0	0	0	0	0
11	TOTAL RATE BASE	$15,788,334	($1,339,734)	$0	$14,448,600	($350,053)	$14,098,547

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WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 871255-GU
COMPARATIVE NOIs
TYE 6/30/87

SCHEDULE 2

ADJ. NO.	DESCRIPTION	COMPANY PER BOOKS	COMPANY ADJUST.	COMPANY ADDT'L ADJS PER REVISED	COMPANY ADJUSTED	STAFF ADJUSTS.	STAFF ADJUSTED JURIS.
	OPERATING REVENUES	$15,317,454					
	FUEL REV ADJUSTMENT		(9,949,730)				
	ADJ OUT RENTAL PROP REVS		(182,102)				
	ADJ FOR INTERIM REFUND		10,105				
	REMOVE INTERRUPT. REVENUES		(366,605)				
	EFFECT OF LIMITED SCOPE		174,246				
	CHANGE IN UNBILLED REVS		(82,901)				
	ADJ FOR FLEX RATE DISCOUNTS		150,016				
	ADJ FOR SALES TAX DISCOUNTS		2,054				
	ADJ OUT CONSERVATION REVS		(574,786)				
	TO CORRECT UNBILLED REVENUES			93,055			
	TO CORRECT ERROR IN REVENUES			(9,369)			
12	TO REMOVE PRO FORMA ADJS					192,359	
	SUB-TOTALS	15,317,454	(10,819,703)	83,686	4,581,437	192,359	4,773,796
	OPERATING EXPENSES:	13,124,219					
	REMOVE COST OF GAS		(9,743,552)				
	ADJ OUT RENTAL PROPERTY EXP		(3,896)				
	ADJ OUT CONSERVATION EXP		(574,786)				
	ADJ OUT TOWNHOUSE RENT		(7,842)				
	ADJ OUT AMORT PRIOR RATE CSE		(32,621)				
	REMOVE SALES COMMISSIONS		(75,401)				
	REMOVE NON-UTILITY ADVERTISE		(20,035)				
	ADJ COST OF GAS TO BOOK AMT			(60,228)			
	ADJ FOR OUT OF PERIOD EXPS			(2,731)			
	ADJ NON-UTIL BAD DEBT EXP			(190)			
	ADJ FOR INSURANCE REFUND			(6,091)			
	TO CORRECT A & G TRANSFER			24,068			
	ADJ NON-UTIL ADVERTISING			(3,133)			
	ADJ OUT NON-UTIL MISC EXP			(2,746)			
	TRANS METERS TO RATE BASE			(8,425)			
	ADJ FOR LP REPAIRS EXP			(7,500)			
	ADJ OUT OF PERIOD RENT EXP			5,273			
14	ADJ NON-UTIL OFFICE SUPPLIES					(20,009)	
15	ADJ OUT NON-UTIL SELING EXP					(4,253)	
16	ADJ OUT NON-UTL VEH REPR EXP					(9,170)	
17	ADJ OUT NON-UTL GEN PLNT EXP					(11,561)	
18	ADJ OUT NON-UTL EQUIPMNT EXP					(1,811)	
19	ADJ OUT HOME OFFICE INSURANC					(5,063)	
20	ADJ FOR PRIOR PERIOD ADJ					13,084	
21	ADJ FOR PRIOR PERIOD ADJ					5,295	
	SUB-TOTALS	13,124,219	(10,458,133)	(61,703)	2,604,383	(33,488)	2,570,895
	DEPRECIATION & AMORTIZATION	731,233					
	OTHER PROP ON CUST PREMISES		(84,857)				
	ADJ OUT PROPANE AIR PLANT		(3,870)				
	INV ADJ BOOKED TO MAINS		(4,336)				
	COMMON PLANT ALLOCATED		(42,607)				
	ACQUISITION ADJUSTMENT		(10,882)				
	PROPERTY ALLOCATED FROM LP		14,157				
	ADJ OUT DEPR ON HOUSE PIPING			(3,617)			
	ADJ OUT COMMON PLT DEPR EXP			(385)			
	ADJ FOR METER PURCHASES			62			
2	TO CORRECT OVERCAPITALIZATN					(415)	
3	COMMON PLNT ALLOC ADJ					(388)	
5	CORRECT ALLOC FACTOR					(4,079)	
6	ADJ FOR OTHER EQUIPMENT					(2,064)	
7	ADJ FOR OTHER TANGIBLE PROP					(11,640)	
7	TRNS DEPR EXP TO AMORT EXP					11,640	
	SUB-TOTALS	731,233	(132,395)	(3,940)	594,898	(6,946)	587,952

	TAXES OTHER THAN INCOME	502,428					
	ADJ OUT FUEL RELATED TAXES		(158,333)				
	ADJ OUT CONSERVATION TXS		(21,785)				
	ADJ OUT COMMON PROP TAXES		(6,746)				
	EFFECT OF ABOVE REV ADJS		(4,276)				
	ADJ FOR THE EFFECT OF ABOVE			1,360			
23	ADJ OUT EMERGENCY EXCISE TAX					(8,250)	
24	ADJ FOR PROP TX ALLOCATED IN					1,352	
	ADJ FOR THE EFFECT OF ABOVE					3,126	
	SUB-TOTALS	502,428	(191,140)	1,360	312,648	(3,772)	308,876
	CURRENT INC TAXES - FEDERAL	136,644					
	ADJ TO REGULATORY TAX		(136,644)				
	ADJ FOR THE EFFECT OF ABOVE						
	SUB-TOTALS	136,644	(136,644)	0	0	0	0
	CURRENT INC TAXES - STATE	15,887					
	ADJ TO REGULATORY TAX		(15,887)				
	ADJ FOR THE EFFECT OF ABOVE						
	SUB-TOTALS	15,887	(15,887)	0	0	0	0
	DEFERRED INCOME TAXES - FED	0					
	DEFERRED INCOME TAXES - ST	0					
	ADJ TO REGULATORY TAX - FED		58,237				
	ADJ TO REGULATORY TAX - ST		36,504				
	ADJ FOR THE EFFECT ABV - FED			47,543		76,008	
	ADJ FOR THE EFFECT ABV - ST			8,138		13,011	
	SUB-TOTALS	0	94,741	55,681	150,422	89,019	239,441
	INVESTMENT TAX CREDITS	0					
	ADJ TO REGULATORY TAX		(36,665)				
	TO REFLECT REVISED			36,665			
	SUB-TOTALS	0	(36,665)	36,665	0	0	0
	INTEREST RECONCILIATION	0	0	(6,973)	(6,973)	19,252	12,279
	TOTAL OPERATING EXPENSES	14,510,411	(10,876,123)	21,090	3,655,378	44,813	3,719,443
27	NET OPERATING INCOME	$807,043	$56,420	$62,596	$926,059	$237,172	$1,054,353

SCHEDULE 3

West Florida Natural Gas Company
Capital Structure
Docket No. 871255-GU
13 month average
Test year ended 6/30/87

COMPANY REVISED POSITION

Class of Capital	Amount Per Books	Adjustments: Specific Adjustments	Adjustments: Prorata Adjustments	Adjusted	Ratio	Cost Rate	Weighted Cost of Capital
Common Equity	$5,559,063	($601,283)	$325,652	$5,283,432	36.57%	14.35%	5.25%
Long Term Debt	7,148,655	(773,077)	556,301	6,931,879	47.98%	8.65%	4.15%
Customer Deposits	739,733		57,563	797,296	5.52%	7.97%	0.44%
Tax Credits	341,223		26,549	367,772	2.55%	0.00%	0.00%
Deferred Income Taxes	991,098		77,123	1,068,221	7.39%	0.00%	0.00%
Total Capital	$14,779,772	($1,374,360)	$1,043,188	$14,448,600	100.00%		9.84%

STAFF POSITION

Class of Capital	Amount Per Books	Specific Adjustments	Staff Adjusted	Prorata Adjustments	Staff Adjusted	Ratio	Cost Rate	Weighted Cost of Capital
Common Equity	$5,559,063	($628,715)	$4,930,348	$348,309	$5,278,657	37.44%	13.50%	5.05%
Long Term Debt	7,140,120	(1,138,875)	6,001,245	423,964	6,425,209	45.57%	8.55%	3.90%
Customer Deposits	739,733		739,733	52,259	791,992	5.62%	7.97%	0.45%
Tax Credits	991,098	(86,923)	904,175	63,876	968,051	6.87%	0.00%	0.00%
Deferred Income Taxes	341,223	251,538	592,761	41,876	634,637	4.50%	0.00%	0.00%
Total Capital	$14,771,237	($1,602,975)	$13,168,262	$930,285	$14,098,547	100.00%		9.40%

Specific Adjustments:

1) $373,600 unamortized debt expense removed directly from Long Term Debt.
2) $1,393,990 represents $529,794 in Non-utility Appliances, $723,070 removal of common plant associated with LP business, and a $113,580 inventory adjustment. This adjustment was prorated over equity & debt.

WEST FLORIDA NATURAL GAS
DOCKET NO. 871255-GU
TEST YEAR REVENUE CALCULATION
TEST YEAR ENDING 6/30/87

SCHEDULE 4

	COMPANY PER FILING	COMPANY PER AMENDED	STAFF
RATE BASE (AVERAGE)	$14,448,600	$14,448,600	$14,098,547
RATE OF RETURN	9.74%	9.84%	9.40%
REQUIRED NOI	1,407,294	1,421,742	1,325,263
Operating Revenues	$4,497,751	$4,581,437	$4,773,796
Operating Expenses:			
Operating & Maintenance	2,666,086	2,604,383	2,570,895
Depreciation & Amortization	598,838	594,898	587,952
Taxes Other Than Income	311,288	312,648	308,876
Current Income Taxes - Federal	0	0	0
- State	0	0	0
Deferred Income Taxes	94,741	150,422	239,441
Investment Tax Credits	(36,665)	0	0
Interest Reconciliation	0	(6,973)	12,279
Total Operating Expenses	$3,634,288	$3,655,378	$3,719,443
ACHIEVED NET OPERATING INCOME	$863,463	$926,059	$1,054,353
NOI DEFICIENCY (Required - Achieved)	$543,831	$495,683	$270,911
NOI MULTIPLIER	1.6316	1.6316	1.6316
REVENUE INCREASE	$887,315	$808,756	$442,018

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WEST FLORIDA NATURAL GAS
DOCKET NO. 871255-GU
COMPARATIVE AVERAGE RATE BASES
AYE 6/30/89
$1

