State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

RECEIVED-FPSC
01 MAY -3 PM 12:00
RECORDS AND REPORTING

DATE: MAY 3, 2001

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

FROM: DIVISION OF ECONOMIC REGULATION (L. ROMIG, BRINKLEY, D. DRAPER, P. LEE, LESTER, C. ROMIG, SPRINGER, STALLCUP, WHEELER, GARDNER)
DIVISION OF COMPETITIVE SERVICES (MAKIN)
DIVISION OF SAFETY AND ELECTRIC RELIABILITY (MILLS)
DIVISION OF LEGAL SERVICES (HART)

RE: DOCKET NO. 001447-GU - REQUEST FOR RATE INCREASE BY ST. JOE NATURAL GAS COMPANY, INC.

AGENDA: 05/15/01 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: MAY 15, 2001 - 5 MONTH STATUTORY DEADLINE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\001447.RCM
R:\1447FINALREC.123 - ATTACHMENTS 1-5
ATTACHMENTS 6 & 7 ARE NOT AVAILABLE

CASE BACKGROUND

This proceeding commenced on December 15, 2000, with the filing of a petition for a permanent rate increase by St. Joe Natural Gas Company, Inc. (St. Joe or the company). St. Joe requested an increase of $551,923 in additional annual revenues. The company based its request on a 13-month average rate base of $4,371,103 for a projected test year ending December 31, 2001. The requested overall rate of return is 6.32% based on an 11.50% return on equity.

The company also requested an interim increase of $459,185. It calculated the interim increase request using a 13-month average rate base of $4,353,279, at a 5.66% rate of return using a 10.00%

DOCUMENT NUMBER-DATE
05621 MAY-3 ō
FPSC-RECORDS/REPORTING

return on equity. The interim test year is the period ended December 31, 1999. After adjustments, the company was granted an interim increase of $355,984. Order No. PSC-01-0465-PCO-GU, issued February 26, 2001.

The Commission last granted St. Joe a $19,895 rate increase in Docket No. 8702-GU. In Order No. 4138, issued February 16, 1967, the Commission found the company's jurisdictional rate base to be $313,229 for the test year ending July 31, 1966. The allowed rate of return was found to be 7.40% for the test year. The company has had several rate proceedings since then. The company filed MMFRs in Docket No. 890924-GU; in Docket No. 931102-GU, the Commission reduced St. Joe's return on equity; and the company's 1994 and 1995 earnings were reviewed in Docket No. 960930-GU. In addition, the Commission approved a rate restructuring by Order No. PSC-97-0526-FOF-GU, in Docket No. 970115-GU, issued May 7, 1997; the rate changes had no effect on the company's total revenues, i.e., the company was held revenue neutral in the restructuring.

Pursuant to Section 366.06(4), Florida Statutes, St. Joe requested in this case to proceed under the rules governing Proposed Agency Action (PAA). Under that section, if the Commission fails to issue an order on PAA within 5 months of the commencement date, the utility is entitled to place the proposed rates into effect under bond or corporate undertaking subject to refund. The Commission has jurisdiction under Sections 366.04, 366.05 and 366.06, Florida Statutes.

A customer service hearing was held in Port St. Joe on March 5, 2001. The service hearing was attended by approximately 35 customers.

DISCUSSION OF ISSUES

QUALITY OF SERVICE

ISSUE 1: Is St. Joe's quality of service adequate?

RECOMMENDATION: Yes. St. Joe's quality of service is satisfactory. (BRINKLEY, MILLS)

STAFF ANALYSIS: Quality of service was reviewed by analyzing all complaints taken by the Commission's Division of Consumer Affairs for the period April 2000 through the end of March 2001. There was one complaint regarding a high bill and it was resolved to the customer's satisfaction in a timely manner.

A customer service hearing was held at Port St. Joe, Florida on March 5, 2001 at 6:00 p.m.. Of the approximately 35 customers in attendance, nine spoke. The customers who spoke were upset because of the large increase in fuel costs and the proposed increase to rates. The majority of concerns related to the higher gas costs that were passed through the PGA clause. Quality of service was not an issue at the hearing.

Since there was only one complaint made to Consumer Affairs and no quality of service complaints at the customer service hearing, St. Joe's quality of service is considered satisfactory.

TEST YEAR AND FORECASTING

ISSUE 2: Is the company's test year request for permanent rate relief based on a historical test period ending December 31, 1999 and a projected test period ending December 31, 2001 appropriate?

RECOMMENDATION: Yes. With the adjustments recommended by staff in the following issues, the 1999 and 2001 test years are appropriate. (L. ROMIG, STALLCUP)

STAFF ANALYSIS: The company used actual data for the 1999 test year rate base, net operating income and capital structure. The projected test year was based on the projected level of customers, related revenues, expenses updated for cost increases and trending, and projected cost of capital. Certain plant additions for 1999 and the first eleven months of 2000 have been audited by the Commission auditors and analyzed by staff. In addition, 1999, 2000 and the projected test year reflect the loss of the company's largest customer, Florida Coast Paper Company (FCPC); historically, approximately 75% of the company's revenues were derived from FCPC. Therefore, staff believes that the test year is representative of ongoing operations.

The purpose of the test year is to represent the financial operations of a company during the period in which the new rates will be in effect. New rates for St. Joe will go into effect 30 days after the May 15, 2001 agenda. St. Joe's 2001 fiscal year begins January 1, 2001 and ends December 31, 2001. Therefore, fiscal 2001 is an appropriate test year.

In the following issues, staff is recommending that certain adjustments be made to St. Joe's projected test year. With the inclusion of these adjustments, staff believes that 1999 and the projections of St. Joe's financial operations for 2001 are reasonable for setting rates.

ISSUE 3: Are the customer and therm forecasts by rate class appropriate?

RECOMMENDATION: Yes. The customer and therm forecasts by rate class submitted by the company are appropriate. (STALLCUP, SPRINGER)

STAFF ANALYSIS: Staff has reviewed the 2001 customer and therm forecasts by rate class and believes they are appropriate for setting rates. These forecasts reflect a stable growth rate for both residential and commercial usage based on the existing customer base and usage patterns. Staff notes, however, that given the magnitude of the recommended rate increase and the availability of propane as a substitute fuel, there is a possibility that repression effects may impact future growth rates beyond the projected test year.

RATE BASE

ISSUE 4: Should an adjustment be made to Plant, Accumulated Depreciation, and Depreciation Expense for equipment no longer in service?

RECOMMENDATION: Yes. Plant, Depreciation Expense, and Accumulated Depreciation should be reduced by a total of $1,628, $22 and $785, respectively. (GARDNER, P. LEE, L. ROMIG, MILLS)

STAFF ANALYSIS: During staff's audit, it was determined that some transponders and related equipment in Account 387 (Other Equipment) were no longer being used and should have been retired at the end of 1998. Additionally, an antenna in Account 397, Communication Equipment, was replaced in May 2000 but not retired from the company's books. Accordingly, the test year plant, depreciation expense, and accumulated depreciation are overstated and should be reduced to reflect the retirements in Account 387 by $6,698, $442, and $1,105, respectively, and the retirements in Account 397 by $1,850, $120, and $130, respectively.

During August 2000, the company retired $17,993 from Account 378 - Measuring & Regulating Station Equipment, because it was thought to be related to the FCPC M&R Station. However, after the company filed its MFRs, it discovered that this equipment related to the City Gate Station which is still active and in use. The appropriate adjustments needed to correct this overstated retirement is to increase plant, depreciation expense, and accumulated depreciation for the projected test year by $6,920, $540, and $450, respectively.

Based on the above, staff reduced plant, depreciation expense and accumulated depreciation by a total of $1,628, $220 and $785, respectively.

ISSUE 5: Should an adjustment be made to plant, depreciation expense, and accumulated depreciation for the replacement of anodes to maintain the existing cathodic protection system?

RECOMMENDATION: Yes, plant, depreciation expense, and accumulated depreciation should be reduced $8,740, $280, and $187, respectively to reflect the replacement of anodes during the historic base year +1 that should have been expensed rather than capitalized. (P. LEE)

STAFF ANALYSIS: During the staff engineering review and evaluation of the historic base year +1 construction budget, it was discovered that the company budgeted $8,740 for the purchase and replacement of anodes to maintain the existing cathodic protection system. According to Rule 25-7.0461, Florida Administrative Code, the replacement of existing cathodic protection equipment should be expensed rather than capitalized. For this reason, the test year plant, depreciation expense, and accumulated depreciation for Account 376, Steel Mains, should be reduced $8,740, $280, and $187, respectively.

ISSUE 6: What adjustments should be made to the test year accumulated depreciation to reflect the impact of budgeted retirements?

RECOMMENDATION: The test year accumulated depreciation should be decreased $54,666 to reflect the impact of retirements budgeted for the historic test year +1 and the projected test year. (GARDNER, P. LEE)

STAFF ANALYSIS: Upon reviewing the MFR schedules, staff discovered that the accumulated depreciation for the historic base year +1 and the projected test year do not include the impact of the company's budgeted retirements. The accumulated depreciation is therefore overstated and should be decreased by $54,666.

ISSUE 7: Should a recovery schedule be approved for the net unrecovered investment resulting from the retirement of the Industrial Measuring and Regulating Equipment associated with the FCPC?

RECOMMENDATION: Yes. Staff recommends a 5-year recovery schedule for the net unrecovered investment of $20,309 associated with the retirement of Industrial Measuring and Regulating Equipment (Account 385) resulting from the closing of the FCPC. The recovery schedule should begin January 1, 2001 and be completed December 31, 2005. The recovery schedule will increase the projected test year depreciation expense by $4,062 with a decrease to the accumulated depreciation of $18,278. (GARDNER, P. LEE)

STAFF ANALYSIS: When the FCPC closed operations, the related Industrial Measuring and Regulating Equipment that St. Joe installed to provide gas service specifically for the paper company was retired. The retirement of $29,454 occurred in September 2000. However, the accumulated depreciation for the account was only $14,133, not sufficient to provide recovery of the investment. As staff understands, the company manually overrode the resulting negative accumulated depreciation balance and placed zero in its place. Accordingly, the test year accumulated depreciation is overstated by the net unrecovered investment (investment less accumulated depreciation) relating to the retirement.

The station equipment was placed into service in 1992 and was 8.5 years old at the time of retirement. Staff calculated a retrospective reserve calculation to estimate the accumulated depreciation of $9,145 associated with the equipment at the time of retirement ((4.5*$29,454*3.7%)+(4.0*$29,454*3.6)). Accordingly, the net unrecovered investment is $20,309 ($29,454-$9,145).

The unrecovered investment or negative reserve is attributable to plant no longer providing service and should be recovered as fast as economically practicable. It equates to positive rate base on which the company will continue to earn until corrected. For this reason, staff recommends a 5-year recovery schedule to correct this deficiency. A 5-year period is in line with other amortizations such as rate case expenses the Commission has approved in the past.

Staff recommends that the recovery schedule begin January 1, 2001 and continue through December 31, 2005. The effect of this

station equipment retirement and recovery schedule will be an increase in the test year depreciation expense of $4,062 and a net decrease in the accumulated depreciation of $18,278 (($20,309)+ $2,031).

ISSUE 8: Should an adjustment be made to plant, depreciation expense, and accumulated depreciation to correct the budgeted retirements for the projected test year?

RECOMMENDATION: Yes. Staff recommends that plant, depreciation expense, and accumulated depreciation for Account 391.03, Data Processing Equipment, be reduced by $5,749, $782, and $271, respectively, to correct the retirements for the projected test year. (GARDNER, P. LEE)

STAFF ANALYSIS: During staff's review of the company's MFRs, it was determined that the projected test year plant balance for Account 391.03 did not include a company budgeted retirement of $11,500. To correct this overstatement, plant, depreciation expense, and accumulated depreciation should be reduced by $5,749, $782, and $271, respectively.

