BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Investigation of earnings of WEST FLORIDA NATURAL GAS COMPANY for year ended 6/30/94.	DOCKET NO. 940927-GU ORDER NO. PSC-95-0964-FOF-GU ISSUED: August 8, 1995

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER DISPOSING OF EXCESS EARNINGS

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

In Order No. PSC-93-1777-FOF-GU, issued December 10, 1993, in Docket No. 931105-GU, we capped West Florida Natural Gas Company's ("West Florida" or "Company") earnings for the fiscal year ending June 30, 1994 at 12.50% Return on Equity (ROE). To address the issue of its excess earnings, West Florida submitted a proposal to cap its 1995 fiscal year earnings at 12.0% ROE and to apply any excess earnings for the 1994 and 1995 fiscal years to reduce its unamortized debt issuance cost. Any excess earnings above the amount of the unamortized debt issuance cost, would be subject to disposition by the Commission. Upon review, in Order No. PSC-94-1136-FOF-GU, issued September 15, 1994, in Docket No. 940664-GU, we found that the proposal was reasonable and in the interests of both the Company and its ratepayers. This order addresses West Florida's earnings for the year ending June 30, 1994 and the implementation of the Company's proposal.

DOCUMENT NUMBER-DATE
07527 AUG-8 95
FPSC-RECORDS/REPORTING

I. Rate Base

Using the thirteen-month average rate base from the Company's June 30, 1994 earnings surveillance report, the Company reported an adjusted rate base of $20,143,593. We find that the appropriate amount of rate base is $20,240,948 calculated as follows:

Reported Pro Forma Adjusted Rate Base			$20,143,593
Commission Adjustments:			
a.	Misclassified Long Term Debt	$50,000	
b.	Unrecorded Plant	65,097	
c.	PGA Revenue Error	(11,598)	
d.	Property Taxes	2,707	
e.	Income Tax Adjustment	(8,851)	
	Total Adjustment		97,355
Approved Rate Base			$20,240,948

a. Misclassified Long Term Debt: In January 1994, the Company reclassified $650,000 of its Series A long term debt as current. The amount was inadvertently classified as accounts payable rather than current long term debt. Proper classification of this amount increases the allowance for working capital by $50,000.

b. Unrecorded Plant: The Company's rate base was understated because it improperly recorded the Ocala city gate station. Service began through the station on November 7, 1991, but the Company did not recognize it as an asset at that time. Florida Gas Transmission Company (FGT), who built the station, billed the Company $264,378 in January, 1992, however, the Company disputed that amount. In August 1992, the dispute was settled and FGT submitted a revised bill of $159,685. In October, 1992, the Company paid $87,515 and gave FGT a note for the balance, $72,170. At that time, the Company recorded an asset in the amount of $87,515, however, the note and the remainder of the costs were not recorded. In October, 1994, the note was paid and the balance of the asset was recorded. These transactions were recorded by the Company on a "cash basis"; however, the Uniform System of Accounts and Generally Accepted Accounting Principles requires accrual accounting. The Company should have fully recorded the asset in November, 1991 when service began.

To correct this error, we have increased plant in service by $72,170. We also increased accumulated depreciation by $7,073 to recognize the depreciation accumulated from November, 1991 through the test period. The net effect of these corrections are to increase rate base by $65,097.

<u>c. PGA Revenue Error:</u> To reflect the accrued income tax effect of a PGA revenue error made by the Company, we increased the average balance of Income Taxes Payable by $11,598. The effect of this adjustment is a decrease in the working capital allowance.

<u>d. Property Taxes:</u> Because of an adjustment we made to reduce property taxes by $7,124, an corresponding adjustment is also needed to reduce taxes payable by $2,707. The effect of the adjustment results in increased working capital allowance and increased rate base of the same amount.