SCHEDULE NO. 5
ATTRITION

		COMPANY			COMPANY REVISED			STAFF	
ADJ. NO.		TOTAL PER BOOKS	ADJUST.	COMPANY ADJUSTED	COMPANY REVISED	ADJST.	COMPANY ADJUSTED	JURIS. ADJS.	ADJ. JURIS.
	PLANT IN SERVICE								
	UTILITY PLANT	23,644,876	(2,181,348)		23,292,009	(2,032,727)			
33	METER PURCHASE							8,425	
34	OVERHEAD ALLOCATION							(20,433)	
35	COMMON PLANT ALLOCATED							(20,323)	
36	ADJ REMOVE HOUSE PIPING							(136,639)	
	AQUISITION ADJUSTMENT	267,836	(267,836)		267,836	(267,836)			
37	PROPERTY FROM LP							(22,848)	
38	ADJ TO TY+1 BUDGET							56,490	
39	COMMON PLANT ALLOCATION							(18,074)	
40	OTHER EQUIPMENT							(82,995)	
41	OTHER TANGIBLE PROPERTY							(465,716)	
41	AQUISITION ADJUSTMENT							465,716	
	TOTALS	23,912,712	(2,449,184)	21,463,528	23,559,845	(2,300,563)	21,259,282	(236,397)	21,022,885
	ACCUM. DEPR. & AMORT.								
	ACC PROV-DEPR & AMORT	(7,263,123)	1,042,120		(6,911,702)	1,048,174			
33	METER PURCHASE							(620)	
34	OVERHEAD ALLOCATION							1,488	
35	COMMON PLANT ALLOCATED							903	
36	ADJ REMOVE HOUSE PIPING							6,640	
	AQUISITION ADJUSTMENT								
37	PROPERTY FROM LP							9,036	
38	ADJ TO TY+1 BUDGET							(59,511)	
39	COMMON PLANT ALLOCATION							11,207	
40	OTHER EQUIPMENT							44,659	
41	OTHER TANGIBLE PROPERTY							331,799	
41	AQUISITION ADJUSTMENT							(331,799)	
42	TOTALS	(7,263,123)	1,042,120	(6,221,003)	(6,911,702)	1,048,174	(5,863,528)	13,802	(5,849,726)
	NET PLANT IN SERVICE	16,649,589	(1,407,064)	15,242,525	16,648,143	(1,252,389)	15,395,754	(222,595)	15,173,159
	CONST. WORK IN PROGRESS								
	TOTALS	0	0	0	0	0	0	0	0
	CUSTOMER ADV FOR CONST.								
	TOTALS	0	0	0	0	0	0	0	0
	NET UTILITY PLANT	16,649,589	(1,407,064)	15,242,525	16,648,143	(1,252,389)	15,395,754	(222,595)	15,173,159
	WORKING CAPITAL				1,183,901			5,043	
48	TOTALS	0	0	0	1,183,901	0	1,183,901	5,043	1,188,944
49	TOTAL RATE BASE	$16,649,589	($1,407,064)	$15,242,525	$17,832,044	($1,252,389)	$16,579,655	($217,552)	16,362,103

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WEST FLORIDA NATURAL GAS
DOCKET NO. 871255-GU
COMPARATIVE WORKING CAPITAL COMPONENTS
AYE 6/30/89
$1

SCHEDULE NO. 5A

ADJ. NO.		COMPANY TOTAL PER BOOKS	COMPANY ADJUST.	COMPANY ADJUSTED	COMPANY REVISED TOTAL PER BOOKS	COMPANY REVISED COMPANY ADJS.	COMPANY REVISED COMPANY ADJUSTED	STAFF JURIS. ADJS.	STAFF ADJUSTED
	WORKING CAPITAL	(1,748,294)			(1,748,294)				
	CASH		(701,622)			(701,622)			
	TEMP. CASH INVESTMENTS		(472,436)			(472,436)			
43	NOTES RECEIVABLE							(1,262)	
45	ACCT'S REC-GAS							(28,525)	
	MDS, JOBBING, & OTHER		(123,853)			(123,853)			
	ACCOTS REC ASSOC. CO.		(25,841,512)			(25,841,512)			
	FUEL STOCK		(16,958)			(16,958)			
44	MISC CURR. & ACRD ASSETS							(2,280)	
	UNAMOR. DEBT EXPENSE		(373,600)			(373,600)			
	DEFERRED ENVIRON COSTS					1,554,872			
46	UNRECOVERED CONSER EXP.							126,120	
46	UNAMORTIZED RATE CASE							(16,597)	
46	UNRECOVERED GAS COSTS							(104,486)	
	NOTES PAYABLE		1,293			1,293			
	ACCTS PAY ASSOC. CO.		28,160,302			28,160,302			
	CUSTOMER DEPOSITS		739,733			739,733			
	INACTIVE DEPOSITS		5,976			5,976			
47	STONE CONTAIN TAKE OR PAY							32,073	
48	TOTALS	(1,748,294)	1,377,323	(370,971)	(1,748,294)	2,932,195	1,183,901	5,043	1,188,944

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WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 871255-GU
COMPARATIVE NOIs
AYE 6/30/89

SCHEDULE 6
18-Jan-89

ADJ. NO.	DESCRIPTION	6/30/87 TEST YEAR STAFF ADJ (SCHEDULE 2)	COMPANY ATTRITION YEAR ENDING 6/30/89 PER BOOKS	COMPANY ADJUSTS	ADDT'L ADJS PER REVISED	COMPANY ADJUSTED	STAFF ADJUSTED ADJUSTS	STAFF JURIS
	OPERATING REVENUES	$4,773,796	15,759,144					
	ADJ OUT COST OF GAS			(9,795,241)				
	ADJ REVS TO REVISED LEVEL				(78,559)		(808,756)	
51	ADJ FOR GRWTH & CONSUMPTION						89,434	
	STAFF TEST YEAR INCREASE						442,018	
2	SUB-TOTALS	$4,773,796	$15,759,144	($9,795,241)	($78,559)	$5,885,344	($277,304)	$5,608,040
	OPERATING EXPENSES:	2,570,895	12,976,485					
	ADJ OUT COST OF GAS			(9,795,241)				
	ADJ EXPS TO REVISED LEVEL				21,811			
53	ADJ FOR TEST YEAR ADJS						(33,488)	
54	ADJ TRND EFFECT OF TY ADJS						(7,501)	
55	CORRECT CO TREND ERRORS						(40,269)	
56	ADJ FOR TRND CHG SPECIFIC						(33,473)	
57	ADJ INSUR EXP FOR KNOWN REFD						(3,661)	
58	ADJ FOR ADDITIONAL EMPLOYEE						8,516	
59	ADJ FOR ADDITIONAL RENT EXP						20,973	
60	ADJ TO PROJ INSUR EXPENSE						(52,906)	
	SUB-TOTALS	$2,570,895	$12,976,485	($9,795,241)	$21,811	$3,203,055	($141,809)	$3,061,246
	DEPRECIATION & AMORTIZATION	587,952	845,925					
	COMM PLT & NON -UTILITY ADJS			(172,561)				
	ADJ TO REFLECT REVISED LEVEL				162,675			
33	ADJ FOR METER PURCHASES						371	
34	CORRECTION TO A&G TRANSFER						(712)	
35	COMMON PLNT ALLOC ADJ						(393)	
36	ADJ OUT HOUSE PIPING						(3,617)	
37	CORRECT ALLOC FACTOR						(1,203)	
38	CORRECT TY + 1 BUDGET						16,029	
40	ADJ FOR OTHER EQUIPMENT						(2,076)	
41	ADJ FOR OTHER TANGIBLE PROP						(11,640)	
41	TRNS DEPR EXP TO AMORT EXP						11,640	
61	ADJ OUT 1 MO OF AMORT EXP						(14,621)	
62	PROV FOR INACTIVE SERV LINES						89,600	
	SUB-TOTALS	$587,952	$845,925	($172,561)	$162,675	$836,039	$83,378	$919,417
	TAXES OTHER THAN INCOME	308,876	380,802					
	ADJ FOR EFFECT OF ABOVE			(7,642)				
	TO RELECT REVISED AMT				(1,284)			
	ADJ OUT CO TY INCREASE						(13,142)	
1	ADJ FOR INCR IN GRWTH/CONSMP						1,453	
58	ADJ FICA FOR CLERICAL EMPLY						601	
	ADJ FOR THE EFFECT OF ABOVE						7,183	
	SUB-TOTALS	$308,876	$380,802	($7,642)	($1,284)	$371,876	($3,905)	$367,971

CURRENT INC TAXES - FEDERAL	0	246,789					
TRANSFER CURRENT TAX TO DEF			(246,789)				
TO REFLECT REVISED AMT				129,971			
TRANSF REVISED TO DEFERRED				(129,971)			
SUB-TOTALS	$0	$246,789	($246,789)	$0	$0	$0	$0
CURRENT INC TAXES - STATE	0	42,245					
TRANSFER CURRENT TAX TO DEF			(42,245)				
TO REFLECT REVISED AMT				21,750			
TRANSF REVISED TO DEFERRED				(21,750)			
SUB-TOTALS	$0	$42,245	($42,245)	$0	$0	$0	$0
DEFERRED INCOME TAXES	239,441	0					
TRANSFER OF CURRENT TAXES			333,466				
TO REFLECT REVISED AMT				(181,745)			
ADJ OUT CO TY INCREASE						(299,390)	
ADJ FOR THE EFFECT OF ABOVE						218,497	
25 AMRT OF EXCESS DEFERRED TAX						(2,656)	
SUB-TOTALS	$239,441	$0	$333,466	($181,745)	$151,721	($83,549)	$68,172
INVESTMENT TAX CREDITS	0	0					
			(38,923)				
				38,923			
SUB-TOTALS	0	0	(38,923)	38,923	0	0	$0
INTEREST RECONCILIATION	12,279	0					
TO REFLECT REVISED AMT				(37,144)			
ADJ FOR THE EFFECT OF ABOVE						78,360	
SUB-TOTALS	12,279	0	0	(37,144)	(37,144)	78,360	$41,216
TOTAL OPERATING EXPENSES	$3,719,443	$14,492,246	($9,969,935)	($37,144)	$4,525,547	($67,525)	$4,458,022
66	$1,054,353	$1,266,898	$174,694	($41,415)	$1,359,797	($209,779)	$1,150,018

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WEST FLORIDA NATURAL GAS
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

SCHEDULE 7

STAFF TREND RATES:		TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
DISTRIBUTION EXPENSE				
870 Payroll-trended	36,793	39,369	40,943	1
Other trended	42,694	47,655	52,068	3
Other not trended	48,124	50,049	52,401	4
Total	127,611	137,073	145,412	
874 Payroll-trended	9,069	9,704	10,092	1
Other trended	47,183	52,666	57,543	3
Other not trended	0	0	0	
Total	56,252	62,369	67,634	
879 Payroll-trended	84,808	90,745	94,374	1
Other trended	47,676	53,216	58,144	3
Other not trended	0	0	0	
Total	132,484	143,961	152,518	
880 Payroll-trended	6,774	7,248	7,538	1
Other trended	0	0	0	
Other not trended	0	0	0	
Total	6,774	7,248	7,538	
TOTAL DISTRIBUTION EXPENSE	323,121	350,651	373,103	

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WEST FLORIDA NATURAL GAS
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