ISSUE 9: What is the appropriate amount of Construction Work in Progress (CWIP) for the projected test year?

RECOMMENDATION: The appropriate amount of CWIP for the projected test year is $18,328. (L. ROMIG)

STAFF ANALYSIS: The company projected $18,328 for CWIP in the projected test year, based on historical balances in this account. Since the company does not have a budgeting procedure for this account, the projected amount is not unreasonable and should be allowed.

Staff recommends projected test year CWIP of $18,328.

ISSUE 10: Should an adjustment be made to reduce retained earnings/common equity, plant in service, accumulated depreciation and depreciation expense for previously capitalized allowance for funds used during construction (AFUDC) not authorized by the Commission?

RECOMMENDATION: Yes, retained earnings/common equity, plant in service, accumulated depreciation, and depreciation expense should be reduced $63,807, $90,553, $26,746 and $2,898 respectively. (L. ROMIG, GARDNER)

STAFF ANALYSIS: During April 1992 the company capitalized interest in the amount of $90,553 related to the Phase II-FCPC construction project. This interest amount was capitalized to Account 376, Mains-Steel. The Commission has not authorized an AFUDC rate for the company.

Commission Rule 25-7.0141, Florida Administrative Code, in effect at the time of this construction project stated that: "No utility may charge or change its AFUDC rate without Commission approval....". Since the company did not request approval to charge AFUDC on this project, it would be appropriate to make the following adjustment: reduce retained earnings/common equity, plant in service, accumulated depreciation, and depreciation expense $63,807, $90,553, $26,746 and $2,898 respectively.

ISSUE 11: What is the appropriate projected test year Total Plant?

RECOMMENDATION: The appropriate amount of Total Plant for the projected test year is $6,109,023. (BRINKLEY)

STAFF ANALYSIS: This is a calculation based upon the decisions made in the preceding issues.

ISSUE 12: What is the appropriate projected test year Depreciation Reserve?

RECOMMENDATION: The appropriate projected test year Depreciation Reserve is $2,301,528. (GARDNER, P. LEE, BRINKLEY)

STAFF ANALYSIS: This is a calculation based upon the decisions made in the preceding issues.

ISSUE 13: What is the appropriate projected test year Working Capital Allowance?

RECOMMENDATION: The appropriate projected test year Working Capital is $254,392. (BRINKLEY)

STAFF ANALYSIS: This is a calculation based upon the adjustments in Issues 17 and 35.

ISSUE 14: What is the appropriate projected test year Rate Base?

RECOMMENDATION: The appropriate projected test year Rate Base is $4,080,215. (BRINKLEY)

STAFF ANALYSIS: This is a calculation based upon decisions in preceding issues. Company and staff positions are reflected in the following table and are discussed in the appropriate issues.

COMPARATIVE RATE BASE Projected Test Year Ending 12/31/01	COMPANY	STAFF
Utility Plant in Service	$6,215,693	$6,109,023
Acquisition Adjustment	0	0
Common Plant Allocated	0	0
CWIP	18,328	18,328
Total Deductions	(2,402,461)	(2,301,528)
Customer Advances	0	0
Net Utility Plant	$3,831,560	$3,825,823
Working Capital Allowance	539,543	254,392
Total Rate Base	$4,371,103	$4,080,215

CAPITAL STRUCTURE

ISSUE 15: What is the appropriate return on common equity for the projected test year?

RECOMMENDATION: The appropriate cost rate for common equity for the projected test year is 11.5%, with a range of plus or minus 100 basis points. (D. DRAPER)

STAFF ANALYSIS: In its MFRs, St. Joe requested a cost rate of 11.5% for common equity. The company did not present a cost of capital witness due to the high cost of acquiring one, however, the company did offer testimony on what it believes is the appropriate cost rate for common equity. In his testimony, Stuart L. Shoaf, President of St. Joe, states his belief that St. Joe and Chesapeake Utilities Corporation (CUC) have many similarities in their operating characteristics and overall financial risks. Witness Shoaf states that St. Joe and CUC are both highly sensitive to loss of customers, slow downs in the economy, and delays in construction projects. He states that both are small companies that have a higher investment risk than larger companies and that both are still affected by post-FERC Order No. 636 market ramifications and risks. In addition, Witness Shoaf states that revenues of both companies are heavily tilted toward the industrial market sectors and that both have already experienced industrial customer loss that has required each to seek rate relief. Finally, Witness Shoaf states that both companies face stiff competition from alternative fuels and the possibility of a bypass by its large customers.

St. Joe Witness Jeff Householder identifies several key business risk factors specific to St. Joe. Witness Householder states that due to the closing of St. Joe Paper Company (SJPC), the Arizona Chemical Company (ACC) has become St. Joe's largest customer, consuming approximately 84% of total system throughput and providing 40% of total company base rate revenues. Witness Householder states that the parent company of ACC has announced plans to sell many of its chemical companies. Due to the closing of SJPC, ACC has incurred higher operating costs and it is uncertain whether or not the plant will continue to operate.

Witness Householder states that another risk facing St. Joe is the competition from alternative energy choices, such as propane and electricity. The relative price of natural gas is a critical

concern and is an important factor for a St. Joe customer when deciding whether to choose natural gas, propane or electric.

Witness Householder also mentions that, although St. Joe faces significant market risks, the market also provides various opportunities for the company. Witness Householder identifies several new housing developments and existing homes interested in using natural gas. The company has already added more than 300 customers in the City of Wewahitchka and the potential exists to add several hundred more customers. St. Joe has also been requested to provide natural gas service to a new subdivision, which will have 112 residential lots including a clubhouse, pool and welcoming center.

Staff agrees with the company that St. Joe and CUC share similar financial risks and opportunities. However, with respect to financial risk, as demonstrated by the level of equity capitalization, staff finds that the two companies differ significantly. In Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, CUC was authorized a 11.5% midpoint cost rate for its common equity. This rate was stipulated to by the company when its equity ratio was at 54.1%. St. Joe filed its projected capital structure with an 83.7% equity ratio. Staff believes that a company's equity ratio is an important consideration in determining its overall financial risk and required rate of return. In Issue 20, staff discusses further the appropriate equity ratio for St. Joe.

In addition to the differences in equity ratios, staff notes that cost rates for capital investment have trended downwards. Recently the Federal Reserve has lowered short-term interest rates by 200 basis points. The long-term BBB corporate bond yield declined 62 basis points since the Commission's decision in the CUC case to 7.85% as of March 2001. For the same period the thirty-year Treasury bond yield has declined from 5.92% to 5.41%, a change of 51 basis points. These changes would influence the required rate of return a company would need to attract sufficient investor capital. The required rate of return is the minimum return necessary to meet the capital attraction and comparable risk standards of the Hope and Bluefield cases. The required rate of return depends on investors' expectations and the total financial risk reflected in the company's capital structure.

Staff notes that deciding the appropriate cost rate for common equity is, ultimately, a subjective process. Staff believes that

with an adjusted equity ratio, 11.5% is the appropriate cost rate for common equity. Staff believes in regard to St. Joe's smaller size this cost rate takes into account the financial risk faced by St. Joe and will provide the return required to attract sufficient investor capital. The Commission typically allows a range around the ROE of plus or minus 100 basis points for regulatory purposes, such as measuring earnings and setting interim rates. Therefore, staff recommends that the appropriate cost rate for common equity be 11.5%, plus or minus 100 basis points.

ISSUE 16: What is the appropriate cost of short-term debt for the projected test year?

RECOMMENDATION: The appropriate cost rate for the short-term debt included in the projected test year should be the April 1, 2001 prime rate of 8.00%. (D. DRAPER)

STAFF ANALYSIS: In its MFRs, the company included $150,000 of short-term debt in its projected capital structure with a cost rate of 10.75%. This short-term debt was initially acquired from a company shareholder in 1995. The company stated that based on an April 2001 telephone conversation with a lending institution, the company would be offered a short-term loan within a cost rate range of 9.0% to 10.75%. In its review, staff looked at two intermediate financial indicators comparable to short-term debt and the average short-term cost rate for Florida's gas utilities. The first indicator was Moody's Intermediate BBB Corporate Bond Yield that had an average rate of 6.78%. The second indicator was the 5-year U.S. Treasury note with a rate of 4.65%. Both indicators were as of March 2001. Staff added an additional risk premium amount of 300 basis points to the U.S. Treasury note to bring the rate to 7.65%. According to the December Earning Surveillance Reports (ESR) for each of the Florida natural gas distribution companies, the average short-term cost rate for Florida gas utilities was 7.57%.

Compared with the above analysis, the company's short-term rate of 10.75% seems excessive. Nevertheless, due to the company's smaller size and the current economic outlook for the Gulf County area, staff believes that the company's financial risk is greater than BBB rated corporations and the average Florida utility. Therefore, staff believes St. Joe requires a higher short-term cost rate than the above indicators to attract sufficient short-term capital investment.

The company also included long-term debt in its capital structure with a cost rate of 8.75%. The company acquired its long-term debt on January 18, 2001. Normally, short-term debt carries a lower cost rate than long-term debt due to the lower inflation and default risks. Staff believes that the appropriate cost rate for short-term debt is in the range of 6.78% to 8.75%. Staff recommends using the current prime rate as reported on April 1, 2001 in the Wall Street Journal of 8.00% as the cost rate for the company's short-term debt. The Wall Street Journal defines the

prime rate as the rate charged by 75% of the largest 30 banks in the U.S., and is the rate most commonly used because it is published and simply described or defined in loan or credit agreements. This rate will allow the company to recover a reasonable rate for short-term debt with regards to its smaller size and current economic situation.

ISSUE 17: What is the appropriate amount of accumulated deferred taxes to include in the capital structure?

RECOMMENDATION: The appropriate amount of accumulated deferred taxes to include in the capital structure is $37,187, prior to addressing the tax effect of the amortization of the FCPC deferred credit discussed in Issue 35. Recognizing the amortization results in $3,321 of related credit accumulated deferred taxes, thereby increasing the credit deferred taxes to $40,508.
(C. ROMIG)

STAFF ANALYSIS: On Line 5 of MFR Page 210, the projected Year 2001 Cost of Capital Schedule, St. Joe shows its thirteen-month average credit accumulated deferred income taxes to be $311,130. On Line 17 of MFR Page 150, its projected Year 2001 Working Capital Allowance Schedule, it shows its thirteen-month average debit accumulated deferred income taxes to be $229,958. On Line 7 of MFR Page 151, its projected Year 2001 Working Capital Allowance Schedule, it shows its thirteen-month average taxes accrued - income to be a debit $43,985.

According to St. Joe, the credit deferred tax represents the tax liability related to the timing difference between book depreciation and accelerated tax method depreciation. The debit deferred tax relates to recognition of one-fourth of the reclassified revenue resulting from the bankruptcy of Florida Coast Paper Company (FCPC). Further, the $43,985 debit accrued taxes assumed the per books recognition of the amortization of FCPC deferred credit discussed in Issue 35. According to the Company, St. Joe did not offset the projected debit deferred tax balance against the projected credit deferred tax balance because of the "nature and basis of these credits and debit tax amounts." Further, because the amortization of the FCPC deferred credit is being discussed and all adjustments made in Issue 35, we have reversed this entry herein.