<u>e. Income Tax Adjustment:</u> Because of our adjustments to income tax expense to incorporate KPMG Peat Marwick's year end audit adjustments and to correct an error of $18,157, we also increased Accrued Income Taxes by $4,089; increased Accounts Payable - Miscellaneous by $4,762; and decreased Accounts Receivable -Affiliate by $635. These adjustments result in a net decrease of $8,851 to the working capital allowance and rate base. Accounts Receivable - Affiliate is non-jurisdictional, therefore, the $635 adjustment has no effect on rate base.

<u>II. Rate of Return</u>

Using the thirteen-month average capital structure from the Company's June 30, 1994 earnings surveillance report, which shows an overall rate of return of 10.38%, we made the adjustments discussed below. Based on these adjustments and the earnings cap of 12.50% return on equity, we find that the appropriate overall rate of return is 10.40% as shown on Attachment B.

<u>a. Misclassified Long Term Debt:</u> As previously discussed, the Company reclassified $650,000 as current long term debt, with one month reclassified as accounts payable. The earnings surveillance report shows the current portion of long term debt as short term debt with a cost rate of 6.50%. This is not appropriate for surveillance report purposes. The current portion of long term debt should be included as long term debt at the embedded cost rate. The five months of current long term debt shown on the surveillance report as short term debt should be included in long term debt. To achieve this, we increased long term debt by $165,162 which is the jurisdictional portion of the average of

$650,000 for five months. We further increased long term debt by $50,000 which is the average of $650,000 for the one month it was included in accounts payable. In addition, we decreased short term debt by $165,162.

b. Unrecorded Plant: The Company failed to book the note associated with the FGT city gate; therefore, a correction is needed to increase short term debt by $72,170 at a rate of 10.50%. The Company also failed to recognize prior accumulated depreciation on the FGT city gate. Recognition of accumulated depreciation requires that we reduce common equity (retained earnings) by $7,073. There is no deferred income tax effect because the Company uses the same depreciation rate for both its books and income taxes.

c. PGA Revenue Error: We increased common equity by $19,032 to show the effect on retained earnings of the increase in unrecovered gas costs and accrued taxes payable. Because unrecovered gas costs is a non-jurisdictional account, the effect of the $30,629 increase should be removed pro rata from investor sources of capital. Thus, we reduced long term debt by $13,189, customer deposits by $1,042 and common equity by $16,398. The total net effect on capital is a reduction of $11,598.

d. Property Taxes: We decreased property taxes payable by $2,707, and increased rate base and capital by the same amount. The property tax adjustments to net operating income are discussed more fully below.

e. Income Tax Adjustment: The effect of our adjustments to income tax expense is to reduce common equity (retained earnings) by $4,845. This amount represents the net of the $3,471 increase to retained earnings-income and the $8,316 reduction to unappropriated retained earnings. We also reduced accumulated deferred income taxes by $4,641. Accounts receivable-affiliates is non-jurisdictional and excluded from rate base; therefore, we made adjustments to increase investor sources of capital pro rata by $635. The total net effect on capital is a reduction of $8,851.

f. Cost of Long Term Debt: The Company calculated the embedded cost of long term debt as 11.86%, however, this calculation excluded the current portion of long term debt. The correct calculation, including the current portion of long term debt, is 11.80%.

III. Net Operating Income

According to the June 30, 1994 earnings surveillance report, the Company's adjusted achieved net operating income (NOI) is $2,239,129. We find that the appropriate amount of NOI is $2,291,242 as shown below:

Reported Pro Forma Adjusted Net Operating Income		$2,239,129
Commission Adjustments:		
a. Unrecorded Plant	$(1,305)	
b. Director Fees	9,616	
c. Interest Income	24,098	
d. Employee Salaries/Bonuses	8,478	
e. Non-Jurisdictional Expenses	2,659	
g. PGA Revenue Error	(125,714)	
i. Tax Fees	9,418	
j. Parent Debt Adjustment	57,224	
k. Property Taxes	4,443	
l. Income Tax Adjustment	45,127	
m. Effect of Rate Base and Capital Adjustments on Income Taxes	6,069	
Total Adjustment		$40,113
Approved Net Operating Income		$2,279,242

a. Unrecorded Plant: Because of our adjustment to recognize the FGT city gate, we increased depreciation expense by $2,093 to show the depreciation that would have been taken during the test year had the plant been properly recorded. We also reduced income taxes by $788, for a net decrease to NOI of $1,305.

b. Director Fees: West Florida's Board of Directors includes the President of West Florida; Ruben Martin, 51% owner of Martin Gas Company, the parent company; and four Martin Gas Company employees. A portion of the Martin Gas employees' compensation is allocated to West Florida. Thus, during the year ended June 30, 1994, West Florida recorded $15,418, the regulated allocation of the $16,226 paid as director fees.