SCHEDULE 7

	STAFF TREND RATES:	TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
MAINTENANCE EXPENSE				
887 Payroll-trended	32,291	34,551	35,933	1
Other trended	11,221	12,525	13,685	3
Other not trended	0	0	0	
Total	43,512	47,076	49,618	
892 Payroll-trended	10,190	10,903	11,339	1
Other trended	1,651	1,843	2,013	3
Other not trended	0	0	0	
Total	11,841	12,746	13,353	
893 Payroll-trended	27,865	29,816	31,008	1
Other trended	28,940	32,303	35,294	3
Other not trended	0	0	0	
Total	56,805	62,118	66,302	
TOTAL MAINTENANCE EXPENSES	$112,158	$121,941	$129,273	

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WEST FLORIDA NATURAL GAS — SCHEDULE 7
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

STAFF TREND RATES:		TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT		TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
CUSTOMER ACCT. & COLLEC.					
901	Payroll-trended	14,566	15,586	16,209	1
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	14,566	15,586	16,209	
902	Payroll-trended	82,534	88,311	91,844	1
	Other trended	48,430	54,058	59,063	3
	Other not trended	0	0	0	
	Total	130,964	142,369	150,907	
903	Payroll-trended	151,188	161,771	168,242	1
	Other trended	24,465	27,308	29,837	3
	Other not trended	158,859	170,503	177,937	
	Total	334,512	359,582	376,016	
904	Payroll-trended	0	0	0	
	Other trended	22,680	25,315	27,660	3
	Other not trended	0	0	0	
	Total	22,680	25,315	27,660	
	TOTAL CUSTOMER ACC'T EXPENSES	$502,722	$542,852	$570,792	

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WEST FLORIDA NATURAL GAS
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

SCHEDULE 7

	STAFF TREND RATES:	TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
SALES PROMOTION EXPENSE				
912 Payroll-trended	86,642	92,707	96,415	1
Other trended	4,309	4,810	5,255	3
Other not trended	13,058	13,580	14,219	4
Total	104,009	111,097	115,889	
913 Payroll-trended ADVERT	49,050	54,750	59,819	3
Other trended	0	0	0	
Other not trended	0	0	0	
Total	49,050	54,750	59,819	
916 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	0	0	0	
Total	0	0	0	
TOTAL SELLING EXPENSES	$153,059	$165,847	$175,708	

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WEST FLORIDA NATURAL GAS
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

SCHEDULE 7

	STAFF TREND RATES:	TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
ADMINISTRATIVE & GENERAL EXPENSE				
920 Payroll-trended	641,749	686,671	722,654	1
Other trended	0	0	0	
Other not trended	0	0	0	
Total	641,749	686,671	722,654	
921 Payroll-trended	0	0	0	
Other trended	306,064	341,629	373,263	3
Other trended	66,711	74,463	81,358	3
Other not trended	0	0	0	
Total	372,775	416,091	454,622	
922 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	(132,462)	(80,318)	(87,755)	
Total	(132,462)	(80,318)	(87,755)	
923 Payroll-trended	0	0	0	
Other trended	87,138	90,624	94,883	4
Other not trended	0	0	0	
Total	87,138	90,624	94,883	
924 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	261,423	281,664	225,097	
Total	261,423	281,664	225,097	
sub total	1,230,623	1,394,732	1,409,501	

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WEST FLORIDA NATURAL GAS — SCHEDULE 7
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

	STAFF TREND RATES:	TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

ACCOUNT	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2	TREND BASIS FROM ABOVE
ADMINISTRATIVE & GENERAL EXPENSE cont.				
925 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	0	0	0	
Total	0	0	0	
926 Payroll-trended	13,949	14,925	15,522	1
Other trended	89,257	99,629	108,854	3
Other not trended	92,729	99,684	107,160	
Total	195,935	214,238	231,537	
928 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	19,819	23,415	48,347	
Total	19,819	23,415	48,347	
930 Payroll-trended	0	0	0	
Other trended	37,871	39,386	41,237	4
Other not trended	0	0	0	
Total	37,871	39,386	41,237	
931 Payroll-trended	0	0	0	
Other trended	36,131	37,576	60,315	4
Other not trended	0	0	0	
Total	36,131	37,576	60,315	
932 Payroll-trended	0	0	0	
Other trended	19,684	20,471	21,434	4
Other not trended	0	0	0	
Total	19,684	20,471	21,434	
TOTAL ADMINISTRATION EXPENSES	$1,540,063	$1,729,819	$1,812,370	
***TOTAL O&M EXPENSES **	$2,631,123	$2,911,109	$3,061,247	

** note **
THIS TOTAL DOES NOT EQUAL TOTAL O&M IN SCH 2 BECAUSE THE COST OF GAS ADJ OF $60,228 IS NOT SHOWN IN THIS SCHEDULE. ($2,631,123-$60,288 = $2,570,895)
WEST FLORIDA NATURAL GAS COMPANY

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WEST FLORIDA NATURAL GAS
O&M FORECAST WORKSHEET - ATTRITION CALCULATION

SCHEDULE 7

	STAFF TREND RATES:	TEST YEAR + 1 6/30/88	ATTRITION YEAR 6/30/89
# 1	PAYROLL ONLY	7.00%	4.00%
# 2	CUSTOMER GROWTH X PAY CHANGE	14.84%	8.53%
# 3	CUSTOMER GROWTH X INFLATION	11.62%	9.26%
# 4	INFLATION ONLY	4.00%	4.70%
	CUSTOMER GROWTH	7.33%	4.36%

TOTAL EXPENSES	TEST YEAR	TEST YEAR + 1	TEST YEAR + 2
Payroll-trended	1,198,418	1,282,307	1,342,116
Other trended	979,904	1,078,995	1,190,688
Other not trended	452,801	549,807	528,443
Total	$2,631,123	$2,911,109	$3,061,247

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SCHEDULE 8

West Florida Natural Gas Company
Capital Structure
Docket No. 871255-GU
13 month average
Attrition year ended 6/30/89

COMPANY REVISED POSITION

Class of Capital	Amount Per Books	Company Adjustments	Prorata Adjustments	Adjusted	Ratio	Cost Rate	Weighted Cost of Capital
Common Equity	$5,832,658	($446,913)	$317,546	$5,703,291	34.40%	14.35%	4.94%
Long Term Debt	8,345,757	(639,674)	454,356	8,160,437	49.22%	13.29%	6.54%
Short Term Debt	0		0	0	0.00%	0.00%	0.00%
Customer Deposits	851,119		50,181	901,300	5.44%	8.00%	0.44%
Deferred Taxes	851,618		50,212	901,830	5.44%	0.00%	0.00%
Tax Credits	861,975		50,822	912,797	5.51%	0.00%	0.00%
Total Capital	$16,743,127	($1,086,587)	$923,117	$16,579,655	100.00%		11.92%

STAFF POSITION

Class of Capital	Amount Per Books	Specific Adjustments	Staff Adjusted	Prorata Adjustments	Staff Adjusted	Ratio	Cost Rate	Weighted Cost of Capital
Common Equity	$5,832,658	($592,200)	5,240,458	$402,136	$5,642,594	34.49%	13.50%	4.66%
Long Term Debt	8,345,757	(1,494,371)	6,851,386	525,754	7,377,140	45.09%	13.20%	5.95%
Short Term Debt	0		0	0	0	0.00%	0.00%	0.0[illegible]
Customer Deposits	851,119		851,119	65,312	916,431	5.60%	8.00%	0.4[illegible]
Deferred Taxes	851,618	644,589	1,496,207	114,814	1,611,021	9.85%	0.00%	0.00%
Tax Credits	861,975	(105,136)	756,839	58,077	814,916	4.98%	0.00%	0.00%
Total Capital	$16,743,127	($1,547,118)	$15,196,009	$1,166,094	$16,362,103	100.00%		11.06%

Specific Adjustments:

1) $720,127 unamortized debt expense removed directly from Long Term Debt.
2) $1,366,444 represents $529,794 in Non-utility Appliances, $723,070 removal of common plant associated with LP business, and a $113,580 inventory adjustment. This adjustment was prorated over equity & debt.

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WEST FLORIDA NATURAL GAS
DOCKET NO. 871255-GU
ATTRITION YEAR REVENUE CALCULATION
ATTR YEAR ENDING 6/30/89

SCHEDULE 9

	COMPANY PER FILING	COMPANY PER AMENDED	STAFF
RATE BASE (AVERAGE)	$15,242,525	$16,579,655	16,362,103
RATE OF RETURN	10.35%	11.92%	11.06%
REQUIRED NOI	1,577,601	1,976,295	1,809,649
Operating Revenues	$5,963,903	$5,885,344	$5,608,040
Operating Expenses:			
Operating & Maintenance	3,181,244	3,203,055	3,061,246
Depreciation & Amortization	673,364	836,039	919,417
Taxes Other Than Income	373,160	371,876	367,971
Current Income Taxes - Federal	0	0	0
- State	0	0	0
Deferred Income Taxes	333,466	151,721	68,172
Investment Tax Credits	(38,923)	0	0
Interest Reconciliation	0	(37,144)	41,216
Total Operating Expenses	$4,522,311	$4,525,547	$4,458,022
ACHIEVED NET OPERATING INCOME	$1,441,592	$1,359,797	$1,150,018
NOI DEFICIENCY (Required - Achieved)	$136,009	$616,498	$659,630
NOI MULTIPLIER	1.6316	1.6316	1.6316
ATTRITION REVENUE INCREASE	$221,912	$1,005,878	$1,076,253
TEST YEAR INCREASE	$887,315	$808,756	$442,018
ATTRITION REVENUE INCREASE	221,912	1,005,878	1,076,253
TOTAL INCREASE	$1,109,227	$1,814,634	$1,518,271

COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - A
PROPOSED RATE DESIGN

SCHEDULE 9

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
PRESENT RATES (attrition year)					
GAS SALES (including growth)	5,033,096	2,698,162	1,609,220	269,827	455,887
OTHER OPERATING REVENUE	132,920	131,120	1,800	0	0
TOTAL	5,166,016	2,829,282	1,611,020	269,827	455,887
RATE OF RETURN	5.36%	-1.47%	11.69%	70.58%	96.25%
INDEX	1.000	-.274	2.179	13.159	17.944
PROPOSED RATES					
GAS SALES	6,533,933	3,940,614	2,081,492	269,827	242,000
OTHER OPERATING REVENUE	150,360	147,353	3,007	0	0
TOTAL	6,684,293	4,087,967	2,084,499	269,827	242,000
TOTAL REVENUE INCREASE	1,518,277	1,258,685	473,479	0	-213,887
PERCENT INCREASE	29.39%	44.49%	29.39%	.00%	-46.92%
RATE OF RETURN	11.06%	8.03%	15.48%	51.72%	11.55%
INDEX	1.000	.726	1.400	4.676	1.045