For book purposes, in its MFRs St. Joe left the entire deferred revenue related to the paper company bankruptcy in its capital structure for apparent adjustment for its amortization by the Commission. For tax purposes, in it MFRs St. Joe reflected the amortization as if the requested four-year amortization period requested in its Application for a Change in Accounting Method had been approved by the Internal Revenue Service. The result of this treatment is the book debit accumulated deferred taxes and debit

taxes payable of $229,958 and $43,985, respectively. Although staff does not refute these amounts, staff has net them and shown the resulting credit deferred tax balance in capital structure.

Staff believes that it has been a long-standing practice of the Commission to offset debit deferred tax balances with credit deferred tax balances. If the result is a net debit deferred tax, then that amount is included in working capital allowance and rate base; if the result is a net credit deferred tax, then that amount is included in capital structure at zero cost. In this particular instance, the result is a net credit deferred tax balance of $37,187, prior to recognition of the tax adjustment from Issue 35 and $40,508, following recognition of the deferred tax adjustment discussed in Issue 35.

In conclusion, staff recommends decreasing the $311,130 credit deferred tax balance in capital structure by $273,943 to $37,187. The corresponding working capital adjustment is to decrease debit deferred taxes and taxes accrued - income in working capital, resulting in a $273,943 decrease to working capital and rate base. Further, an adjustment of $3,321 increasing accumulated deferred income tax should be made for Issue 35, resulting in a net decrease of $270,622 and staff's recommended Accumulated Deferred Taxes of $40,508.

ISSUE 18: Has FAS 109 been appropriately reflected in the capital structure, such that it is revenue neutral?

RECOMMENDATION: It appears as if SFAS 109 has not been implemented. As such, there is no revenue effect of its implementation. Also, the method of calculating deferred taxes is not consistent with proper application of SFAS 109. St. Joe should be required to implement SFAS 109, if it has not done so, and to state its tax accounts consistent with the proper application of SFAS 109, retroactive to January 1, 2001. The adjustments and appropriate treatment should be reported in its Earnings Surveillance Reports (ESR) following implementation of rates in this proceeding. (C. ROMIG)

STAFF ANALYSIS: According to Rule 25-14.013, Florida Administrative Code, Accounting for Deferred Income Taxes Under SFAS 109, SFAS 109,

> . . . shall be implemented by each utility in a manner such that the balances of excess and deficient deferred income taxes are properly stated and that the application of SFAS 109 is revenue neutral in the ratemaking process.

Based on the information at hand, it cannot be determined with certainty if SFAS 109 was implemented, as required. St. Joe's current certified accounting firm performed the audit of St. Joe for tax years 1998 and 1999. It reviewed the predecessor audit reports for the tax years 1993 through 1997. SFAS 109 implementation date was for fiscal years beginning after December 15, 1992. Therefore, the actual implementation of SFAS 109, if any, would have been accomplished by the predecessor firm.

The current certified accounting firm calculated the deferred tax liability consistent with previous audits they examined using the current graduated tax rates applied to the taxable temporary difference amount generated each year. During this period, the corporate tax rates did not change. According to the current accounting firm, the income tax expense reported each year on the financial statements is the sum of the tax expense per the tax return increased by the deferred tax liability amount calculated for that year. As confirmed by its current accountant, this method is not consistent with proper application of SFAS 109 which requires that current tax rates be applied to total taxable temporary differences at year end, and the difference between this

amount and the prior year end deferred tax liability would be the current year deferred amount. Further, financial statement income tax expense has been consistently reported at the sum of the deferred tax liability for the year and actual tax expense per the return followed.

In its Cost of Capital Schedule, St. Joe shows its credit accumulated deferred income taxes to be $311,130. On MFR Page 150, its Working Capital Allowance Schedule, it shows its debit accumulated deferred income taxes to be $229,958. On MFR Page 151, its Working Capital Allowance Schedule, it shows debit Accrued Taxes to be $43,985. In Issue 17, staff recommends netting these three amounts and placing the resulting $37,187 credit deferred income tax in Cost of Capital. This necessitates decreasing/crediting the working capital allowance and decreasing/debiting the capital structure deferred taxes by $273,943.

Staff's review of the MFRs and other documentation did not reveal any further debit or credit deferred taxes or any SFAS 109 regulatory assets or liabilities. Therefore, staff believes that with staff's recommended adjustment in Issue 17, that even with improper application of SFAS 109, that its current application is revenue neutral.

However, staff recommends that St. Joe should be required to implement SFAS 109, if it has not done so, and to state its tax accounts consistent with the proper application of SFAS 109, retroactive to January 1, 2001. The adjustments and appropriate treatment should be reported in its ESRs following implementation of rates in this proceeding.

ISSUE 19: Should debit tax balances associated with the temporary timing differences arising from unrecovered purchased gas costs and conservation cost recovery be removed, and if so, have they been appropriately removed?

RECOMMENDATION: No adjustment is necessary. (C. ROMIG)

STAFF ANALYSIS: In the 1999 historic test period, St. Joe shows net under-recoveries for both the conservation cost recovery and the purchased gas cost recovery mechanisms. In the projected test year 2001, there is a $2,558 over-recovery related to purchased gas cost. However, there are no under-recoveries for either 1999 or Year 2001.

It is Commission practice to remove under-recoveries, which could give rise to a deferred tax adjustment. However, it is also Commission practice that over-recoveries remain in working capital and reduce rate base. Therefore, in general, no adjustment to the deferred tax would result from an over-recovery.

Consequently, there are no unrecovered purchased gas costs or unrecovered conservation costs to be removed from working capital and rate base; hence, there are no corresponding debit tax balances to be removed. Therefore, no adjustment is necessary.

ISSUE 20: What is the appropriate capital structure for the projected test year ending December 31, 2001?

RECOMMENDATION: The appropriate capital structure for the projected test year ending December 31, 2001, should not exceed 60% common equity as a percentage of capital. (D. DRAPER)

STAFF ANALYSIS: In its MFRs, St. Joe filed a projected capital structure having an 83.7% equity ratio over investor sources. The company offered no testimony on the proper equity ratio in its projected capital structure. Staff believes that in comparison with a group of gas distribution companies listed by Value Line and with natural gas distribution companies in Florida, this level of equity is well above the average. The average equity ratio of gas distribution companies listed by Value Line is 48%, with the lowest being 19% and the highest being 65%. For natural gas utilities operating in Florida, the average equity ratio based on their December 2000 surveillance reports is 47%, with the lowest being 24% and the highest being 58% (excluding St. Joe).

Normally, a company with a high equity ratio is considered to have less financial risk than a comparable company with a low equity ratio. The higher equity ratio lowers the company's risk of defaulting on its bond payments and thus lowers its overall financial risk. Larger utilities are able to maintain lower equity ratios in which to leverage earnings and lower their overall cost of capital. Smaller utilities will try to sustain a higher equity ratio to lower their financial risk, but at the expense of having a higher cost of capital.

With all else being equal, the equity ratio and the cost rate for common equity normally have an inverse relationship. The higher the company's equity ratio, the lower its financial risk and subsequently the lower the returns required by investors. Conversely, when a company's equity ratio is low, higher returns are required by investors to compensate for the additional financial risk.

In testimony provided by Witness Shoaf, St. Joe compares its financial risk with that of CUC and requests the same common equity cost rate that CUC received in its last rate case. Staff notes that in CUC's last rate case, Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, the Commission authorized a cost rate on common equity of 11.5%. At the time CUC had an equity ratio of 54.1% as

a percentage of capital. Staff believes by recommending a cost rate of 11.5% with an equity ratio of no higher than 60% of investor capital, the proper amount of financial risk is in balance with the investor's required rate of return. Staff believes that by allowing St. Joe an equity ratio that is higher than the average of the companies compared above will offset the specific risks facing a small, privately-held utility that has unique financial and business risks as discussed in Issue 15. This adjustment is consistent with previous Commission Orders. In Order No. 24372, issued April 16, 1991, the Commission approved a stipulated agreement by South Florida Natural Gas Company to adjust its capital structure equity ratio from 63% to 53%, for rate making purposes. In addition, in Order No. PSC-92-0708-FOF-TL, issued July 24, 1992, for ratemaking purposes the Commission adjusted United Telephone Company of Florida's equity ratio to 57.5% over investors sources.

Therefore, staff recommends the appropriate capital structure for St. Joe's projected test year ending December 31, 2001 should consist of no more than 60% equity as a percentage of investor capital.

ISSUE 21: What is the appropriate weighted average cost of capital for the projected test year?

RECOMMENDATION: The appropriate weighted average cost of capital for the projected test year should be 6.23%. This is a calculation based upon the decisions in preceding issues. (D. DRAPER, C. ROMIG)

STAFF ANALYSIS: Based upon the decisions in preceding issues and the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2001, staff recommends a weighted average cost of capital of 6.23%.

The 13-month average per book amounts are taken directly from the company's MFRs (Schedule G-3, p. 2 of 11). Staff agrees with and uses the respective cost rates provided by St. Joe in its MFR filing with three exceptions. The first exception, discussed in Issue 16, is staff's adjustment to the cost rate of short-term debt from 10.75% to 8.0%.

The second exception is the cost rate for long-term debt. In its MFRs, the company provided a cost rate of 9.0% for its long-term debt. Based on discovery, staff determined that the company obtained its long-term debt at a cost rate of 8.75% and paid $1,687 in fees acquiring the loan. Based upon this information, staff has calculated the embedded cost of long-term debt to be 8.82%.

Finally, the third exception is the balance and cost rate for customer deposits. In its MFRs, the company used the projected December 2001 ending balance in its capital structure. The company should have used a 13-month average customer deposits amount of $27,970, as their per book total amount. Staff calculated 5.99% as the effective cost rate using the 13-month average balance. In addition, staff made a $169 specific adjustment to customer deposits.

As discussed in Issue 15, staff recommends a return on common equity of 11.5%. In addition, as discussed in Issue 20, staff adjusted St. Joe's capital structure to reflect a 60% equity ratio as a percentage of investor capital. As discussed in Issue 17, a specific adjustment of $273,943 is made to decrease accumulated deferred taxes and in Issue 35, a specific adjustment of $3,321 to increase accumulated deferred tax is discussed; these two adjustments net to $270,622. In Issue 10, staff discussed the specific adjustment of $63,807 made to reduce the amount of

retained earnings and in Issue 35, staff discussed a $11,208 equity adjustment; these two adjustments net to $75,015. After these specific adjustments, a pro rata adjustment is made over investors' sources of capital to reconcile rate base and capital structure.

In its MFRs, the company made specific adjustments to its capital structure to remove non-utility investments. The company later realized that these adjustments were made on a pro rata basis and should have been under the pro rata column in its projected capital structure. Since these specific adjustments had the same pro rata effect in the capital structure and were simply mislabeled, staff made no additional adjustments.

The net effect of these adjustments is a reduction in the overall cost of capital from the 6.32% return requested by the company to a return of 6.23%. Attachment 2 shows the components, amounts, cost rates, and weighted average cost of capital associated with the test year capital structure. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2001, staff recommends that the appropriate weighted average cost of capital for St. Joe is 6.23%.

NET OPERATING INCOME

ISSUE 22: Has the company properly removed PGA revenues, expenses and taxes other from the projected test year?

RECOMMENDATION: No. Projected test year revenues should be increased $29,059. (L. ROMIG, C. ROMIG)

STAFF ANALYSIS: The company made adjustments to remove $997,695, $968,636 and $29,059 from revenues, O&M expenses and taxes other, respectively. Since projected operating revenues only included $968,059 in PGA revenues, the company's removal of $997,695 in PGA revenues resulted in an understatement of base rate revenues by $29,059.

Therefore, it would be appropriate to increase revenues $29,059.