In our opinion, the level of director fees requested by West Florida is excessive when compared to those being paid by the other companies. West Florida is requesting director fees over 3 times greater than Peoples Gas System, whose base rate revenues are approximately 12 times larger than West Florida's. Also, these expenses appear to be extraordinary for regulatory purposes since directors fees had not been paid until 1993 when the Company's earnings began exceeding its authorized return on equity. Furthermore, the directors are already being compensated through the payment of salaries.

As previously discussed, in Docket No. 940664-GU we approved the Company's plan to use its excess earnings to reduce its unamortized debt issuance costs. Additional discretionary costs, such as the directors' fees, reduce the amount available for reduction of the debt issuance costs.

For these reasons, the $15,418 currently recorded as director fees should be excluded from expenses for purposes of calculating any overearnings. Thus, we reduced expenses by $15,418 and increased income taxes by $5,802. The net effect of these adjustments increases NOI by $9,616.

c. Interest Income: In West Florida's last rate case, Docket No. 910778-GU, the Company was allowed a cash balance of $50,000 in working capital to cover the minimum requirements for compensating balances needed to avoid service charges. The amount of cash reported in working capital during the twelve months ending June 30, 1994 increased by approximately $1 million over the cash reported in working capital for the twelve months ending June 30, 1993. According to the Company, the increase was due to additional financing required for construction in Ocala and for the retirement of higher cost debt.

The Company earned interest of $38,637 on the cash balances during the twelve month period ending June 30, 1994. Normally, if interest is earned on cash, it is appropriate to exclude the cash from working capital. Recording interest earned on cash balances above the line is allowed only on a case-by-case basis. In this case, we believe the Company acted prudently when it accumulated cash for construction purposes and the retirement of higher cost debt; therefore we find it appropriate to include the cash in working capital and to recognize the interest above the line. Including the interest income of $38,637 above the line increases tax expense by $14,539 and NOI by $24,098.

d. Employee Bonuses: At the April 27, 1994 Board of Directors' meeting, the Company proposed a bonus plan for employees and management. The plan called for a 10% bonus for the president, 7% for senior management, 5% for supervisors and 3% for hourly employees. Under the Company's proposal, total bonuses would amount to $66,297, an increase of 95% over the 1993 bonuses.

The plan was considered at the August 24, 1994 meeting and referred to the compensation committee. The compensation committee approved the Company plan and authorized a $72,088 bonus for company employees and management, an increase of 109% over the $34,044 in bonuses approved for 1993. Forty hourly employees received $400, 2% of their salaries, eighteen salaried employees received between $884 and $3,822, 4.43% of their salaries, one received $5,350, 10.59% of his salary, and the company president received $25,000, 22% of his salary.

We agree that it is standard business practice to give bonuses at year end if various performance factors are met. However, for purposes of determining the level of overearnings, we believe that only those bonus increases which are consistent with the approved bonus plan should be recovered from the Company's ratepayers. Bonuses above that amount should be borne by the stockholders. Accordingly, the president's bonus should be reduced to $11,407, which is 10% of his salary as stated in the bonus plan. To achieve this, we reduced regulated expenses by $13,593 and increased income taxes by $5,115. The net effect of these adjustments increases NOI by $8,478.