500-A

COMPANY NAME:WEST FLA.NAT.GAS CORP. — SCHEDULE - B — SCHEDULE 9
DOCKET NO. 871255-GU — CALCULATION OF PROPOSED RATES

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
PROPOSED TOTAL TARGET REVENUES	6,684,293	4,087,967	2,084,499	269,827	242,000
LESS:OTHER OPERATING REVENUE	150,360	147,353	3,007	0	0
LESS:CUSTOMER CHARGE REVENUES					
PROPOSED CUSTOMER CHARGES		$6.00	$15.00	$50.00	$612.00
TIMES:NUMBER OF BILLS	272,172	250,356	21,768	36	12
EQUALS:CUSTOMER CHARGE REVENUES	1,837,800	1,502,136	326,520	1,800	7,344
LESS:OTHER NON-THERM-RATE REVENUES					
EQUALS:PER-THERM TARGET REVENUES	4,696,133	2,438,478	1,754,972	268,027	234,656
DIVIDED BY:NUMBER OF THERMS	37,353,531	9,207,288	13,574,988	5,371,255	9,200,000
EQUALS:PER-THERM RATES(UNRNDED)		.2648421555	.129279820	.049900256	.025506093
PER-THERM RATES(RNDED)		.26484	.12928	.04990	.02551
PER-THERM-RATE REVENUES(RNDED RATES)	4,696,150	2,438,458	1,754,974	268,026	234,692
SUMMARY:PROPOSED TARIFF RATES					
CUSTOMER CHARGES		$6.00	$15.00	$50.00	$612.00
ENERGY CHARGES					
NON-GAS (CENTS PER THERM)		26.484	12.928	4.990	2.551
PURCHASED GAS ADJUSTMENT		27.437	27.437	27.437	24.633
TOTAL (INCLUDING PGA)		53.921	40.365	32.427	27.184
SUMMARY:PRESENT TARIFF RATES					
CUSTOMER CHARGES		$6.00	$15.00	$50.00	$612.00
ENERGY CHARGES					
NON-GAS (CENTS PER THERM)		12.99	9.45	4.99	4.87
PURCHASED GAS ADJUSTMENT		27.437	27.437	27.437	24.633
TOTAL (INCLUDING PGA)		40.4270	36.8870	32.4270	29.5030

SUMMARY:OTHER OPERATING REVENUE	PRESENT	REVENUE	PROPOSED	REVENUE
CONNECT AND RECONNECTION CHARGE	$20.00	132,920	$20.00	132,920
BILL COLLECTION IN LIEU OF DISCONNECTION	0	0	$8.00	17,440

500-B

COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - C
DERIVATION OF REVENUE DEFICIENCY

SCHEDULE 9

COST OF SERVICE BY CUSTOMER CLASS

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
CUSTOMER COSTS	4,082,196	3,260,669	804,495	11,496	5,535
CAPACITY COSTS	2,272,770	1,007,259	919,805	132,265	213,441
COMMODITY COSTS	70,348	17,340	25,566	10,116	17,326
REVENUE COSTS	108,619	72,442	29,581	2,601	3,995
TOTAL	6,533,933	4,357,711	1,779,447	156,478	240,297
less:REVENUE AT PRESENT RATES (in the attrition year)	5,033,096	2,698,162	1,609,220	269,827	455,887
equals: GAS SALES REVENUE DEFICIENCY	1,500,837	1,659,549	170,227	-113,349	-215,590
plus:DEFICIENCY IN OTHER OPERATING REV.	17,440	16,233	1,207	0	0
equals:TOTAL BASE-REVENUE DEFICIENCY	1,518,277	1,675,781	171,435	-113,349	-215,590
UNIT COSTS:					
Customer	14.9985892	13.02413126	36.9576962	319.342559	461.261853
Capacity	.562840582	.7013778190	.666857507	.290341256	.278259095
Commodity	.001883303	.0018833031	.001883303	.001883303	.001883303

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COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - D
RATE OF RETURN BY CUSTOMER CLASS
(Page 1 of 2:PRESENT RATES)

SCHEDULE 9

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
REVENUES: (in the attrition year)					
Gas Sales (including growth)	5,033,096	2,698,162	1,609,220	269,827	455,887
Other Operating Revenue	132,920	131,120	1,800	0	0
Total	5,166,016	2,829,282	1,611,020	269,827	455,887
EXPENSES:					
Purchased Gas Cost	0	0	0	0	0
O&M Expenses	3,062,430	2,277,162	674,281	44,871	66,115
Depreciation Expenses	919,417	501,503	256,986	60,455	100,473
Amortization Expenses	0	0	0	0	0
Taxes Other Than Income--Fixed	276,841	151,005	77,380	18,203	30,253
Taxes Other Than Income--Revenue	83,948	45,976	26,179	4,385	7,408
Total Expses excl. Income Taxes	4,342,636	2,975,646	1,034,826	127,915	204,249
PRE TAX NOI:	823,380	-146,364	576,194	141,912	251,638
INCOME TAXES:	-54,260	9,645	-37,971	-9,352	-16,583
NET OPERATING INCOME:	877,640	-156,009	614,165	151,264	268,220
RATE BASE:	16,362,103	10,613,551	5,255,583	214,301	278,668
RATE OF RETURN	.053638596	-.014699038	.116859499	.705847173	.962508777

500-D

COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - D
RATE OF RETURN BY CUSTOMER CLASS
(Page 2 of 2:PROPOSED RATES)

SCHEDULE 9

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
REVENUES:					
Gas Sales	6,533,933	3,940,614	2,081,492	269,827	242,000
Other Operating Revenue	150,360	147,353	3,007	0	0
Total	6,684,293	4,087,967	2,084,499	269,827	242,000
EXPENSES:					
Purchased Gas Cost	0	0	0	0	0
O&M Expenses	3,062,430	2,277,162	674,281	44,871	66,115
Depreciation Expenses	919,417	501,503	256,986	60,455	100,473
Amortization Expenses	0	0	0	0	0
Taxes Other Than Income--Fixed	276,841	151,005	77,380	18,203	30,253
Taxes Other Than Income--Revenue	108,619	66,429	33,873	4,385	3,933
Total Expses excl. Income Taxes	4,367,307	2,996,099	1,042,520	127,915	200,774
PRE TAX NOI:	2,316,986	1,091,867	1,041,979	141,912	41,226
INCOME TAXES:	507,355	239,088	228,164	31,075	9,027
NET OPERATING INCOME:	1,809,631	852,779	813,815	110,837	32,199
RATE BASE:	16,362,103	10,613,551	5,255,583	214,301	278,668
RATE OF RETURN	.110598925	.0803481378	.154847723	.517203208	.115546162

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SCHEDULE - E
CLASSIFICATION OF RATE BASE
(Page 1 of 2:PLANT)

SCHEDULE 9

COMPANY NAME: WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT	0		0		100% capacity
INTANGIBLE PLANT:	37124		37124		"
PRODUCTION PLANT	129169		129169		"
DISTRIBUTION PLANT:					
374 Land and Land Rights	178357		178357		"
375 Structures and Improvements	14428		14428		"
376 Mains	10673048		10673048		"
377 Comp.Sta.Eq.	0		0		"
378 Meas.&Reg.Sta.Eq.-Gen	20288		20288		"
379 Meas.&Reg.Sta.Eq.-CG	89840		89840		"
380 Services	3986114	3986114			100% customer
381-382 Meters	2445659	2445659			"
383-384 House Regulators	1149661	1149661			"
385 Industrial Meas.& Reg.Eq.	0		0		100% capacity
386 Property on Customer Premises	0	0			100% customer
387 Other Equipment	0	0	0	0	ac 374-386
Total Distribution Plant	18557395	7581434	10975961	0	
GENERAL PLANT:	1833481	916741	916741		50% customer,50%, capacity
PLANT ACQUISITIONS:	465716		465716		100% capacity
GAS PLANT FOR FUTURE USE:	0		0		"
CWIP:	0	0	0	0	dist.plant
TOTAL PLANT	21022885	8498175	12524711	0	21022885

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SCHEDULE - E SCHEDULE 9
CLASSIFICATION OF RATE BASE
COMPANY NAME:WEST FLA.NAT.CAS CORP. (Page 2 of 2:ACCUMULATED DEPRECIATION)
DOCKET NO. 871255-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	related plant
INTANGIBLE PLANT:	34791	0	34791	0	rel.plant account
PRODUCTION PLANT	62741		62741		"
DISTRIBUTION PLANT:					
375 Structures and Improvements	3354	0	3354	0	"
376 Mains	3137402	0	3137402	0	"
377 Compressor Sta. Eq.	0	0	0	0	"
378 Meas.& Reg.Sta. Eq.-Gen	2209	0	2209	0	"
379 Meas.& Reg.Sta. Eq.-CG	40477	0	40477	0	"
380 Services	698873	698873	0	0	"
381-382 Meters	795487	795487	0	0	"
383-384 House Regulators	284281	284281	0	0	"
385 Indust.Meas.& Reg.Sta.Eq.	0	0	0	0	"
386 Property on Customer Premises	0	0	0	0	"
387 Other Equipment	0	0	0	0	"
Total A.D. on Dist. Plant	4962083	1778641	3183442	0	4962083
GENERAL PLANT:	458312	229156	229156	0	general plant
PLANT ACQUISITIONS:	331799	0	331799	0	plant acquisitions
RETIREMENT WORK IN PROGRESS:	0	0	0	0	distribution plant
TOTAL ACCUMULATED DEPRECIATION	5849726	2007797	3841929	0	5849726
NET PLANT (Plant less Accum.Dep.)	15173159	6490378	8682782	0	15173159
less:CUSTOMER ADVANCES	0	0	0		50%-50% cust--cap
plus:WORKING CAPITAL	1188944	1031062	131994	25888	oper. and maint. exp.
equals:TOTAL RATE BASE	16362103	7521440	8814775	25888	16362103

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COMPANY NAME: WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - F
CLASSIFICATION OF EXPENSES
AND
DERIVATION OF COST OF SERVICE BY COST CLASSIFICATION
(Page 1 of 2)

SCHEDULE 9

OPERATIONS AND MAINTENANCE EXPENSES

	TOTAL	CUSTOMER	CAPACITY	COMMODITY		CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0		ac 301-320
PRODUCTION PLANT	0		0			100% capacity
DISTRIBUTION:						
870 Operation Supervision & Eng.	145412	113963	31449	0		ac 871-879
871 Dist.Load Dispatch	0		0			100% capacity
872 Compr.Sta.Lab.&Ex.	0	0	0	0		ac 377
873 Compr.Sta.Fuel&Power	0			0		100% commodity
874 Mains and Services	67634	18391	49243	0		ac376+ac380
875 Meas.& Reg. Sta.Eq.-Gen	0	0	0	0		ac 378
876 Meas.& Reg. Sta.Eq.-Ind.	0	0	0	0		ac 385
877 Meas.& Reg. Sta.Eq.-CG	0	0	0	0		ac 379
878 Meter and House Reg.	160056	160056	0	0		ac381+ac383
879 Customer Instal.	0	0	0	0		ac 386
880 Other Expenses	0	0	0	0		ac 387
881 Rents	0		0			100% capacity
885 Maintenance Supervision	0	0	0	0		ac886-894
886 Maint. of Struct. and Improv.	0	0	0	0		ac375
887 Maintenance of Mains	49618	0	49618	0		ac376
888 Maint. of Comp.Sta.Eq.	0	0	0	0		ac 377
889 Maint. of Meas.& Reg. Sta.Eq.-G	0	0	0	0		ac 378
890 Maint. of Meas.& Reg. Sta.Eq.-I	0	0	0	0		ac 385
891 Maint. of Meas.& Reg.Sta.Eq.-CG	0	0	0	0		ac 379
892 Maintenance of Services	13353	13353	0	0		ac 380
893 Maint. of Meters and House Reg.	66302	66302	0	0		ac381-383
894 Maint. of Other Equipment	0	0	0	0		ac387
Total Distribution Expenses	502375	372065	130310	0		502375
CUSTOMER ACCOUNTS:						
901 Supervision	16209	16209				100% customer
902 Meter-Reading Expense	150907	150907				"
903 Records and Collection Exp.	376016	376016				"
904 Uncollectible Accounts	27660			27660		100% commodity
905 Misc. Expenses	0	0				100% customer
Total Customer Accounts	570792	543132	0	27660		
(907-910) CUSTOMER SERV.&INFO. EXP.	0	0				"
(911-916) SALES EXPENSE	175708	175708				"
(932) MAINT. OF GEN. PLANT	21434	10717	10717	0		general plant
(920-931) ADMINISTRATION AND GENERAL	1792121	1554142	198957	39022	0	O&M excl. A&G
TOTAL O&M EXPENSE	3062430	2655765	339983	66682		3062430