ISSUE 23: Has the company properly removed conservation revenues, expenses and taxes other from the projected test year?

RECOMMENDATION: Yes. The company excluded conservation revenues and expenses from the projected test year. (L. ROMIG, C. ROMIG)

STAFF ANALYSIS: St. Joe currently records conservation revenues and expenses as a Deferred Debit or Deferred Credit, according to its nature. The company excluded this account from the projected test year. Therefore, no adjustment is necessary.

ISSUE 24: Should an adjustment be made to increase revenues for the amount of interest earned on cash in working capital?

RECOMMENDATION: Yes. An adjustment should be made to increase interest earned on cash in working capital by $9,835. (L. ROMIG)

STAFF ANALYSIS: During the 1999 historic test year the company earned $17,810 on $430,009 cash investments included in working capital. The interest income was included in 1999 revenues. For the year 2000 the company earned $9,835 on $265,282 on its cash balances. The company included $229,171 in working capital in the 2001 projected test year but did not include interest income for the period. In response to staff's First Set of Interrogatories No. 3, the company stated that it would have used the same amount or $9,835 in the projected test year had it projected interest income associated with the 2001 cash balances. Staff agrees that since the 2000 and projected 2001 cash balances are about the same that the 2000 interest income would be a reasonable amount to use in the projected test year.

ISSUE 25: What is the appropriate amount of projected test year total Operating Revenues?

RECOMMENDATION: The appropriate level of projected test year total Operating Revenues is $1,115,858. (BRINKLEY, WHEELER)

STAFF ANALYSIS: Staff reviewed the company's revenues for the projected test year as filed and is recommending no adjustment. However, in Issue 22, staff recommended a $29,059 increase to revenues to correct an error in the company's PGA adjustment. Additionally, in Issue 24, staff recommends increasing revenue by $9,835 for interest earned on cash in Working Capital, and in Issue 35, staff recommends an increase to revenues of $50,922 to amortize the FCPC deferred credits. A decrease of $27,054 is made to revenue to show the unbundling of gross receipts tax. This adjustment is discussed in Issue 37. Therefore, the appropriate amount of projected test year total Operating Revenues is $1,115,858.

ISSUE 26: Should Account 874 Mains & Services be reduced for projected expenses associated with gas line locations?

RECOMMENDATION: Yes, Account 874, Mains & Services should be reduced $20,800, which would allow one-half of the company's requested amount of $41,600. (L. ROMIG)

STAFF ANALYSIS: The company made an adjustment in the projected test year to increase Account 874 by $41,600. The company stated in response to staff's first set of interrogatories that the adjustment represents additional labor and associated expenses to complete increased workloads in a timely manner. Recurring jobs, such as gas line locates, meter change-outs, retirement of qualified inactive service lines, as required by Commission Rule 25-12.045, Florida Administrative Code, and wage increases for existing employees, are just a few examples.

In response to Interrogatory 35, the company stated that a portion related to new employees should be a new expense while the remaining portion would be for wage adjustments for existing employees and would not be a new expense.

The company also filed an addendum to its response to Interrogatory No. 34 that the company needed two new employees for (1) locating lines which have increased 100% from 1998 to 1999 and again by 37% from 1999 to 2000, (2) the company is behind in its Meter Change Out Program and should be current by year end (3) cutting grass around its above ground facilities and (4) the company is in the process of implementing a new emergency response program using existing and new employees and requiring them to be available for after hours' emergencies. In the past, the company has handled emergencies through the Sheriff's department.

The Commission's gas safety engineers confirmed that the company will be incurring additional costs on a continuing basis in the above-mentioned areas, including catch-up work. Also, the company has had trouble retaining qualified personnel.

In reviewing the company's response as to the types of expenses that will be incurred, it was noted that they should have been classified among several accounts rather than Account 874. For instance, the meter change out costs should have been classified as Account 878, Meter & House Regulator Expenses, the costs incurred in the retirement of inactive service lines would be

charged to cost of removal and not expensed. In staff's opinion it would not be unreasonable to allow one half of the requested $41,600. Therefore, staff recommends reducing Account 874 $20,800.

ISSUE 27: What is the appropriate amount of rate case expense and what is the appropriate amortization period?

RECOMMENDATION: The appropriate amount of rate case expense is $84,551, amortized over four years. This increases test year rate case expense by $21,138. (BRINKLEY)

STAFF ANALYSIS: The company had projected that it would incur total rate case expense of $140,551, with $56,000 of this amount projected to be incurred if this case goes to hearing. Staff is recommending a four year amortization period in order to be consistent with the four year amortization period approved for the Florida Division of Chesapeake Utilities Corporation in Order No. PSC-00-2263-FOF-GU and the four year amortization period approved for City Gas Company of Florida in Order No. PSC-01-0316-PAA-GU, issued February 5, 2001. Since the company inadvertently omitted rate case expense from its filing, staff recommends that Account 928, Regulatory Commission Expenses, be increased $21,138, i.e., $140,551 less $56,000 or $84,551/4, to recover rate case amortization. If the case goes to hearing, the additional cost of $56,000 would be considered at that time.

ISSUE 28: Should Account 921 Office Expenses be reduced $3,513 in the projected test year for an error made in projecting expenses for janitorial services?

RECOMMENDATION: Yes. Account 921 Office Expenses, should be reduced $3,513 in the projected test year for an error made in projecting janitorial services. (L. ROMIG)

STAFF ANALYSIS: The company made an adjustment to Account 921 Office Expenses in the amount of $3,380 in 2000 and trended to $3,513 in the projected test year for janitorial services. The company stated in response to staff's First Set of Interrogatories No. 36 that expenses for janitorial services were included in 1999 expenses and terminated in 2000. Since the company incurred janitorial expenses in 1999 and trended to the projected test year the company was in error by making the adjustment in 2000 and trended to 2001. Therefore it would be appropriate to reduce projected test year expenses $3,513.

ISSUE 29: Should an adjustment be made to Account 926, Employee Pensions and Benefits?

RECOMMENDATION: No adjustment to the company's Pension Expense is necessary. (L. ROMIG)

STAFF ANALYSIS: The company made a $50,000 adjustment to Pension Expense representing an annual contribution to its pension plan. The maximum amount that the company could contribute in 2000 would have been $65,000. The company stated in response to staff's First Set of Interrogatories No. 47 that contributions to the pension plan have been made 16 out of the last 18 years. Because the company did not have sufficient funds, annual contributions to the plan were not made in 1999 or 2000 (Interrogatory No. 43). For the plan years 1992-1998 the company's annual contributions have averaged approximately $51,000 and that prior to 1992 the company stated that it consistently contributed the maximum amount allowed. The company first adopted a defined benefit pension plan on January 1, 1982 and on January 1, 1989, the company switched to a Standardized Profit sharing plan. (Interrogatory No's 39 and 40).

Since the company has had a pension plan in effect for a number of years and having missed contributions in only two years, staff recommends that the company's adjustment be allowed. Also, since contributions have averaged about $51,000 a year for seven years prior to the 1999 test year, the proposed increase does not appear unreasonable.

ISSUE 30: Should an adjustment be made for lobbying?

RECOMMENDATION: Yes. Expenses should be reduced $203 to disallow 15% of the Florida Natural Gas Association dues which represents the portion of dues associated with lobbying activities. (L. ROMIG)

STAFF ANALYSIS: The company paid $1,335 in membership dues in 1999 to the Florida Natural Gas Association. The invoice, for the billing, stated that 15% of the dues represents that portion of the dues associated with lobbying activities. Staff realizes that the amount is small but to be consistent with Commission decisions in other cases to disallow lobbying expenses it would be appropriate to reduce Account 930, Miscellaneous expenses by $203.

ISSUE 31: Are the trend rates used to calculate projected O&M expenses appropriate?

RECOMMENDATION: Yes. The trend rates used by the company are appropriate. (STALLCUP, BRINKLEY)

STAFF ANALYSIS: Staff examined the payroll rate increase, general inflation rate, and the customer growth rate used by the company and found they were appropriate.

ISSUE 32: Has the company used the appropriate trend basis for each O&M account?

RECOMMENDATION: No. St. Joe has not used the appropriate trend basis for each account. The result is a recommended net increase of $58 to O&M expenses. (BRINKLEY)

STAFF ANALYSIS: The wrong trend basis was inadvertently used on three occasions due to incorrect trend spreadsheet formulas. The adjustments to correct these errors are an increase of $272 to Account 879, Customer Installations, a decrease of $286 to Account 923, Outside Services, and an increase of $72 to Account 935, Maintenance of General Plant.

ISSUE 33: Should the projected test year expense be adjusted for the effect of changing the trend factors?

RECOMMENDATION: No. Projected test year O&M expenses should not be adjusted for changes to the trend factors. (BRINKLEY)

STAFF ANALYSIS: Staff made no changes to the trend factors of any account and therefore proposes no adjustments for the effects of changes to the trend factors.

ISSUE 34: What is the appropriate amount of projected test year O&M Expense?

RECOMMENDATION: The appropriate amount of projected test year O&M expense is $797,958. (BRINKLEY)

STAFF ANALYSIS: This is a calculation based on the decisions made in previous issues.

ISSUE 35: How should the prepaid gas Deferred Credit related to Florida Coast Paper Company be treated and how should the prepaid revenue related to Gulf Correctional Institute be treated?

RECOMMENDATION: The $1,578,595 prepaid gas Deferred Credit related to Florida Coast Paper Company should be amortized over 31 years which is the remaining life of the line used to serve the St. Joe Forest Products Company (SJFP). The amortization would result in increasing revenues $50,922 and increasing Accumulated Deferred Income Taxes in the Capital Structure by $3,321. Amortization should begin June 15, 2001. The prepaid revenue related to Gulf Correctional Institute should remain as revenue in Year 2000. However, the tax effect of this transfer should be reflected in Year 2001 by decreasing Common Equity by $11,208 and increasing Accrued Taxes - Income by $11,208. (L. ROMIG, C. ROMIG)

STAFF ANALYSIS: In 1991, St. Joe signed a note to borrow funds to build a pipeline to service St. Joe Forest Products Company; the line cost $2.3 million and was recorded on the books in February 1991. Subsequently, on May 30, 1996, St. Joe Forest Products Company was purchased by a joint partnership and operates under the name of Florida Coast Paper Company (FCPC). The loan was collateralized by the assignment of revenues between St. Joe and FCPC, and the note was unconditionally guaranteed by FCPC. As part of the agreement FCPC agreed to pay for a minimum of 792,820 decatherms annually, regardless of the amount of gas actually transported. FCPC also agreed to make the monthly note payments of $39,396 directly to the lender, offsetting gas payments to St. Joe for the term of the note regardless of actual therms used. Note payment amounts exceeding the cost of gas used were to be applied to prepaid gas to be offset by future sales after the final note payment. The balance of the prepaid gas at December 31, 1999 is $1,578,595.

The cash related to the prepaid revenues was to be used to pay off the bank loan that was taken out to finance the line. Since the balance of $1,578,595 in the Deferred Credit Account (prepaid revenues) relates to the line used to serve the paper mill, which is still in service, it is appropriate to amortize the deferred credit or impute revenues over the remaining life of the line, or 31 years. This treatment would result in an adjustment increasing revenues by $50,922. The company included the prepaid revenues in the capital structure at zero cost which staff agrees with.

As far as the tax treatment of the $1,578,595, on October 24, 2000, St. Joe filed with the Internal Revenue Service a Form 3115, Application for Change in Accounting Method. Simply stated, with the bankruptcy of the paper company, the entire $1,578,595 in the prepaid gas account will revert to taxable income. Because of the magnitude of the taxable income and the tax, in its Form 3115, St. Joe requested that it be allowed to spread the income adjustment and the tax over four years beginning in year 2000 with a corresponding increase in tax liability for each of the four years. St. Joe's request is pending and according to the company, there has been no subsequent correspondence on the matter.