e. Non-Jurisdictional Expenses: We reduced expenses by $4,263 to remove $3,713.29 for promotional activities and $549.95 in non-regulated expenses. Sales expense for promotional activities such as specialty items and participation in trade shows and home shows and advertising related to the Company's leased appliance program are normally not included as regulated costs. In West Florida's last rate case, such costs were excluded by the Company from the filing and were not an issue. Our adjustment will also require that income taxes be increased by $1,604. The net effect of these adjustments increases NOI by $2,659.

f. PGA Revenue and Expenses: The Company made an adjustment to remove PGA revenues, gas costs, and related revenue taxes by $10,676,085; $10,101,829 and $574,256, respectively. These amounts were calculated incorrectly. Although the calculations have no effect on net income, we believe it is appropriate to correct the calculations by increasing gas revenues $536,232 and increasing taxes other $536,232.

g. PGA Revenue Error: During our staff's audit of the Company's PGA filing, it was determined that the Company made an error in calculating the PGA revenues for February and May 1994. The error understated PGA revenues and overstated base rate revenues by $202,320. Based on the audit findings, our staff corrected the understated revenues in the current PGA factor, which became effective April, 1995. Because base rate revenues were overstated on the June, 1994 surveillance report, it is also appropriate to reduce revenues $202,320; other taxes $759; income taxes $75,847; unrecovered gas costs $30,629; accrued taxes payable $11,598; and retained earnings $19,032. Since unrecovered gas costs are not included in working capital, the $30,629 reduction to unrecovered gas costs is not reflected as a rate base adjustment. The NOI effect is $125,714.

h. Conservation Revenues and Expenses: To remove the effects of conservation revenues and expenses, the Company made an adjustment to reduce revenues and expenses by $664,954 and $672,979, respectively, and to increase taxes other by $8,025. The Company improperly excluded conservation revenues and expenses from its "per book" amounts on the surveillance reports, therefore, the Company's adjustments were not necessary and should be reversed. The effect of the adjustments on NOI is zero. In order for the surveillance reports to properly reflect the revenue and expense balances, the amounts should reflect the "per book" amounts both before and after the adjustments. Therefore, for future surveillance reports, the Company should include conservation revenues and expenses in the "per book" amounts. This is the same accounting treatment that is utilized for PGA revenues and expenses.

i. Tax Fee: During the twelve month period ending June 30, 1994, $18,977 was charged to the account entitled "Tax Fees" for payments to KPMG Peat Marwick, an outside auditing firm. Of that amount, $15,101 represents non-regulated amounts related to the "spin off" of West Florida Gas Inc., from Martin Gas Corporation. Thus, we made an adjustment to remove $15,101 from regulated expenses and increase income taxes by $5,683. The net effect of these adjustments increases NOI by $9,418.

j. Parent Debt Adjustment: West Florida is a wholly owned subsidiary of West Florida Gas Inc. (WFI). Until November 1993, WFI was a subsidiary of Martin Gas Corporation (Martin). Following the "spin off," WFI's common stock is held by the shareholders of Martin. During November and December 1993, WFI, which had acted previously as a holding company only, underwent a recapitalization and issued debt. Further, as reported in the "Notes to Consolidated Financial Statements" of WFI and Subsidiaries for the period ended June 30, 1994, before the December 15, 1993, recapitalization, WFI and subsidiaries were members of a controlled group and filed consolidated income tax returns with Martin. After December 15, 1993, WFI and subsidiaries comprise a controlled group and file consolidated federal and state income tax returns.

Accordingly, because WFI, West Florida's parent, now has debt and because West Florida joins with WFI in the filing of consolidated tax returns, we believe that a parent debt adjustment is appropriate. Based on the weighted cost of debt of WFI; West Florida's company-adjusted equity of $5,035,462, which is exclusive of its retained earnings; a combined tax rate of .3763; and the method outlined in Rule 25-14.004, Florida Administrative Code, a parent debt adjustment of $57,224 is appropriate (.0302 x $5,035,462 x .3763). The parent debt adjustment decreases income tax expense and increases NOI by $57,224.