500-H

COMPANY NAME: WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - F
CLASSIFICATION OF EXPENSES
AND
DERIVATION OF COST OF SERVICE BY COST CLASSIFICATION
(Page 2 of 2)

SCHEDULE 9

DEPRECIATION AND AMORTIZATION EXPENSE:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	CLASSIFIER
Depreciation Expense	919417	393284	526133	0		net plant
Amort. of Other Gas Plant	0		0			100% capacity
Amort. of Property Loss	0		0			100% capacity
Amort. of Limited-term Inv.	0	0	0	0		intangible plant
Amort. of Acquisitiion Adj.	0	0	0	0		intangible,dist. & ge
Amort. of Conversion Costs	0			0		100% capacity
Total Deprec. and Amort. Expense	919417	393284	526133	0	0	919417
TAXES OTHER THAN INCOME TAXES:						
Revenue Related	108619				108619	100% revenue
Other	276841	118420	158421	0		net plant
Total Taxes other than Income Taxes	385460	118420	158421	0	108619	
REV.CRDT TO COS(NEG.OF OTHR OPR.REV)	-150360	-150360				100% customer
RETURN (REQUIRED NOI)	1809631	831863	974905	2863		rate base
INCOME TAXES	507355	233224	273328	803	0	-return(noi)
TOTAL OVERALL COST OF SERVICE	6533933	4082196	2272770	70348	108619	6533933

SCHEDULE - G

SCHEDULE 9

COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

DEVELOPMENT OF ALLOCATION FACTORS
****

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
CUSTOMER COSTS					
No. of Customers	22681	20863	1814	3	1
Weighting	NA	1.000	2.827	24.334	35.149
Weighted No. of Customers	26099	20863	5128	73	35
Allocation Factors	1	.7993841012	.196472000	.002797153	.001346746
CAPACITY COSTS					
Peak/Average Month Sales (therms)	4038035	1436115	1379313	455549	767058
Allocation Factors	1	.3556469917	.341580249	.112814525	.189958235
COMMODITY COSTS					
Annual Sales Vol.(therms)	37353531	9207288	13574988	5371255	9200000
Allocation Factors	1	.2464904322	.363419137	.143795107	.246295323
REVENUE-RELATED COSTS					
Tax on Cust,Cap,& Commod.	104411	69636	28435	2500	3840
Allocation Factors	1	.6669353008	.272339403	.023948511	.036776786

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COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - I
ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES
(Page 1 of 2)

SCHEDULE 9

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT	ALLOCATOR
Customer	0	0	0	0	0	weighted customers
Capacity	0	0	0	0	0	peak/ave. sales
Commodity	0	0	0	0	0	annual sales
Revenue	0	0	0	0	0	tax on customer
Total	0	0	0	0	0	0
OPERATIONS AND MAINTENANCE EXPENSE:						
DIRECT AND SPECIAL ASSIGNMENTS:						
Customer						
878 Meters and House Regulators	160056	127946	31447	448	216	wtd.cust.
893 Maint. of Meters & House Reg.	66302	53001	13026	185	89	wts.cust
874 Mains & Services	18391	14701	3613	51	25	wtd.cust
892 Maint. of Services	13353	10674	2623	37	18	wtd.cust.
All Other	2397663	1916653	471074	6707	3229	wtd.cust.
Total	2655765	2122976	521783	7429	3577	2655765
Capacity						
876 Measuring & Reg. Sta. Eq.- I	0	0	0	0	0	peak/ave. sales
890 Maint. of Meas.& Reg.Sta.Eq.-I	0	0	0	0	0	peak/ave. sales
874 Mains and Services	49243	25899	22864	325	155	direct
887 Maint. of Mains	49618	26096	23038	327	157	direct
All Other	241122	85754	82363	27202	45803	peak/ave. sal
Total	339983	137750	128264	27854	46115	339983
Commodity						
Account #	0	0	0	0	0	
Account #	0	0	0	0	0	
Account #	0	0	0	0	0	
All Other	66682	16436	24234	9589	16423	annual sales
Total	66682	16436	24234	9589	16423	
TOTAL O&M	3062430	2277162	674281	44871	66115	3062430
DEPRECIATION EXPENSE:						
Customer	393284	314385	77269	1100	530	weighted cust.
Capacity	526133	187118	179717	59355	99943	direct 526133
Total	919417	501503	256986	60455	100473	
AMORT. OF GAS PLANT:						
Capacity	0	0	0	0	0	peak/ave. sales
AMORT. OF PROPERTY LOSS:						
Capacity	0	0	0	0	0	peak/ave. sales
AMORT OF LIMITED TERM INVEST.						
Capacity	0	0	0	0	0	peak/ave. sales
AMORT. OF ACQUISITION ADJ.:						
Customer	0	0	0	0	0	weighted cust.
Capacity	0	0	0	0	0	direct 0
Total	0	0	0	0	0	
AMORT. OF CONVERSION COSTS:						
Commodity	0	0	0	0	0	

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Schedule 9

RATE COMPARISON

COMPANY: WEST FLORIDA NATURAL GAS

DOCKET # 871255-GU

RATE SCHEDULE: RESIDENTIAL

PRESENT RATES

Customer Charge
6.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	12.99

PROPOSED RATES

Customer Charge
6.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	26.484

Gas Cost Cents/Therm 27.437 — Therm usage increment 10

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel
0	6.00	6.00	6.00	6.00	.00	.00
10	7.30	10.04	8.65	11.39	18.49	13.44
20	8.60	14.09	11.30	16.78	31.39	19.16
30	9.90	18.13	13.95	22.18	40.90	22.33
40	11.20	22.17	16.59	27.57	48.21	24.35
50	12.50	26.21	19.24	32.96	54.00	25.74
60	13.79	30.26	21.89	38.35	58.70	26.76
70	15.09	34.30	24.54	43.74	62.58	27.54
80	16.39	38.34	27.19	49.14	65.86	28.16
90	17.69	42.38	29.84	54.53	68.65	28.65
100	18.99	46.43	32.48	59.92	71.06	29.06
110	20.29	50.47	35.13	65.31	73.16	29.41
120	21.59	54.51	37.78	70.71	75.01	29.70
130	22.89	58.56	40.43	76.10	76.65	29.96
140	24.19	62.60	43.08	81.49	78.11	30.18
150	25.49	66.64	45.73	86.88	79.42	30.37
160	26.78	70.68	48.37	92.27	80.61	30.55
170	28.08	74.73	51.02	97.67	81.69	30.70
180	29.38	78.77	53.67	103.06	82.67	30.84
190	30.68	82.81	56.32	108.45	83.57	30.96

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COMPANY NAME:WEST FLA.NAT.GAS CORP.
DOCKET NO. 871255-GU

SCHEDULE - I
ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES
(Page 2 of 2)

SCHEDULE 9

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT	ALLOCATOR
TAXES OTHER THAN INCOME TAXES:						
Customer	118420	94663	23266	331	159	weighted cust.
Capacity	158421	56342	54114	17872	30093	direct 158421
Subtotal	276841	151005	77380	18203	30253	
Revenue	108619	72442	29581	2601	3995	tax on cust, cap,& c
Total	385460	223447	106961	20805	34248	385460
RETURN (NOI)						
Customer	831863	684179	144633	2059	991	cust.rel.RB
Capacity	974905	488962	435588	21231	29124	cap.rel.RB direct
Commodity	2863	706	1041	412	705	comm.rel.RB
Total	1809631	1173847	581262	23702	30820	1809631
INCOME TAXES						
Customer	233224	191819	40550	577	278	cust.rel.RB
Capacity	273328	137087	122123	5952	8165	cap.rel.RB direct
Commodity	803	198	292	115	198	comm.rel.RB
Total	507355	329104	162965	6645	8641	507355
REVENUE CREDITED TO COS:						
Customer	-150360	-147353	-3007	0	0	direct assingme
TOTAL COST OF SERVICE:						
Customer	4082196	3260669	804495	11496	5535	
Capacity	2272770	1007259	919805	132265	213441	
Commodity	70348	17340	25566	10116	17326	
Subtotal	6425314	4285269	1749866	153877	236302	6425314
Revenue	108619	72442	29581	2601	3995	
Total	6533933	4357711	1779447	156478	240297	6533933

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Schedule 9

RATE COMPARISON

COMPANY: WEST FLORIDA NATURAL GAS

DOCKET # 871255-GU

RATE SCHEDULE: COMMERCIAL

PRESENT RATES

Customer Charge
15.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	9.45

PROPOSED RATES

Customer Charge
15.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	12.928

Gas Cost Cents/Therm 27.437

Therm usage increment 50

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel
0	15.00	15.00	15.00	15.00	.00	.00
50	19.73	33.44	21.46	35.18	8.82	5.20
100	24.45	51.89	27.93	55.37	14.22	6.70
150	29.18	70.33	34.39	75.55	17.88	7.42
200	33.90	88.77	40.86	95.73	20.52	7.84
250	38.63	107.22	47.32	115.91	22.51	8.11
300	43.35	125.66	53.78	136.10	24.07	8.30
350	48.08	144.10	60.25	156.28	25.32	8.45
400	52.80	162.55	66.71	176.46	26.35	8.56
450	57.53	180.99	73.18	196.64	27.21	8.65
500	62.25	199.44	79.64	216.83	27.94	8.72
550	66.98	217.88	86.10	237.01	28.56	8.78
600	71.70	236.32	92.57	257.19	29.10	8.83
650	76.43	254.77	99.03	277.37	29.58	8.87
700	81.15	273.21	105.50	297.56	30.00	8.91
750	85.88	291.65	111.96	317.74	30.38	8.94
800	90.60	310.10	118.42	337.92	30.71	8.97
850	95.33	328.54	124.89	358.10	31.01	9.00
900	100.05	346.98	131.35	378.29	31.29	9.02
950	104.78	365.43	137.82	398.47	31.54	9.04