Per Interrogatory Response No. 14, the company's MFRs are based on the assumption that the request for Change in Accounting Method will be approved. The deferred credits at December 31, 2000 for Florida Coast in the amount of $1,578,595 and Gulf Correctional in the amount of $27,402 will be included in taxable income in equal amounts over a four-year period beginning with the year 2000. The amount to be included in taxable income in each year is $401,499 (($1,578,595 plus $27,402)/4). Estimated federal tax liability on the extraordinary income is calculated at approximately $130,000 per year ($401,499-($401,499*.05)*.34) and state income tax liability at approximately $22,000 per year ($401,499*.055). The MFRs do not reflect the amortization of the deferred credit amount to income. Only the accumulated debit deferred tax liability is reflected.

As far as the $27,402 Gulf Correctional Institute deferred revenue mentioned above, during year 2000 the company made an adjustment to move that amount out of its deferred revenue account and directly into retained earnings on its balance sheet. Consequently, the tax effect of that transfer by-passed the retained earnings, thereby overstating retained earnings/common equity by $11,208. This $11,208 is the result of applying the effective composite tax rate to the Year 2001, thirteen-month average Gulf Correctional Institute prepaid revenue of $30,770. Therefore, Common Equity should be reduced by $11,208 and a corresponding adjustment of $11,208 should be made to accrued taxes - income, increasing accrued taxes - income, resulting in decreased Working Capital Allowance and Rate Base.

ISSUE 36: What is the appropriate amount of projected test year Depreciation and amortization Expense?

RECOMMENDATION: The appropriate amount of projected test year Depreciation and Amortization Expense is $243,387. (GARDNER, P. LEE)

STAFF ANALYSIS: This is a calculation based on decisions in preceding issues.

ISSUE 37: Should the company separately state Gross Receipts Tax on its bills and if so, what is the revenue impact?

RECOMMENDATION: Yes. St. Joe should separately state its Gross Receipts Tax on its bills. Revenues should be decreased by $27,054. (C. ROMIG)

STAFF ANALYSIS: St. Joe's Gross Receipts Taxes are currently embedded in its rates. Staff believes that it is preferable for this tax to be separately shown on the customers' bills and has recommended the unbundling of this tax as utilities have come before the Commission for rate relief and other matters. The Commission has approved staff's recommendations to unbundle and separately state this tax. Where the companies have filed their MFRs unbundling gross receipts tax, staff has recommended this treatment be approved and the Commission has approved this treatment.

The Florida Legislature may increase or decrease the rate at which the gross receipts tax is assessed. If there is an increase and the tax is embedded in rates, there is no method for the utility to recover the shortfall, except by filing a petition with the Commission. Concurrently, if the rate is decreased and the tax is embedded in rates, the utility will over recover the difference until the utility comes before the Commission or the Commission opens a docket to address the mismatch.

By separately stating this tax, an increase or decrease can be immediately reflected on the customers' bills, rather than waiting to correct the mismatch in the first proceeding that the utility comes before the Commission.

Of the gas companies, Peoples Gas Company, City Gas Company, and Chesapeake separately state their entire 2.5% Gross Receipts Tax. Of the Electrics, the Marianna division of Florida Public Utilities, Tampa Electric Company (TECO) and Florida Power Corporation separately state their entire Gross Receipts Tax. Of the thirteen local exchange companies, only BellSouth has 1.5% embedded in its rates.

For the reasons above and based on Commission practice, staff recommends that St. Joe should separately state its Gross Receipts Tax on its bills. To reflect the separate statement and unbundling, revenues should be decreased by $27,054.

ISSUE 38: What is the appropriate amount of Taxes Other Than Income Taxes?

RECOMMENDATION: The appropriate amount of Taxes Other Than Income Taxes is $89,665. (C. ROMIG, L. ROMIG)

STAFF ANALYSIS: In its MFRs, St. Joe shows per book projected test year 2001 Taxes Other Than Income of $154,577. The company made adjustments to reduce its Taxes Other for taxes related to its Purchased Gas Adjustment by $29,059; Regulatory Assessment Fees of $4,843 and Gross Receipts Taxes of $24,216. The result is company Adjusted Taxes Other of $125,518. To this $125,518, staff recommends four adjustments that total $35,853. The table below portrays adjustments to Taxes Other and reconciles the per books Taxes Other to the staff recommended Taxes Other. Further explanation of staff's adjustments follow the table.

TYPE	2001 MFRS per Books	Company Adjustments	Company Adjusted	Staff Adjustments	Staff Adjusted
Payroll Tax	37,753		37,753	0	37,753
State Intangible Tax	5,300		5,300	(5,300) (1)	0
Regulatory Assessment Fees	10,254	(4,843)	5,411	255 (2)	5,666
Property Tax	50,000		50,000	(3,754) (3)	46,246
Gross Receipts Tax	51,270	(24,216)	27,054	(27,054) (4)	0
TOTAL	**$154,577**	**($29,059)**	**$125,518**	**($35,853)**	**$89,665**

Staff's four adjustments are:

1. State Intangible Taxes - The company included state intangible taxes of $5,300 in its MFRs. It was determined that the entire $5,300 relates to intangible tax paid by St. Joe as agent for its stockholders. Staff recommends that intangible tax paid on behalf of its shareholders should be

disallowed and therefore recommends that Taxes Other - Intangible Taxes be reduced by $5,300.

2. Regulatory Assessment Fees - Staff's recommended adjustment to recognize $50,922 of the deferred credit related to FCPC results in Regulatory Assessment Fees of $255 ($50,922*.005).

3. Property Taxes - The company included real and personal property taxes of $50,000 in its MFRs. The real property taxes relate to St. Joe's office, warehouse and its measuring and regulating station at St. Joe Beach. The personal property taxes relate to its mains and are assessed by both Gulf County and Bay County. On examining Years 1999, 2000 and 2001 by parcel, it was determined that there were likely increases in real property taxes and actual decreases in personal property taxes. The actual decreases in personal property taxes were unknown at the time of filing. As a result of information received by the company subsequent to filing its MFRs, Year 2001 property taxes are now estimated at $46,245.68, rather than the $50,000 I its MFRs. An adjustment of $3,754.32 is therefore appropriate.

4. Gross Receipts Taxes - Following the company's adjustment to remove $24,216 in Gross Receipts Tax related to Purchased Gas Adjustment Revenue, the Company Adjusted Gross Receipts Tax was $27,054. In Issue 38, Staff recommends and discusses unbundling and separately stating the Gross Receipts Taxes on its customers' bills. To adjust for separately stating the tax, Gross Receipts Tax must be reduced to zero, an adjustment of $27,054.

In summary, Taxes Other Than Income should be reduced by $35,853 from $125,518 to $89,665.

ISSUE 39: What is the appropriate Income Tax Expense, including current, deferred, and interest reconciliation?

RECOMMENDATION: The appropriate income tax expense, including current, deferred, and interest reconciliation is $(38,169), an net increase of $21,179. (C. ROMIG)

STAFF ANALYSIS: The company shows Year 2001 income taxes of $(59,348). Staff's adjustments to revenues and expenses increases tax expense by $38,328. Staff's interest reconciliation adjustment which results from staff's adjustments to the company's capital structure decreases income tax expense by $(17,149). The result is a net $21,179 increase to income tax expense. The company's $(59,348) is increased by $21,179 to staff's recommended income tax expense of $(38,169).

ISSUE 40: What is the appropriate level of Total Operating Expenses for the projected test year?

RECOMMENDATION: The appropriate level of total operating expenses for the projected test year is $1,092,841. (BRINKLEY)

STAFF ANALYSIS: This is a fallout calculation based on the decisions in preceding issues.

ISSUE 41: What is the appropriate amount of projected test year Net Operating Income?

RECOMMENDATION: The appropriate amount of projected test year Net Operating Income is $23,017. (BRINKLEY)

STAFF ANALYSIS: This is a fallout calculation based on the decisions in preceding issues. Company and staff positions are reflected below.

NET OPERATING INCOME
For the Projected Test Year Ending 12/31/01

	COMPANY	STAFF
Operating Revenues	$1,053,096	$1,115,858
Operating Expenses:		
O&M	$801,278	797,958
Depreciation & Amortization	243,307	243,387
Taxes-Other	125,518	89,665
Income Taxes	(59,348)	(38,169)
Total Operating Expense	$1,110,755	$1,092,841
Total NOI	$(57,659)	$23,017

OTHER

ISSUE 42: What is the appropriate treatment of the refund of the 1994-1995 overearnings?

RECOMMENDATION: The company should refund $215,152 over 60 months as required by Order No. PSC-96-1188-FOF-GU in Docket No. 9600930-GU, issued September 23, 1996. (L. ROMIG)

STAFF ANALYSIS: The Commission found in Order No. PSC-96-1188-FOF-GU that the company overearned a total of $261,318 for 1994 and 1995. The company submitted its proposal to dispose of the overearnings which was accepted by the Commission. Based on the proposal the Commission ordered the company in part: 1) To amortize off the books, over a 25-year period beginning January 1, 1997, $261,318 in excess earnings for 1994 and 1995; and 2) If the company files with the Commission, a petition to increase its rates, that has the effect of increasing revenues, then the company agrees to refund over a 60-month period commencing with the new rate change, the remaining unamortized balance of excess earnings to be established at the conclusion of the rate proceeding, without interest.

The rate increase will go into effect on June 15, 2001 and the unamortized balance at the end of May, 2001 will be approximately $215,152. Therefore, the company should begin refunding $43,030 annually by crediting the customers' bills, commencing with the rate change in this docket.

REVENUE DEFICIENCY

ISSUE 43: What are the appropriate projected test year Revenue Expansion Factor and Net Operating Income Multiplier to be used in calculating the revenue deficiency including the appropriate elements and rates?

RECOMMENDATION: The appropriate Revenue Expansion Factor is 63.2806% and the appropriate Net Operating Income Multiplier is 1.5803. (C. ROMIG, L. ROMIG)

STAFF ANALYSIS: The company's calculations result in a proposed revenue expansion factor of 60.4989% and a net operating income multiplier of 1.6529. There are two differences between staff's calculation and the company's calculation.

The first difference is that staff has omitted the 2.5% Gross Receipts Tax factor in its calculation. Staff is recommending that Gross Receipt Tax be unbundled and shown separately on the customers' bills. To accomplish this, the 2.5% has been removed from staff's calculation of the revenue expansion factor. Staff's recommendation addressing Gross Receipts Tax is discussed in Issue 37.

The second difference is that the company used a 34% federal income tax rate, whereas staff developed an effective federal income rate of 32.6999%, by calculating income tax expense using the federal tax rates for different levels of taxable income.

The result of the two differences changes the revenue expansion factor from 60.4989% to 60.2806% and the net operating income multiplier from 1.6529 to 1.5803. Calculation of the revenue expansion factor/net operating income multiplier as filed and as recommended by staff is shown on Attachment 4.

ISSUE 44: What is the appropriate projected test year revenue deficiency?

RECOMMENDATION: The appropriate projected test year revenue deficiency is $365,334. (BRINKLEY)

STAFF ANALYSIS: This is a fallout calculation based on the decisions in preceding issues. Company and staff positions are reflected in the following schedule.