k. Property Taxes: In its surveillance report, the Company reduced property taxes by $9,440 for taxes related to non-utility and non-jurisdictional assets. The Company's adjustment was based on non-jurisdictional assets of 3.92% and property taxes of $240,810. Based on non-jurisdictional assets of 6.88% and property taxes of $240,810, we believe property taxes should have been reduced $16,564. Our method of calculating non-utility property taxes is consistent with the method used to calculate the property tax adjustment in our examination of the Company's earnings surveillance report for the period ended June 30, 1993. Thus, we reduce taxes other than income by $7,124, increase income taxes by $2,681 and increase NOI by $4,443.

l. Income Tax Expense: We reduced income tax expense by $45,127 calculated as shown below. This reduction incorporates the year end audit adjustments made by KPMG Peat Marwick (i through v). The $18,157 adjustment (vi) reflects the deduction of state income tax expense for federal income tax purposes. This deduction was erroneously omitted from the KPMG Peat Marwick federal income tax expense calculation.

i.	Reflect amortization of SFAS 109/96 regulatory liabilities	$ (27,279)
ii.	Reflect amortization of SFAS 109/96 regulatory assets	9,332
iii.	Adjust for current year FIT accrual	(9,252)
iv.	Adjust for current year SIT accrual	108,331
v.	Reverse 1993 SIT accrual	(108,102)
vi.	Correct calculation error in FIT due to omission of SIT deduction	(18,157)
	Total increase/(decrease) to Income Tax Expense	$ (45,127)

The corresponding thirteen-month average balance sheet adjustments and other year end balance sheet reclassifications that do not impact the income statement are as follows:

Unappropriated Retained Earnings	$8,316	
Accumulated Deferred Income Taxes	4,641	
Accounts Payable - Miscellaneous		4,762
Retained Earnings - Income Tax Expense Effect		3,471
Accrued Income Taxes		4,089
Accounts Receivable - Affiliate		635

m. Interest Reconciliation/Parent Debt Adjustment for Commission's Adjustments: We find West Florida's interest reconciliation adjustment, prior to our approved adjustments, to be appropriate. Our adjustment to the Company's adjusted income tax expense for the parent debt adjustment was previously discussed. An additional adjustment should be made to reduce income tax expense by $6,069, coincident to a change in the interest reconciliation adjustment and the parent debt adjustment.

IV. Overearnings for year ended June 30, 1994:

As shown on Attachment A, we find that, for the year ended June 30, 1994, West Florida earned revenues of $281,750 in excess of the Company's earnings cap of 12.50% ROE. Interest earned on this amount, from July 1, 1993 through June 30, 1994, is $5,219 for a total of $286,969 in excess revenues. The interest was calculated in accordance with Rule 25-7.091(4), Florida Administrative Code.

Pursuant to Order No. PSC-94-1136-FOF-GU, any excess earnings for fiscal years ending June 30, 1994 and June 30, 1995 will be used to reduce its unamortized debt issuance cost. Debt issuance cost is recovered through the overall cost of capital in that the calculation of the embedded cost of debt includes the amortization of debt issuance cost plus interest expense. The $286,969 in excess revenues for the fiscal year ending June 30, 1994 is a regulated amount which needs to be expanded to a total company amount. The total company amount will be applied against the unamortized debt issuance cost. The total company amount to be disposed of in this docket is $347,718.

As of June 30, 1994, West Florida's total unamortized debt issuance cost was $808,174:

Series A First Mortgage Bonds	$484,668
Series B First Mortgage Bonds	303,871
Term Loans	19,635

Of the total unamortized debt issuance cost, $296,216 is associated with debt which has been retired (i.e., Series A First Mortgage Bonds, $251,788; and Series B First Mortgage Bonds, $44,428). We believe that $296,216 of the $347,718 in excess earnings should be used to reduce the debt issuance costs of the retired bonds.