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Schedule 9

RATE COMPARISON

COMPANY: WEST FLORIDA NATURAL GAS

DOCKET # 871255-GU

RATE SCHEDULE: INDUSTRIAL

PRESENT RATES

Customer Charge
50.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	4.99

PROPOSED RATES

Customer Charge
50.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	4.990

Gas Cost Cents/Therm 27.437 Therm usage increment 500

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel
0	50.00	50.00	50.00	50.00	.00	.00
500	74.95	212.14	74.95	212.14	.00	.00
1000	99.90	374.27	99.90	374.27	.00	.00
1500	124.85	536.41	124.85	536.41	.00	.00
2000	149.80	698.54	149.80	698.54	.00	.00
2500	174.75	860.68	174.75	860.68	.00	.00
3000	199.70	1,022.81	199.70	1,022.81	.00	.00
3500	224.65	1,184.95	224.65	1,184.95	.00	.00
4000	249.60	1,347.08	249.60	1,347.08	.00	.00
4500	274.55	1,509.22	274.55	1,509.22	.00	.00
5000	299.50	1,671.35	299.50	1,671.35	.00	.00
5500	324.45	1,833.49	324.45	1,833.49	.00	.00
6000	349.40	1,995.62	349.40	1,995.62	.00	.00
6500	374.35	2,157.76	374.35	2,157.76	.00	.00
7000	399.30	2,319.89	399.30	2,319.89	.00	.00
7500	424.25	2,482.03	424.25	2,482.03	.00	.00
8000	449.20	2,644.16	449.20	2,644.16	.00	.00
8500	474.15	2,806.30	474.15	2,806.30	.00	.00
9000	499.10	2,968.43	499.10	2,968.43	.00	.00
9500	524.05	3,130.57	524.05	3,130.57	.00	.00

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Schedule 9

RATE COMPARISON

COMPANY: WEST FLORIDA NATURAL GAS

DOCKET # 871255-GU

RATE SCHEDULE: INTERRUPTIBLE

PRESENT RATES

Customer Charge
612.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	4.87

PROPOSED RATES

Customer Charge
612.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	2.551

Gas Cost Cents/Therm 24.633

Therm usage increment 50000

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel
0	612.00	612.00	612.00	612.00	.00	.00
50000	3,047.00	15,363.50	1,887.50	14,204.00	-38.05	-7.55
100000	5,482.00	30,115.00	3,163.00	27,796.00	-42.30	-7.70
150000	7,917.00	44,866.50	4,438.50	41,388.00	-43.94	-7.75
200000	10,352.00	59,618.00	5,714.00	54,980.00	-44.80	-7.78
250000	12,787.00	74,369.50	6,989.50	68,572.00	-45.34	-7.80
300000	15,222.00	89,121.00	8,265.00	82,164.00	-45.70	-7.81
350000	17,657.00	103,872.50	9,540.50	95,756.00	-45.97	-7.81
400000	20,092.00	118,624.00	10,816.00	109,348.00	-46.17	-7.82
450000	22,527.00	133,375.50	12,091.50	122,940.00	-46.32	-7.82
500000	24,962.00	148,127.00	13,367.00	136,532.00	-46.45	-7.83
550000	27,397.00	162,878.50	14,642.50	150,124.00	-46.55	-7.83
600000	29,832.00	177,630.00	15,918.00	163,716.00	-46.64	-7.83
650000	32,267.00	192,381.50	17,193.50	177,308.00	-46.71	-7.84
700000	34,702.00	207,133.00	18,469.00	190,900.00	-46.78	-7.84
750000	37,137.00	221,884.50	19,744.50	204,492.00	-46.83	-7.84
800000	39,572.00	236,636.00	21,020.00	218,084.00	-46.88	-7.84
850000	42,007.00	251,387.50	22,295.50	231,676.00	-46.92	-7.84
900000	44,442.00	266,139.00	23,571.00	245,268.00	-46.96	-7.84
950000	46,877.00	280,890.50	24,846.50	258,860.00	-47.00	-7.84

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Schedule 9

RATE COMPARISON

COMPANY: WEST FLORIDA NATURAL GAS

DOCKET # 871255-GU

RATE SCHEDULE: INTERRUPTIBLE (SPECIAL CONTRACT - ARIZONA CHEMICAL)

PRESENT RATES

Customer Charge
612.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	4.87

PROPOSED RATES

Customer Charge
20167.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	.000

Gas Cost Cents/Therm 24.633 — Therm usage increment 50000

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel
0	612.00	612.00	20,167.00	20,167.00	3,195.26	3,195.26
50000	3,047.00	15,363.50	20,167.00	32,483.50	561.86	111.43
100000	5,482.00	30,115.00	20,167.00	44,800.00	267.88	48.76
150000	7,917.00	44,866.50	20,167.00	57,116.50	154.73	27.30
200000	10,352.00	59,618.00	20,167.00	69,433.00	94.81	16.46
250000	12,787.00	74,369.50	20,167.00	81,749.50	57.71	9.92
300000	15,222.00	89,121.00	20,167.00	94,066.00	32.49	5.55
350000	17,657.00	103,872.50	20,167.00	106,382.50	14.22	2.42
400000	20,092.00	118,624.00	20,167.00	118,699.00	.37	.06
450000	22,527.00	133,375.50	20,167.00	131,015.50	-10.48	-1.77
500000	24,962.00	148,127.00	20,167.00	143,332.00	-19.21	-3.24
550000	27,397.00	162,878.50	20,167.00	155,648.50	-26.39	-4.44
600000	29,832.00	177,630.00	20,167.00	167,965.00	-32.40	-5.44
650000	32,267.00	192,381.50	20,167.00	180,281.50	-37.50	-6.29
700000	34,702.00	207,133.00	20,167.00	192,598.00	-41.89	-7.02
750000	37,137.00	221,884.50	20,167.00	204,914.50	-45.70	-7.65
800000	39,572.00	236,636.00	20,167.00	217,231.00	-49.04	-8.20
850000	42,007.00	251,387.50	20,167.00	229,547.50	-51.99	-8.69
900000	44,442.00	266,139.00	20,167.00	241,864.00	-54.62	-9.12
950000	46,877.00	280,890.50	20,167.00	254,180.50	-56.98	-9.51

RATE COMPARISON
REGULATED NATURAL GAS UTILITIES

DIVISION OF ELECTRIC & GAS
BUREAU OF GAS REGULATION
SCHEDULE 10

RATE SCHEDULE	CFG	CGC	FPU	GGC	IGC	MGC	PBC	PGS	PCG	SJG	SFG	SGC	WFG*	STAFF PROPOSED WFG
RESIDENTIAL														
Customer Charge	$5.00	$6.00	$6.00	$6.00	$5.00	$6.00	$5.00	$6.00	$3.00	$3.00	$5.00	$5.00	$6.00	$6.00
Energy Charge cents/therm	37.380	23.720	20.849	19.876	6.632	34.170	36.480	22.244	29.320	1.970	40.250	21.740	16.954	26.484
PGA cents/therm	25.475	26.378	26.325	28.360	24.912	25.125	26.322	26.063	26.210	25.710	26.359	26.010	27.437	27.437
COMMERCIAL														
Customer Charge	$10.00	$12.00	$6.00	$15.00	$10.00	$12.00	$10.00	$16.00	$8.00	$5.00	$8.00	$10.00	$15.00	$15.00
Energy Charge cents/therm	18.020	16.913	22.847	8.225	6.166	19.960	28.720	19.500	16.150	2.360	21.780	21.370	10.997	12.928
PGA cents/therm	25.475	26.378	26.325	28.360	24.912	25.125	26.322	26.063	26.210	25.710	26.359	26.010	27.437	27.437
COMMERCIAL LARGE VOLUME														
Customer Charge	$10.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Energy Charge cents/therm	10.430	-	-	-	-	-	-	-	-	-	-	-	-	-
PGA cents/therm	25.475	-	-	-	-	-	-	-	-	-	-	-	-	-
INDUSTRIAL														
Customer Charge	$20.00	$12.00	$17.00	$15.00	$10.00	$12.00	$25.00	$25.00	$22.00	$20.00	$8.00	$20.00	$50.00	$50.00
Energy Charge cents/therm	5.190	16.913	13.333	8.225	6.166	19.960	29.560	16.268	12.100	4.490	21.780	20.750	5.649	4.990
PGA cents/therm	25.475	26.378	26.325	28.360	24.912	25.125	26.322	26.063	26.210	25.710	26.359	26.010	27.437	27.437
INTERRUPTIBLE														
Customer Charge	$300.00	$24.00	$70.00	$300.00	$.00	$200.00	$.00	$100.00	$35.00	$360.00	$3852.00	$40.00	$612.00	$612.00
Energy Charge cents/therm	3.430	9.480	3.694	5.056	.000	13.250	.000	9.000	4.490	4.210	.000	8.530	5.515	2.551
PGA cents/therm	22.671	23.574	23.521	25.556	.000	22.322	.000	23.259	23.406	22.906	23.556	23.206	24.633	24.633
LARGE INTERRUPTIBLE														
Customer Charge	-	-	$700.00	$300.00	$4500.00	$20.00	-	$225.00	-	$1000.00	-	$35264.00	-	-
Energy Charge cents/therm	-	-	.555	1.000	4.520	7.500	-	5.88	-	5.850	-	-	-	-
PGA cents/therm			23.521	25.556	22.108	22.322		23.259		22.906		23.206		

CFG=Central Florida Gas Company
CGC=City Gas Company of Florida
FPU=Florida Public Utilities
GGC=Gainesville Gas Company
IGC=Indiantown Gas Company
MGC=Miller Gas Company
PBC=Palm Beach County Utilities
PGS=Peoples Gas System
PCG=Plant City Natural Gas
SJG=St.Joe Natural Gas Company
SFG=South Florida Natural Gas Co.
SGC=Southern Gas Company
WFG=West Florida Natural Gas
* Interim Effective 5/19/88

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Attachment 11

WEST FLORIDA NATURAL GAS COMPANY

POST OFFICE BOX 1460
PANAMA CITY, FLORIDA 32402

AGREEMENT FOR INTERRUPTIBLE NATURAL GAS SERVICE

This Agreement, entered into effective _____________, by and between West Florida Natural Gas Company, hereinafter referred to as "Seller," and Arizona Chemical Company, hereinafter referred to as "Buyer,"

WITNESSETH:

WHEREAS, Seller operates a natural gas distribution system in the City of Panama City, Florida and makes direct sales of gas for use of industrial and commercial customers, and

WHEREAS, Buyer is the owner and/or operator of certain industrial/commercial facilities located at ________________________ in Panama City, more particularly described as follows (Buyer's Facility):

NOW THEREFORE, Seller and Buyer agree as follows:

ARTICLE I - DEFINITIONS

As used herein, the following terms shall have the meanings set forth below.

a. "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m. local time.

b. "Month" shall mean a period of time beginning at 8:00 a.m. local time on the first day of a calendar month and ending at 8:00 a.m. local time on the first day of the next succeeding calendar month.

c. "Contract Year" shall mean a period of twelve consecutive months beginning on the effective date of this Agreement or beginning on any anniversary of the effective date of this Agreement.

d. "Gas" shall mean natural gas.

e. "Cubic foot of gas" shall mean the amount of gas which occupies one (1) cubic foot of space when the gas is at an absolute Pressure of 14.73 pounds per square inch and at a temperature of sixty degrees Fahrenheit (60° F).