CALCULATION OF REVENUE DEFICIENCY
For the Projected Test Year Ending 12/31/01

	COMPANY	STAFF
Rate Base	$4,371,103	$4,080,215
Rate of Return	6.32%	6.23%
Required NOI	276,254	254,197
Achieved NOI	(57,658)	23,017
NOI Deficiency	333,912	231,180
Revenue Expansion Factor	1.6529	1.5803
Revenue Deficiency	$551,923	$365,334

ISSUE 45: Should any portion of the $355,984 interim increase granted by Order No. PSC-01-0465-PCO-GU, issued on February 26, 2001, be refunded to the customers?

RECOMMENDATION: No portion of the $355,984 interim revenue increase should be refunded. (BRINKLEY)

STAFF ANALYSIS: Any interim increase is reviewed when final rates are derived to determine if any portion should be returned to the ratepayers. In this case, the test period for permanent rates includes the interim period so the rate case revenue requirements for final rates should be used for affirmation of the interim increase.

In this docket, the requested interim test year was the 12 months ended December 31, 1999. The Commission granted the interim increase noted above to St. Joe on February 6, 2001. Interim rates went into effect March 8, 2001, approximately ten weeks after the beginning of the 2001 projected test year, and will continue for approximately three more months of the projected test year.

Since the test period for permanent rates includes the period interim rates are in effect and the increase recommended for final rates exceeds the interim increase awarded, Staff believes that no refund of interim is required.

ISSUE 46: Should St. Joe be required to submit, within 60 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records that will be required as a result of the Commission's findings in this rate case?

RECOMMENDATION: Yes. The utility should be required to fully describe the entries and adjustments that will be either recorded or used in preparing reports submitted to the Commission. (BRINKLEY)

STAFF ANALYSIS: Various adjustments will be made to the records of St. Joe as a result of findings in this rate case. St. Joe should be required to fully describe the entries and adjustments that will be either recorded or used in preparing reports submitted to the Commission.

RATE DESIGN AND COST OF SERVICE

ISSUE 47: What are the appropriate billing determinants to be used in the projected test year?

RECOMMENDATION: The appropriate billing determinants to be used in the projected test year are shown on Attachment 6. (WHEELER, SPRINGER)

STAFF ANALYSIS: Staff has reviewed the therms sales number of customers used to design rates for the test year, and believes that they are appropriate. These billing determinants are shown on Attachment 6.

ISSUE 48: What is the appropriate cost of service methodology to be used in allocating costs to the various rate classes?

RECOMMENDATION: The appropriate methodology is staff's cost of service methodology adjusted for changes made to rate base, operation and maintenance expense net operating income and projected test year base rate revenues. (WHEELER, SPRINGER)

STAFF ANALYSIS: The appropriate cost of service methodology to be used in allocating costs to the rate classes is staff's cost of service methodology. The study reflects the adjustments made to rate base, operation and maintenance expense, net operating income, and projected test year base rate revenues.

ISSUE 49: If any revenue increase is granted, what are the appropriate rates for St. Joe, resulting from the allocation of the increase among the customer classes?

RECOMMENDATION: Staff's recommended rates are shown on Attachment 7, page 1. (WHEELER, SPRINGER)

STAFF ANALYSIS: Attachment 6 details the development of staff's recommended customer and per therm energy charges, and Page 1 of Attachment 7 summarizes the present and staff-recommended rates by rate class. Pages 4 through 8 of Attachment 7 contain monthly bill comparisons for various levels of usage by rate class.

Residential Rate

Staff recommends that the residential class customer charge be increased from its present level of $6.00 per month to $9.00. The company proposed an increase to $12.00, however staff believes that an increase of that magnitude is not appropriate. Currently, the residential customer charges for Florida investor-owned gas utilities range from $5.00 to $10.00 monthly, and staff believes that a $9.00 customer charge is reasonable for St. Joe. The energy charge for residential customers is currently 24.146 cents per therm. Staff's proposed rates result in a charge of 38.086 cents per therm.

Page 4 of Attachment 7 contains a comparison of monthly base rate and purchased gas charges for various levels of consumption for the residential class. The average residential consumption for St. Joe is approximately 30 therms per month. The average customer will therefore see a 54% increase in the base rate portion of their monthly bill. This translates to an 18.5% increase in the combined base rate and purchased gas portion of the average residential bill, based on the purchased gas adjustment factor effective March 2001.

The comparison in Attachment 7 does not include the currently effective conservation cost recovery factor of 2.215 cents per therm for the residential class. It must also be noted that the current base rates include the state gross receipts tax of 2.5%. The gross receipts tax has been removed from the recommended rates (discussed in Issue 37), and will be billed as separate line item on customer bills.

For reference, staff has included on page 3 of Attachment 7 a comparison of the recommended St. Joe base rate charges with those of the other Florida investor-owned gas utilities. The schedule also compares St. Joe's recommended 30-therm monthly residential bill with the Florida investor-owned gas utilities.

Contract Transportation Service Rate

In its filing St. Joe proposed a reduction to the company's Contract Transportation (CTS) Rate, citing the competitive alternatives available to customers in this transportation-only class. The proposed CTS is available to customers whose use exceeds 500,000 therms per year. The only customer eligible for service under the proposed CTS rate, Arizona Chemical Company, represents approximately 84% of St. Joe's therm sales and 40% of its base revenues at present rates for the test period.

Staff recognizes that the loss of this large customer could result in rate increases to the remaining customers. Staff notes that in 1999, St. Joe lost its then-largest customer, Florida Coast Paper Company, LLC. Historically, this customer accounted for 66% of St. Joe's therm sales. In his testimony, Witness Shoaf indicated that the loss of this customer was a major factor contributing to the need for rate relief.

Staff recognizes the need to offer competitive rates to its CTS customer. However, given the magnitude of the rate increase in this case, staff does not believe that it is appropriate to reduce rates to any customer class. Staff has therefore proposed that the CTS rate (as well as the corresponding Large Interruptible and Contract Interruptible rates), be maintained at its present level of 4.070 cents per therm.

ISSUE 50: What is the appropriate effective date for any new rates and charges approved by the Commission?

RECOMMENDATION: All new rates and charges should become effective for meter readings on or after 30 days from the date of the vote approving the rates and charges. (WHEELER, SPRINGER)

STAFF ANALYSIS: All new rates and charges should become effective for meter readings on or after 30 days from the date of the vote approving them.

Pursuant to Section 366.06(4), Florida Statutes, if the Commission's action is protested by a party other than the utility, the utility may put its requested rates into effect under bond, escrow or corporate undertaking subject to refund. If the utility does put the rate into effect in this manner, it must first give notice to the Commission and file the appropriate tariffs. The utility must keep accurate records of amounts received in accordance with Section 366.06(3), Florida Statutes.

ISSUE 51: Are St. Joe's proposed Miscellaneous Charges appropriate?

RECOMMENDATION: Yes. (WHEELER, SPRINGER)

STAFF ANALYSIS: Staff's recommended miscellaneous charges are shown on Attachment 7, page 2. Staff has reviewed the development of these charges in MFR Schedule E-3, and believes that they are appropriate.

ISSUE 52: Are St. Joe's proposed new Commercial and Large Commercial Service rate classes appropriate?

RECOMMENDATION: Yes. (WHEELER, SPRINGER)

STAFF ANALYSIS: St. Joe's current Large Commercial rate schedule is available to customers who use between 2,000 and 50,000 therms per year. Under St. Joe's proposal, this rate schedule is divided into two new rate schedules: Commercial Service for those customers who use between 2,000 and 25,000 therms annually, and Large Commercial Service for those customers who use between 25,000 and 500,000 therms annually. Staff believes this change is appropriate, and is consistent with other proposed changes to St. Joe's rate schedules.

ISSUE 53: Is St. Joe's proposed new Firm Transportation Service rate class appropriate?

RECOMMENDATION: Yes. (WHEELER, SPRINGER)

STAFF ANALYSIS: St. Joe has proposed a new Firm Transportation (FTS) rate schedule that will be available to transportation-only customers who use between 25,000 and 500,000 therms per year. There is currently one customer eligible for this new class. This customer currently takes service under St. Joe's Contract Transportation Service (CTS) rate.

The CTS rate is currently available to any transportation customer who uses more than 150,000 therms per year. St. Joe has proposed to change the applicability of this class to make it available only to customers who use in excess of 500,000 therms per year. St. Joe believes that there are differences in the cost to serve these larger customers and in their ability to seek alternatives to gas service. Staff agrees. It is appropriate to separate the existing CTS class into the new FTS class and the redefined CTS class.

ISSUE 54: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action. (HART)

STAFF ANALYSIS: If no timely protest to the proposed agency action is filed within 21 days of the issuance of the order, this docket should be closed upon the issuance of a Consummating Order.

DOCKET NO. 001447-GU
DATE: May 3, 2001

COMPARATIVE AVERAGE RATE BASES

ST JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 1
03-May-2001

ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	PLANT IN SERVICE					
	UTILITY PLANT	$6,215,693				
4	To remove plant no longer in service				(1,628)	
5	To remove cost of anodes				(8,740)	
8	To correct retirements				(5,749)	
10	To remove AFUDC				($90,553)	
	Total Plant-In-Service	$6,215,693	$0	$6,215,693	($106,670)	$6,109,023
9	CONSTRUCTION WORK IN PROGRESS	18,328				
	Total Construction Work In Progress	$18,328	$0	$18,328	$0	$18,328
	TOTAL PLANT	$6,234,021	$0	$6,234,021	($106,670)	$6,127,351
	DEDUCTIONS					
	ACCUM. DEPR.- PLANT IN SERVICE	2,402,461				
4	To remove plant no longer in service				(785)	
5	To remove cost of anodes				(187)	
6	To reflect budgeted retirements				(54,666)	
7	To recover FCPC negative reserve				(18,278)	
8	To correct retirements				(271)	
10	To remove AFUDC				(26,746)	
	TOTAL DEDUCTIONS	$2,402,461	$0	$2,402,461	($100,933)	$2,301,528
	NET UTILITY PLANT	$3,831,560	$0	$3,831,560	($5,737)	$3,825,823
	WORKING CAPITAL ALLOWANCE	($1,754,552)	$2,294,095	$539,543	($285,151)	$254,392
	TOTAL RATE BASE	$2,077,008	$2,294,095	$4,371,103	($290,888)	$4,080,215

WORKING CAPITAL

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 1A
03-May-2001

ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	WORKING CAPITAL	(1,754,552)				
	Merchandise, Jobbing & Other		(15,486)			
	Materials & supplies		(14,655)			
	Merchandise		(6,655)			
	Notes Payable		404,615			
	Customer Deposits		27,801			
	Taxes Accrued - General		8,750			
	Accum. Deferred Income Taxes		311,130			
	Other Deferred Credits - FCPC		1,578,595			
17, 35	To eliminate Debit Deferred Taxes and Accrued Taxes - Income				(273,943)	
35	To reflect tax effect of GCI revenues				(11,208)	
	TOTALS	(1,754,552)	2,294,095	539,543	(285,151)	254,392

CAPITAL STRUCTURE

ST JOE NATURAL GAS COMPANY, INC
DOCKET NO 001447-GU
PTY 12/31/01
13 Month Average

	COMPANY ADJUSTMENTS				STAFF ADJUSTMENTS						
	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	SPECIFIC	EQUITY RATIO	PRO RATA	STAFF ADJUSTED	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	$2,077,008	($23,213)		$2,053,795	($75,015)	($551,457)	$32,372	$1,459,695	35 77%	11 50%	4 11%
LONG TERM DEBT	$254,615	(2,846)		251,769		551,457	18,217	821,443	20 13%	8 82%	1 78%
SHORT TERM DEBT	$150,000	(1,676)		148,324			3,364	151,688	3.72%	8 00%	0 30%
CUSTOMER DEPOSITS	$27,801	(311)		27,490	169		627	28,286	0 69%	5 99%	0 04%
DEFERRED CREDITS - FCPC	$1,578,595			1,578,595				1,578,595	38 69%	0 00%	0 00%
DEFERRED TAXES - ZERO COST	$311,130			311,130	(270,622)			40,508	0 99%	0 00%	0 00%
TOTAL	$4,399,149	($28,046)	$0	$4,371,103	($345,468)	$0	$54,580	$4,080,215	100%		6 23%
EQUITY RATIO	83 70%			83 70%				60 00%			