We order that the remaining $51,502 ($347,718 less $296,216) be used to reduce the unamortized issuance costs of the current Series A debt. The unamortized debt issuance cost associated with the Series A debt as of June 30, 1994 is $232,880 ($484,668 less $251,788). The Company has been amortizing these costs using straight line amortization over the original fifteen year life of the bonds. We believe that straight line amortization is recovering the debt issuance costs too slowly. In light of the Company's decision to retire the debt early by making double payments in 1994 and 1995, the Company should have accelerated the amortization of the debt issuance costs proportionately. Had the Company done this, the unamortized balance of the Series A issuance costs would be $102,121 as of June 30, 1994. Reducing the debt issuance costs to $181,378 ($232,880 less $51,502) is closer to the $102,121 level we believe is appropriate. Further, the reduction will more closely match the amortization of the debt issuance costs with the repayment of the bond. The remaining unamortized balance of the Series A debt issuance costs should be amortized over the remaining seven years the bonds will now be outstanding using an amortization schedule which matches the payment schedule of the bond.

V. Martin Gas Company Acquisition Adjustment

In West Florida's prior rate proceedings, we have excluded the acquisition adjustment associated with the acquisition by Martin Gas Company from the Company's rate base. The related amortization expense has also been excluded from operating expenses.

Even though the Company has properly removed the amortization expense from operating expenses, we believe it would be appropriate to record the amortization in Account 425, Miscellaneous Amortization, a below-the-line expense. According to the Uniform

System of Accounts, this account is to be used when amortizing utility plant acquisition adjustments which the Commission rules should be excluded from operating expenses.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that West Florida Natural Gas Company's total company excess earnings, for the year ended June 30, 1994, shall be used to reduce the debt issuance costs as described in the body of this Order. It is further

ORDERED that West Florida Natural Gas Company shall record conservation revenues and expenses in the "per book" amounts of its earnings surveillance reports. It is further

ORDERED that West Florida Natural Gas Company shall record the amortization expense associated with the Martin Gas Company acquisition adjustment in Account 425, Miscellaneous Amortization. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective unless an appropriate petition, in the form provided by Rule 25-22.036, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings or Judicial Review" attached hereto. It is further

ORDERED that in the event this Order becomes final, this Docket should be closed.

By ORDER of the Florida Public Service Commission, this 8th day of August, 1995.

Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 29, 1995.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party substantially affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT A

WEST FLORIDA NATURAL GAS COMPANY
YEAR ENDED JUNE 30, 1994
REVENUE SUBJECT TO COMMISSION DISPOSITION

Reported Pro Forma Adjusted Rate Base	$20,143,593
Adjustments to Rate Base	97,355
Approved Rate Base	$20,240,948
Rate of Return at 12.50% ROE	10.40%
Allowed Net Operating Income	$2,105,059
Reported Net Operating Income	$2,239,129
Adjustments to Net Operating Income	40,113
Approved Net Operating Income	$2,279,242
NOI in Excess of ROE Ceiling of 12.50%	$174,183
Revenue Expansion Factor	1.61755
1994 Revenue in Excess of ROE Ceiling	$281,750
Interest Accrued through June 30, 1994	5,219
Total 1994 Revenue Subject to Commission Disposition	$286,969

ATTACHMENT B

WEST FLORIDA NATURAL GAS COMPANY
YEAR ENDED JUNE 30, 1994
COST OF CAPITAL

CAPITAL COMPONENTS	COMPANY FILING	COMMISSION ADJUSTMENTS	APPROVED AMOUNT	RATIO	COST RATE (1)	WEIGHTED COST
Long Term Debt	$7,324,065	$202,246	$7,526,311	37.18%	11.80%	4.39%
Short Term Debt	165,162	(92,992)	72,170	0.36%	10.50%	0.04%
Customer Deposits	591,607	(1,020)	590,587	2.92%	7.90%	0.23%
Common Equity	9,311,835	(6,238)	9,305,597	45.97%	12.50%	5.74%
Deferred ITC	612,424	0	612,424	3.03%		
Deferred Income Taxes	2,138,500	(4,641)	2,133,859	10.54%		
Total Capital	$20,143,593	$97,355	$20,240,948	100.00%		10.40%

(1) Maximum authorized ROE established in Order No. PSC-93-1777-FOF-GU, Docket No. 940664-GU.