Attachment 11

f. "British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit (at sixty degrees Fahrenheit (60° F)).

g. "Therm" shall mean a unit of heat equal to one hundred thousand (100,000) British thermal units.

h. "Mcf" shall mean one thousand (1,000) cubic feet of gas as defined above.

i. "Psia" shall mean "pounds per square inch absolute."

j. "°F" shall mean "degree(s) Fahrenheit."

k. "FPSC" shall mean "Florida Public Service Commission."

ARTICLE II - TERM OF AGREEMENT

This Agreement shall be effective as of ____________ ("Effective Date"), and the service hereunder (including the sales of gas by Seller to Buyer and the purchases thereof by Buyer from Seller, as contemplated hereunder) shall continue for an initial term of three years, that is, until __________. Thereafter, this Agreement shall continue from year to year, and Buyer or Seller may terminate this Agreement as of the expiration of the initial term or any subsequent anniversary of the Effective Date by delivering written notice of termination to the other at least six months prior to such expiration or subsequent anniversary.

ARTICLE III - SALE OF GAS

Seller desires to sell and Buyer desires to purchase from Seller gas on an interruptible basis for Buyer's own use (and not for resale) in Buyer's facility. Buyer agrees to purchase and receive from Seller, and Seller agrees to sell and deliver to Buyer, subject to the terms and conditions herein contained, such quantity of gas as Seller may have available for delivery hereunder.

Buyer shall, upon request, furnish Seller estimates of daily, monthly, and annual gas requirements, as far in advance as reasonably possible.

ARTICLE IV - CUSTOMER CHARGE

Seller will charge Buyer and Buyer will pay to Seller a monthly Customer Charge of $20,167, regardless of Buyer's actual consumption of gas. It is the intent of the parties to enter into a separate contract for the transportation of natural gas by Seller for use in Buyer's facility. The parties agree that no additional customer charge will be required of

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Attachment 11

Buyer in such a contract, unless such contract or the provision of transportation service causes Seller to incur additional costs.

In the event that Buyer ceases all operations at Buyer's facility for a continuous period of not less than seven nor more than sixty days in any Contract Year, the Customer Charge prescribed herein will be reduced by $663 for each such day of cessation in excess of seven days, up to a maximum of sixty days in any Contract Year.

ARTICLE V - CHARGES FOR GAS

For the first 9,200,000 therms delivered by Seller to Buyer pursuant to this Agreement in any Contract Year, Seller shall charge and Buyer shall pay to Seller the Purchased Gas Adjustment (PGA) and all other applicable adjustments contained in the General Applicability Provisions of Seller's Tariff on file with the FPSC. For all gas in excess of 9,200,000 therms delivered by Seller to Buyer pursuant to this Agreement in any Contract Year, Seller shall charge and Buyer shall pay to Seller one cent per therm, plus the PGA and all other applicable adjustments contained in the aforementioned General Applicability Provisions of Seller's Tariff. The parties recognize that Buyer expects to take delivery of interruptible gas hereunder through two existing meters, and agree that the aggregate consumption of both meters shall be used to determine the applicability of the one cent per therm charge prescribed in this paragraph.

Charges for gas prescribed in this Article are in addition to the monthly Customer Charge prescribed in Article IV. No charges shall be imposed on Customer for gas service under this Contract other than those contemplated in this Article and in Article IV.

ARTICLE VI - BILLING AND PAYMENT

Seller shall render bills to Buyer on or about the first day of each month for all gas delivered hereunder during the preceding month. The bill so rendered is due and payable upon receipt and will become past due after the expiration of twenty (20) days from the date of mailing or delivery by Seller. If any default in payment continues past the delinquent date, Seller, in addition to any other remedy it may have, may without damage and without terminating this Agreement, suspend further delivery of gas until such amount is paid.

All statements, billings and payments shall be subject to correction of any errors contained herein for a period of one (1) year following their respective date of origin.

ARTICLE VII - ALTERNATIVE FUELS

Nothing herein shall be deemed to preclude Buyer from burning combustible byproducts or alternate fuels or to require Buyer to take delivery of any minimum quantity of natural gas from Seller. However, neither Buyer's use of other fuels, its failure to take natural gas,

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nor any other circumstance shall relieve Buyer from payment of the Customer Charge prescribed in this Agreement, except as otherwise expressly provided herein.

ARTICLE VIII - QUALITY OF GAS

Seller shall deliver gas with a total heating value of not less than 950 Btu per cubic foot on a dry basis and which is free of dangerous or objectionable quantities of impurities such as hydrogen sulfide or other impurities (which may cause excessive corrosion of mains or piping) and from noxious or harmful fumes when burned in a properly designed and adjusted burner. This provision is intended to protect the health and safety of the public and in no manner does it guarantee compatibility with the operation of delicate or sensitive machinery, instruments, or other types of apparatus which may be damaged by moisture, grit, chemicals, or other foreign substances which may be present in the gas but which are nevertheless within limits recognized as allowable in good practice.

ARTICLE IX - MEASUREMENT AND MEASURING EQUIPMENT

The unit of volume for the purpose of measurement shall be one (1) cubic foot of gas at a base temperature of 60° F and at a pressure of 14.73 psia with correction for deviation from Boyle's Law. Subject to other provisions thereof, computation of such volumes shall be in accordance with the American Gas Association Gas Measurement Committee Report No. 3, as amended from time to time.

When deliveries are made at flowing pressures in excess of the Standard Delivery Pressure, metered volumes shall be corrected for such variation through utilization of recorded flowing pressure data, correction devices which are an integral part of the Meter (base pressure indexes) or by correction factors for fixed pressure deliveries.

The sales unit of the gas shall be the therm. The number of therms billed to Buyer shall be determined by multiplying the number of cubic feet of gas delivered as the sales volume (14.73 psia and 60° F) by the total heating value of such gas (in Btu's), and dividing the product by 100,000.

Unless determined to be otherwise by a gravity balance, the specific gravity of the flowing gas shall be assumed to be 0.6.

The total heating value of the gas sold to Buyer hereunder shall be determined as that reported monthly by Seller's gas supplier, provided such value is applicable to the gas sold to Buyer, or such value shall be determined by Seller by use of a calorimeter or other instrument suitable for heating value determination. The total heating value shall be corrected to and expressed as that contained in the Unit of Sales Volume as defined above.

The average absolute atmospheric pressure for purposes of determining absolute static pressure for chart computations shall be assumed to be 14.73 psia, irrespective of actual

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elevation or location of the point of delivery above sea level, or variations in such atmospheric pressure from time to time.

Seller shall maintain and operate, at or near the point of delivery hereunder, a measuring station properly equipped to measure the delivered volumes.

Buyer may install, maintain, and operate, at its expense, such operating equipment, pressure regulators and check measuring equipment as Buyer shall desire; provided however, that such equipment shall not be installed or operated in a manner that would affect the accuracy or operation of Seller's measurement facility. Seller shall have access to such check measuring equipment at reasonable hours, but the reading, calibrating and adjusting thereof, and any changing of charts, shall be done only by Buyer.

Measurements on Seller's meter or meters shall be conclusive on both parties except where the meter is defective or fails to register (in either of which cases Seller shall repair or replace the meter). If the meter is found defective or fails to register, the quantity of gas delivered while the meter was out of order or failed to register shall be estimated by:

a. Using the registration of any check meter if installed and accurately registering or, in the absence of (a)

b. Correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation or, in the absence of both (a) and (b) then

c. Estimating the quantity of delivery from deliveries during periods under similar conditions when the meter was registering accurately.

d. Any method mutually agreed by both parties.

An appropriate billing adjustment shall be made for such period during which Seller's meter was defective or failed to register.

Seller will maintain its meter or meters in good order and to this end will make periodic tests of its meter or meters to ensure they will accurately measure the gas delivered to the Buyer.

Upon written request of Buyer, Seller will test a meter used in providing service hereunder. Applicable rules of the FPSC and provisions of Seller's Tariff shall govern such requests.

ARTICLE X - DELIVERY PRESSURES

Buyer and Seller agree that the pressure at which Seller shall be obligated to deliver the gas sold hereunder shall not exceed 100 pounds per square inch gauge.

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ARTICLE XI - DELIVERY POINT

The point of delivery shall be at the outlet side of such meter or meters as shall be installed by Seller upon or adjacent to Buyer's property upon which Buyer's facility is located, as Seller shall determine (such meter or meters and other facilities of Seller, if located on property of Buyer, to be on an easement furnished to Seller by Buyer). Buyer shall install and maintain at its expense its facilities from the point of delivery of the gas delivered hereunder to the point of use in good condition at all times. Seller shall be deemed to be in control and possession of the gas up to such point of delivery, after which Buyer shall be deemed to be in control and possession thereof, and Seller shall have no responsibility with respect thereto or on account of said delivery, and Buyer shall indemnify and hold harmless Seller from any and all loss or damage in this connection. Buyer shall have no responsibility with respect thereto or on account of anything which may be done, happen, or arise with respect to said gas before said delivery, and Seller shall indemnify and hold harmless Buyer from any and all loss or damage in this connection.

ARTICLE XII - CURTAILMENT AND/OR INTERRUPTION

It is specifically agreed that delivery of gas by Seller hereunder is subject to curtailment and/or interruption. Seller shall not be liable for any damage or injury to any person or for penalties, alternate fuel subsidies, price adjustments or other claims of whatever kind or type, resulting from or arising out of Seller's curtailment or interruption of deliveries hereunder. Seller agrees to provide Buyer, if reasonably practicable, with at least two (2) hours' notice of curtailment or interruption of service, either orally or in writing, provided that Seller shall not be so obligated when interruption or curtailment of service is caused by conditions of force majeure.

If, during an interruption or curtailment situation Seller's supplier of gas imposes on Seller a penalty for an unauthorized overrun, and the overrun was caused wholly or in part by Buyer taking more than 105% of the volume allocated to Buyer during interruption or curtailment, Seller will assess and collect the penalty or portion of the penalty for which Buyer is responsible from Buyer, in addition to applicable charges for the gas. The payment of an overrun penalty shall not, under any circumstances, be deemed to give Buyer the right to take unauthorized overrun gas, nor shall such payment be deemed to preclude or limit any other remedies available to Seller against Buyer for failure to comply with interruption or curtailment orders issued by Seller hereunder.

ARTICLE XIII - OTHER APPLICABLE PROVISIONS

This Agreement in all respects shall be and remain subject to the applicable rules of the FPSC and provisions of Seller's Tariff on file with the FPSC, as such rules and Tariff provisions may hereafter be legally amended or superseded.