COMPARATIVE NOIs

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO 001447-GU
PTY 12/31/01

ATTACHMENT 3
Page 1 of 2
03-May-2001

			COMPANY		STAFF	
ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	OPERATING REVENUES	$2,050,791				
	To remove PGA revenues		($997,695)			
22	To correct base rate revenues				$29,059	
24	To include interest earned on WC cash				9,835	
35	To impute rev. on Def. Credits - FCPC				50,922	
37	To unbundle GRT from revenues				(27,054)	
	TOTAL REVENUES	$2,050,791	($997,695)	$1,053,096	$62,762	$1,115,858
	OPERATION & MAINTENANCE EXPENSE	1,769,914				
	To remove PGA expenses		(968,636)			
26	To remove gas line locational costs				(20,800)	
27	To add rate case expense				21,138	
28	To remove janitorial expense error				(3,513)	
30	To remove lobbying expenses				(203)	
32	To correct errors due to incorr. trend bases				58	
	TOTAL O & M EXPENSE	$1,769,914	($968,636)	$801,278	($3,320)	$797,958

COMPARATIVE NOIs

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 3
Page 2 of 2
03-May-2001

ISSUE NO.		COMPANY: TOTAL PER BOOKS	COMPANY: COMPANY ADJS.	COMPANY: COMPANY ADJUSTED	STAFF: STAFF ADJS.	STAFF: STAFF ADJUSTED
	DEPRECIATION & AMORTIZATION	$243,307				
4	To remove plant no longer in service				(22)	
5	To remove cost of anodes				(280)	
7	To recover FCPC negative reserve				4,062	
8	To correct retirements				(782)	
10	To remove AFUDC				($2,898)	
	TOTAL DEPRECIATION & AMORT.	$243,307	$0	$243,307	$80	$243,387
	TAXES OTHER THAN INCOME	154,577				
	To remove PGA taxes		(29,059)			
38	To correct account and unbundle GRT				(35,853)	
	TOTAL TAXES OTHER THAN INCOME	$154,577	($29,059)	$125,518	($35,853)	$89,665
	INCOME TAX EXPENSE					
39	Income taxes - current & deferred	(59,348)	0		38,328	
39	Interest Synch/Rec. Adj.		0		(17,149)	
	TOTAL INCOME TAXES	($59,348)	$0	($59,348)	$21,179	($38,169)
	TOTAL OPERATING EXPENSES	$2,108,450	($997,695)	$1,110,755	($17,914)	$1,092,841
	NET OPERATING INCOME	($57,659)	$0	($57,659)	$80,676	$23,017

OPERATIONS AND MAINTENANCE TREND SCHEDULE

ST JOE NATURAL GAS COMPANY, INC.
DOCKET NO 001447-GU
PTY 12/31/01

Schedule 3A
03-May-2001
Page 1 of 6

	TREND RATES:	BASE YEAR + 1 12/31/00	PROJECTED TEST YEAR 12/31/01
# 1	Payroll Only	4 00%	4 00%
# 2	Customer Growth x Inflation	4 04%	3 94%
# 3	Inflation Only (CPI-U)	3 40%	3 30%
# 4	Customer Growth	0 62%	0 62%

ACCOUNT	BASE YEAR 1999	BASE + 1 2000	PROJECTED TEST YEAR 2001	TREND BASIS APPLIED
DISTRIBUTION EXPENSE				
807 Purchased Gas Expenses				
Payroll trended	10,067	10,470	10,888	1
Other trended	0	0	0	1
Total	10,067	10,470	10,888	
870 Operation Supervision & Engineering				
Payroll trended	39,606	41,190	42,838	1
Other trended	0	0	0	1
Other not trended		0	0	1
Total	39,606	41,190	42,838	
871 Distribution Load Dispatching				
Payroll trended	47,890	49,806	51,798	1
Other trended	385	401	417	2
Total	48,275	50,206	52,215	
873 Compressor Station Fuel & Power				
Payroll trended	0	0	0	
Other trended	0	0	0	
Total	0	0	0	
874 Main & Service Expense				
Payroll trended	36,471	37,930	39,447	1
Other trended	3,269	3,401	3,535	2
Other not trended			41,600	
Staff adjustment			(20,800)	
Total	39,740	41,331	84,582	
875 Measuring & Regulating Station General				
Payroll trended	5,092	5,296	5,508	1
Other trended	337	351	365	2
Total	5,429	5,646	5,872	
876 Measure & Regulating Station Industrial				
Payroll trended	5,163	5,370	5,584	1
Other trended	2,614	2,720	2,829	2
Total	7,777	8,089	8,414	

877 Measure & Regulating Station City Gate				
Payroll trended	6,722	6,991	7,271	1
Other trended	2,282	2,374 0	2,470	2
Other not trended	0	0	0	
Total	9,004	9,365	9,741	
878 Meter & House Regulator Expense				
Payroll trended	16,767	17,438	18,135	1
Other trended	10,244	10,658	11,078	2
	0	0	0	
Total	27,011	28,096	29,213	
879 Customer Installations Expense				
Payroll trended	46,924	48,801	50,753	1
Other trended	20,435	21,261	21,827	2
Staff adjustment	0	0	272	
Total	67,359	70,062	72,852	
880 Other Expense Maps & Records				
Payroll trended	2,993	3,113	3,237	1
Other trended	11,743	12,142	12,543	3
Other trended	0	0	0	
Total	14,736	15,255	15,780	
881 Rents				
Payroll trended	0	0	0	
Other trended	0	0	0	3
	0	0	0	
Total	0	0	0	
Total Distribution Expense	$269,004	$279,710	$332,395	

MAINTENANCE EXPENSE

885 Maintenance Supervision & Engineering				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
886 Maintenance of Structures & Improvements				
Payroll trended	1,353	1,407	1,463	1
Other trended	81	84	88	2
Other not trended				
Total	1,434	1,491	1,551	
887 Maintenance of Mains				
Payroll trended	1,819	1,892	1,967	1
Other trended	6,504	6,767	7,033	2
Other not trended				
Total	8,323	8,659	9,001	

Account				
888 Maintenance of Compressor Station Equip				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
889 Maintenance of Meas & Reg. Station General				
Payroll trended	1,549	1,611	1,675	1
Other trended	95	99	103	2
Other not trended				
Total	1,644	1,710	1,778	
890 Maintenance of Meas. & Reg Station Industrial				
Payroll trended	1,025	1,066	1,109	1
Other trended	219	228	237	2
Other not trended				
Total	1,244	1,294	1,346	
891 Maintenance of Meas & Reg. Station City Gate				
Payroll trended	455	473	492	1
Other trended	582	606	629	2
Other not trended				
Total	1,037	1,079	1,121	
892 Maintenance of Services				
Payroll trended	6,890	7,166	7,452	1
Other trended	2,508	2,609	2,712	2
Other not trended				
Total	9,398	9,775	10,164	
893 Maintenance of Meters & House Regulators				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Total	0	0	0	
894 Maintenance of Other Equipment				
Payroll trended	0	0	0	1
Other trended	0	0	0	1
Other not trended				
Total	0	0	0	
Total Maintenance Expense	$23,080	$24,007	$24,962	

CUSTOMER ACCOUNT EXPENSE

Account				
901 Supervision				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
902 Meter Reading Expense				
Payroll trended	17,131	17,816	18,529	1
Other trended	0	0	0	2
Total	17,131	17,816	18,529	

903 Customer Records & Collections				
Payroll trended	81,136	84,381	87,757	1
Other trended	7,928	8,248	8,573	2
Total	89,064	92,630	96,330	
904 Uncollectible Accounts				
Payroll trended	0	0	0	
Other trended	6,117	6,364	6,615	2
Total	6,117	6,364	6,615	
908 Customer Assistance Expenses				
Payroll trended	0	0	0	
Other trended	1,016	1,057 0	1,100	2
Total	1,016	1,057	1,100	
Total Customer Account Expense	$113,328	$117,867	$122,573	

SALES EXPENSE

911 Supervision				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
912 Selling & Demonstrating Expense				
Payroll trended	0	0	0	1
Payroll not trended	0	0	0	3
Total	0	0	0	
913 Advertising Expense				
Payroll trended	0	0	0	
Other trended	2,563	2,650	2,740	3
Other not trended				
Total	2,563	2,650	2,740	
916 Miscellaneous Sales Expense				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
Total Sales Expense	$2,563	$2,650	$2,740	

ADMINISTRATIVE & GENERAL EXPENSES

920 Administrative & General Salaries				
Payroll trended	35,322	36,735	38,204	1
Other trended	0	0	0	1
Other not trended	0	0	0	1
Total	35,322	36,735	38,204	
921 Office Supplies & Expenses				
Payroll trended	0	0	0	
Other trended	14,022	14,588	15,163	2
Other trended	0	3,380	3,513	2
Staff adjustment			(3,513)	
Total	14,022	17,968	15,163	
922 Administrative Exp. Transferred-Credit				
Payroll trended	0	0	0	
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
923 Outside Services Employed				
Payroll trended	0	0	0	
Other trended	21,547	22,280	23,301	3
Staff adjustment			(286)	
Total	21,547	22,280	23,015	
924 Property Insurance				
Payroll trended	0	0	0	
Other trended	31,655	32,731	33,811	3
Other not trended				
Total	31,655	32,731	33,811	
925 Injuries & Damages				
Payroll trended	0	0	0	1
Other not trended	0	0	0	
Total	0	0	0	
926 Employee Pensions/Benefits				
Payroll trended	8,056	8,378	8,713	1
Other trended	61,822	63,924	66,033	3
Other not trended		50,000	50,000	
Total	69,878	122,302	124,747	
927 Franchise Requirements				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	

Schedule 3A
Page 6 of 6

928 Regulatory Commission Expense				
Payroll trended	17,758	18,468	19,207	1
Other trended	0	0	0	
Staff adjustments			21,138	
Total	17,758	18,468	40,345	
929 Duplicate Charges				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
930 1 General Advertising Expenses				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
930.2 Miscellaneous General Expenses				
Payroll trended	0	0	0	
Other trended	33,717	34,863	36,014	3
Other not trended	0	0	0	
Staff adjustments			(203)	
Total	33,717	34,863	35,811	
933 Transportation Expenses				
Payroll trended	550	572 0	595	1
Other trended	16,456	17,121	17,795	2
Other not trended	0	0	0	
Total	17,006	17,693	18,390	
935 Maintenance of General Plant				
Payroll trended	655	681	708	1
Other trended	5,454	5,674	5,826	2
Staff adjustment			72	
Total	6,109	6,356	6,606	
Total Administrative & General Expenses	$247,014	$309,396	$336,094	
TOTAL OPERATION & MAINTENANCE EXPENSES	$654,989	$733,630	$818,764	
Payroll trended	391,394	407,050	423,332	
Other trended	263,595	273,201	282,839	
Other not trended	0	53,380	95,113	
Staff adjustments			(3,320)	
Rounding difference to NOI schedule			($6)	
Total Operation & Maintenance Expenses	$654,989	$733,630	$797,958	