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ARTICLE XIV - FORCE MAJEURE

In the event of either party hereto being rendered unable wholly or in part by force majeure to carry out its obligations under this Agreement, other than the obligation to make payment then due hereunder, it is agreed that, on such party giving notice in full particulars of such force majeure in writing or by telegraph to the other party as soon as reasonably possible after the occurrence of the cause relied on, then the obligations of the party giving such notice, so far as they are affected by such force majeure, shall be suspended during the continuance of any inability so caused but for no longer period, and such cause shall, as far as possible, be remedied with all reasonable dispatch.

The term "force majeure" as employed herein shall mean acts of God, strikes, lockout or other industrial disturbances, acts of the public enemy, wars, blockades, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests and restraints of governments and people, civil disturbances, explosions, breakage or accidents to machinery or lines of pipe, the necessity for making repairs or alterations to machinery or lines of pipe, freezing of wells or lines of pipe, temporary or permanent failure of source of supply, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome: such term shall likewise include: (a) in those instances where either party hereto is required to obtain servitudes, rights-of-way grants, permits or licenses to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, at reasonable cost and after the exercise of reasonable diligence, such servitudes, rights-of-way grants, permits or licenses; and (b) in those instances where either party hereto is required to secure grants or permissions from any governmental agency to enable such party to fulfill its obligations hereunder, the inability of such party to acquire, or the delays on the part of such party in acquiring, after the exercise of reasonable diligence, such materials and supplies, permits and permissions. It is understood and agreed that the settlement of strikes or lockouts shall be entirely within the discretion of the party having the difficulty, and the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require settlement of strikes or lockouts by acceding to the demands of an opposing party when such course is inadvisable in the discretion of the party having the difficulty.

ARTICLE XV - EASEMENT

Buyer hereby grants to Seller suitable rights-of-way and easements over, on, in or under Buyer's property, necessary for or incidental to the installation, maintenance and removal of local distribution or supply lines, together with all appurtenances deemed necessary or desirable by Seller for the delivery of gas to Buyer.

ARTICLE XVI - STANDBY FACILITIES

Prior to the delivery of any gas under this contract, Buyer shall provide, and maintain during the period of this contract or any extensions thereof, standby facilities, and the fuel

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required for the operation thereof in sufficient quantities to make possible interruption or curtailment of natural gas service as contemplated under Article XII hereof.

ARTICLE XVII-FPSC RATE CHANGES

This Agreement is subject to the approval of the FPSC, and the parties acknowledge the continuing jurisdiction of the FPSC over all charges prescribed herein. In the event the FPSC orders an increase in the Customer Charge or the per therm charge prescribed in Articles IV and V hereof, Buyer shall have the option, within 30 days following receipt of such FPSC order from Seller, to terminate this Agreement by written notice to Seller. Buyer's failure to exercise this option within such 30 day period shall constitute a waiver of the option, and this Agreement shall in that event remain in full force and effect. This paragraph shall not be deemed to confer an option to terminate this Agreement due to a change in any of the adjustments prescribed in the General Applicability Provisions of Seller's Tariff.

ARTICLE XVIII - MISCELLANEOUS

This Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors and assigns, and no assignment shall relieve either party of such party's obligations hereunder without written consent of the other party.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be signed and attested by their respective duly authorized officers and have caused their respective corporate seals to be affixed as of the date first above written.

SELLER:	BUYER:
WEST FLORIDA NATURAL GAS COMPANY	ARIZONA CHEMICAL COMPANY
By: ______________________	By: ______________________
Title: ______________________	Title: ______________________
Attest: ______________________	Attest: ______________________

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WEST FLORIDA NATURAL GAS COMPANY Original Sheet No. 7.502

RATE SCHEDULE IS

INTERRUPTIBLE SERVICE

AVAILABILITY

Throughout the service area of the Company.

APPLICABILITY

Customers using 3000 therms or more per day who have entered into a currently effective Agreement for Interruptible Natural Gas Sales Service ("Agreement") in the form prescribed on Sheet No. 8.007 for service under this Rate Schedule. In addition, a new customer desiring service under this Rate Schedule may be required to enter into a contract assuring a minimum level of payments for a specified period to permit Company to recover any system extension costs incurred to provide such service.

CHARACTER OF SERVICE

Sale of natural gas having a nominal heating value of 1000 British Thermal Units per cubic foot. Gas service rendered under this Rate Schedule may be curtailed or interrupted at any time in Company's sole discretion. Company assumes no liability for loss or damage to any person caused by curtailment or interruption of gas service under this Rate Schedule.

The non-gas energy charge for service hereunder shall be subject to the flexible pricing mechanism described in the Rates for Service section of this Rate Schedule. It is the intention of Company that this charge shall be determined based upon competition with Customer's alternate fuel.

Notwithstanding the other provisions of this Rate Schedule, the Company may enter into a contract with an interruptible customer to provide service under terms other than those set forth herein; provided that any such contract shall be subject to approval by the Florida Public Service Commission, and the Commission shall have continuing jurisdiction over the rates charged therein.

SPECIAL CONDITIONS

Customer must have and maintain in working order facilities which will burn an alternate fuel to be designated by Customer in its Agreement with Company. In

Continued to Sheet No. 7.503

Issued by: J. E. McIntyre
President

Effective:

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Attachment 12

WEST FLORIDA NATURAL GAS COMPANY Original Sheet No. 7.503

Rate Schedule IS
Continued from Sheet No. 7.502

addition, Customer shall have available and ready for use a sufficient quantity of alternate fuel to permit continued operations during periods of curtailment and interruption, or Customer shall certify that its operations are suitable for interruption and shall agree to discontinue them during such periods.

Customer will cooperate with Company in affording adequate advance notice of changes in Customer's requirements for gas hereunder.

RATES FOR SERVICE

Customer Charge:	$612.00 per month
Non-gas Energy Charge	An amount not less than 0.00 cents per therm nor greater than 90 percent of the currently applicable firm rate. Unless changed by Company pursuant to this Rate Schedule, the base non-gas energy charge shall be ________ per therm.

The "currently applicable firm rate" as used herein means the non-gas energy charge prescribed in a rate schedule for which Customer qualifies, adjusted pursuant to the Firm Rate Adjustment Clause set forth on Sheet Nos. 7.104 and 7.105.

The non-gas energy charge to Customer shall be determined by Company based upon Company's evaluation of competitive conditions. Such conditions may include, but are not necessarily limited to: the cost of gas which is available to serve Customer; the delivered price of Customer's designated alternate fuel; the availability of such fuel; and the nature of Customer's operations. Company may from time to time increase or reduce the non-gas energy charge as it deems necessary or appropriate to compete with alternate fuel, but shall have no obligation to do so; provided, however, that the non-gas energy charge shall at all times remain within the limits set forth above.

Customer may at any time request a reduction in its non-gas energy charge by completing the form which appears on Sheet No. 8.015 and submitting the same to Company. During any period in which the non-gas energy charge is less than 90 percent of the currently applicable firm rate, Customer shall complete and submit the same form with then current information on the first day of each month and whenever information on the form most recently submitted has changed.

Company will notify Customer at least 48 hours in advance of any change in the non-gas energy charge under this Rate Schedule. The non-gas energy charge at the

Continued to Sheet No. 7.504

Issued by: J. E. McIntyre Effective
President

Rate Schedule IS
Continued from Sheet No. 7.503

commencement of service shall be 90 percent of the currently applicable firm rate, unless Company allows a reduction pursuant to the provisions of the preceding paragraph.

MINIMUM MONTHLY BILL

The customer charge.

TERMS OF PAYMENT

Bills shall not be considered delinquent prior to the expiration of twenty (20) days from the date of mailing or delivery by Company.

INTERRUPTION AND CURTAILMENT

Company may notify Customer at any time to reduce or cease consumption of gas, and Company will endeavor to give Customer as much notice as reasonably possible. If Customer fails to comply with a notice calling for complete or partial curtailment of consumption and by reason thereof Company is charged with overrun penalties, Customer shall be billed for the amount of such penalties due to its failure to comply with such curtailment notice. Such penalties shall be in addition to all charges otherwise prescribed by this tariff.

BILLING ADJUSTMENTS

Rates under this Rate Schedule are subject to adjustment in accordance with Company's Purchased Gas Adjustment Clause set forth on Sheet No. 7.101, its Tax and Fee Adjustment Clause set forth on Sheet No. 7.102, and its Energy Conservation Cost Recovery Adjustment Clause set forth on Sheet No. 7.103.

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WEST FLORIDA NATURAL GAS COMPANY Original Sheet No. 7.104

E. FIRM RATE ADJUSTMENT. The non-gas energy charge for firm gas supplied after September 30, 1989 is subject to adjustment in accordance with the following provisions for prior shortfalls or surpluses in Company's interruptible revenues.

(1) For the purposes of this clause, the following definitions shall apply:

(a) "Actual revenue" means Company's actual non-gas revenue derived from service provide at rates prescribed under the Rates for Service section of Company Rate Schedule IS during a determination period.

(b) "Base revenue" means the non-gas revenue which Company would have derived had all gas sold at rates prescribed under the Rates for Service section of Company Rate Schedule IS during a determination period been billed at the base non-gas energy charge.

(c) "Surplus" means the amount, if any, by which Company's actual revenue exceeds its base revenue for a determination period.

(d) "Shortfall" means the amount, if any, by which Company's base revenue exceeds its actual revenue for a determination period.

(2) The existence of a shortfall or surplus shall be determined by comparing Company's actual revenue with its base revenue. This determination shall be made each year for the twelve months ending September 30 ("determination period").

(3) Adjustments to firm rates pursuant to this clause shall be implemented during an "adjustment period," which shall be the twelve months immediately following the determination period in the event of a surplus. In the event of a shortfall, any twelve successive months ending on a September 30 within five years following the determination period may be an adjustment period.

(4) In the event of a surplus, Company shall reduce rates to firm customers to credit them with revenues equal to one-half the surplus. In the event of a shortfall, Company may increase rates to firm customers to recover an amount not to exceed one-half the shortfall. The amount of any credit or recovery is governed by the following:

Credit to firm = (Actual revenue - Base revenue) x 0.5
Shortfall recovery $\leq$ (Base Revenue - Actual revenue) x 0.5

(5) A credit or shortfall recovery shall be implemented during an adjustment period by reducing or increasing the non-gas energy charges prescribed in

Continued to Sheet No. 7.105

Issued by: J. E. McIntyre
President

Effective:

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Continued from Sheet No. 7.104

each firm rate schedule of this tariff by an adjustment factor computed as follows and rounded to the nearest .001 cent per therm:

In event of a surplus, subtract: $\frac{\text{Credit to Firm}}{\text{PFS}}$

In event of a shortfall, add: $\frac{\text{Shortfall recovery}}{\text{PFS}}$

Where PFS is the projected therm sales to firm customers during the adjustment period. Any variation between the actual credit to firm customers and the amount calculated pursuant to the preceding paragraph, or between the actual shortfall recovery and the amount which Company elected to recover in an adjustment period, shall be "trued-up" during the succeeding twelve months pursuant to methodology approved by the Florida Public Service Commission.

(6) Company may defer all or any portion of a shortfall recovery to a subsequent adjustment period or portion thereof.