NET OPERATING INCOME MULTIPLIER

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 4
03-May-2001

DESCRIPTION	COMPANY PER FILING	STAFF
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	2.5000%	0 0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0 0000%	0 0000%
NET BEFORE INCOME TAXES	97.0000%	99 5000%
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.3350%	5.4725%
NET BEFORE FEDERAL INCOME TAXES	91.6650%	94.0275%
FEDERAL INCOME TAX RATE	34.0000%	32.6999%
FEDERAL INCOME TAX	31.1661%	30.7469%
REVENUE EXPANSION FACTOR	60.4989%	63.2806%
NET OPERATING INCOME MULTIPLIER	1.6529	1.5803

. COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

ST. JOE NATURAL GAS COMPANY, INC
DOCKET NO 001447-GU
PTY 12/31/01

ATTACHMENT 5
03-May-2001

	COMPANY ADJUSTED	STAFF
RATE BASE (AVERAGE)	$4,371,103	$4,080,215
RATE OF RETURN	X 6.32%	X 6.23%
REQUIRED NOI	$276,254	$254,197
Operating Revenues	1,053,096	1,115,858
Operating Expenses:		
Operation & Maintenance	801,278	797,958
Depreciation & Amortization	243,307	243,387
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	125,518	89,665
Income Taxes	(59,348)	(38,169)
Total Operating Expenses	1,110,755	1,092,841
ACHIEVED NOI	(57,659)	23,017
NET NOI DEFICIENCY	333,913	231,180
REVENUE TAX FACTOR	1 6529	1.5803
REVENUE DEFICIENCY	$551,924	$365,334

Attachment 6

COST OF SERVICE SUMMARY
CALCULATION OF STAFF RECOMMENDED RATES
St. Joe Natural Gas Company
DOCKET NO. 001447-EU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
PROPOSED TOTAL TARGET REVENUES	1,420,430	822,310	63,961	64,060	39,370	430,729
LESS. OTHER OPERATING REVENUE	45,553	42,276	2,791	486	0	0
REV. TO BE RECOVERED THROUGH BASE RATES	1,374,877	780,034	61,170	63,574	39,370	430,729
LESS: CUSTOMER CHARGE REVENUES						
PROPOSED CUSTOMER CHARGES		$9.00	$9.00	$40 00	$1,000 00	$1,000 00
TIMES: NUMBER OF BILLS. SALES	42,079	39,004	2,578	449	12	36
EQUALS: CUSTOMER CHARGE REVENUES	440,198	351,036	23,202	17,960	12,000	36,000
EQUALS: PER-THERM TARGET REVENUES	934,679	428,998	37,968	45,614	27,370	394,729
DIVIDED BY: NUMBER OF THERMS	11,483,243	1,126,382	99,690	220,733	338,278	9,698,160
EQUALS: PER-THERM RATES (UNROUNDED)		0.38086	0.38086	0 20665	0 08091	0 04070
PER-THERM RATES (ROUNDED)		0.38086	0 38086	0 20665	0 08091	0.04070
PER-THERM-RATE REVENUES (RNDED RATES)	934,661	428,994	37,968	45,614	27,370	394,715
SUMMARY: RECOMMENDED TARIFF RATES						
CUSTOMER CHARGES		**$9.00**	**$9.00**	**$40.00**	**$1,000.00**	**$1,000.00**
ENERGY CHARGES						
NON-GAS (CENTS PER THERM)		**38.086**	**38.086**	**20.665**	**8.091**	**4.070**
PURCHASED GAS ADJUSTMENT		**85.388**	**85.388**	**85.388**	**N/A**	**N/A**
TOTAL CENTS PER THERM (INCLUDING PGA)		**123.474**	**123.474**	**106.053**	**8.091**	**4.070**
SUMMARY: PRESENT TARIFF RATES						
CUSTOMER CHARGES		$6.00	$12.00	$35.00	$1,000 00	$1,000 00
ENERGY CHARGES						
NON-GAS (CENTS PER THERM)		24.146	29.876	10.064	4.070	4.070
PURCHASED GAS ADJUSTMENT		85.388	85.388	85.388		
TOTAL CENTS PER THERM (INCLUDING PGA)		109.534	115.264	95 452	4.070	4.070

SUMMARY: OTHER OPERATING REVENUE	PRESENT CHARGE	PRESENT REVENUE	PROPOSED CHARGE	PROPOSED REVENUE
CONNECTION RESIDENTIAL	$10.00	$5,800	$30.00	$23,520
CONNECTION COMMERCIAL	$10.00	$150	$60 00	$900
RECONNNECTION RESIDENTIAL	$10.00	$1,650	$30.00	$5,400
RECONNECTION COMMERCIAL	$10.00	$150	$60.00	$900
COLLECTION IN LIEU OF DISCONNECT	$10.00	$0	$15.00	$225
CHANGE OF ACCT	$0 00	$0	$20 00	$375
RETURN CHECK CHARGE	$10 00	640	$25.00	$1,600
LATE FEES	$3 00	$12,633	$3.00	$12,633
TOTAL		$21,023		$45,553

02-May-2001
09 43 PM

C \123\StJoe\StJoeFinalRates 123

ST. JOE NATURAL GAS COMPANY
STAFF RECOMMENDED RATES
DOCKET NO. 001447-GU

Attachment 7
Page 1 of 8

RATE SCHEDULE	PRESENT RATES	STAFF RECOMMENDED RATES
RESIDENTIAL		
CUSTOMER CHARGE	$6.00	$9.00
ENERGY CHARGE (cents/therm)	24.146	38.086
SMALL COMMERCIAL (FORMERLY COMMERCIAL)		
CUSTOMER CHARGE	$12.00	$9.00
ENERGY CHARGE (cents/therm)	29.876	38.086
COMMERCIAL (FORMERLY LARGE COMMERCIAL)		
CUSTOMER CHARGE	$35.00	$40.00
ENERGY CHARGE (cents/therm)	10.064	20.665
LARGE COMMERCIAL (NEW RATE)		
CUSTOMER CHARGE	N/A	$1,000.00
ENERGY CHARGE (cents/therm)	N/A	8.091
LARGE INTERRUPTIBLE		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	4.070
FIRM TRANSPORTATION (NEW RATE)		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	8.091
CONTRACT INTERRUPTIBLE		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	4.070
CONTRACT TRANSPORTATION		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	4.070

ST. JOE NATURAL GAS COMPANY
STAFF RECOMMENDED MISCELLANEOUS CHARGES
DOCKET NO. 001447-GU

SERVICE	PRESENT CHARGES	STAFF RECOMMENDED CHARGES
CONNECTION CHARGE - RESIDENTIAL	$10.00	$30.00
CONNECTION CHARGE - COMMERCIAL	$10.00	$60.00
RECONNECTION CHARGE - RESIDENTIAL	$10.00	$30.00
RECONNECTION CHARGE - COMMERCIAL	$10.00	$60.00
COLLECTION IN LIEU OF DISCONNECTION	$10.00	$15.00
CHANGE OF ACCOUNT	$0.00	$20.00
RETURNED CHECK CHARGE	$10.00	$25.00
LATE FEE	$3.00	$3.00

Monthly Residential Bill Comparison
Florida Investor-Owned Gas Utilities
30 Therms

Utility	Customer Charge	Base Rate (Cents per therm)	Total Monthly Base Rate Charges	March 2001 PGA Factor (Cents per therm)	Total Monthly Base Rate and Fuel Charges
Chesapeake Utilities Corporation	$10.00	44.073	$23.22	122.211	$59.89
City Gas Company	$7.00	51.043	$22.31	98.493	$51.86
Florida Public Utilities Company	$8.00	33.510	$18.05	84.781	$43.49
Indiantown Gas Company	$5.00	6.632	$6.99	102.188	$37.65
Peoples Gas System-Western Division	$7.00	32.525	$16.76	116.073	$51.58
Peoples Gas System	$7.00	41.117	$19.34	116.073	$54.16
Sebring Gas System *	$7.00	35.500	$17.65	99.940	$47.63
St. Joe Natural Gas Company **	**$9.00**	**38.086**	**$20.43**	**85.388**	**$46.05**
South Florida Natural Gas Company	$7.00	56.654	$24.00	99.980	$53.99

* PGA factor for Sebring is February 2001.
** Staff-recommended rates.

ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

Attachment 7
Page 4 of 8

RESIDENTIAL SERVICE
Average Usage: 29 therms per month

PRESENT RATES	RECOMMENDED RATES
Customer Charge	Customer Charge
$6.00	$9.00
Cents per Therm	Cents per Therm
24.146	38.086

Gas Cost Cents/Therm: 85.388 | Therm usage Increment 5

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	Dollar Increase
0	$6.00	$6.00	$9.00	$9.00	50.0%	50.0%	$3.00
5	$7.21	$11.48	$10.90	$15.17	51.2%	32.1%	$3.69
10	$8.41	$16.95	$12.81	$21.35	52.3%	26.0%	$4.40
15	$9.62	$22.43	$14.71	$27.52	52.9%	22.7%	$5.09
20	$10.83	$27.91	$16.62	$33.70	53.5%	20.7%	$5.79
25	$12.04	$33.39	$18.52	$39.87	53.8%	19.4%	$6.48
30	**$13.24**	**$38.86**	**$20.43**	**$46.05**	**54.3%**	**18.5%**	**$7.19**
35	$14.45	$44.34	$22.33	$52.22	54.5%	17.8%	$7.88
40	$15.66	$49.82	$24.23	$58.39	54.7%	17.2%	$8.57
45	$16.87	$55.29	$26.14	$64.56	54.9%	16.8%	$9.27
50	$18.07	$60.76	$28.04	$70.73	55.2%	16.4%	$9.97
55	$19.28	$66.24	$29.95	$76.91	55.3%	16.1%	$10.67
60	$20.49	$71.72	$31.85	$83.08	55.4%	15.8%	$11.36
65	$21.69	$77.19	$33.76	$89.26	55.6%	15.6%	$12.07
70	$22.90	$82.67	$35.66	$95.43	55.7%	15.4%	$12.76
75	$24.11	$88.15	$37.56	$101.60	55.8%	15.3%	$13.45
80	$25.32	$93.63	$39.47	$107.78	55.9%	15.1%	$14.15
85	$26.52	$99.10	$41.37	$113.95	56.0%	15.0%	$14.85
90	$27.73	$104.58	$43.28	$120.13	56.1%	14.9%	$15.55
95	$28.94	$110.06	$45.18	$126.30	56.1%	14.8%	$16.24
100	$30.15	$115.54	$47.09	$132.48	56.2%	14.7%	$16.94
105	$31.35	$121.01	$48.99	$138.65	56.3%	14.6%	$17.64
110	$32.56	$126.49	$50.89	$144.82	56.3%	14.5%	$18.33
115	$33.77	$131.97	$52.80	$151.00	56.4%	14.4%	$19.03
120	$34.98	$137.45	$54.70	$157.17	56.4%	14.3%	$19.72

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

C:\123\StJoe\StJoeFinalRates 123

ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

Attachment 7
Page 5 of 8

SMALL COMMERCIAL SERVICE *
(Less than 2,000 therms per year)

PRESENT RATES	RECOMMENDED RATES
Customer Charge $12.00	Customer Charge $9.00
Cents per Therm 29.876	Cents per Therm 38.086

Gas Cost Cents/Therm: 85.388   Therm usage Increment 5

Average Usage: 39 therms per month

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	Dollar Increase
0	$12.00	$12.00	$9.00	$9.00	-25.0%	-25.0%	($3.00)
5	$13.49	$17.76	$10.90	$15.17	-19.2%	-14.6%	($2.59)
10	$14.99	$23.53	$12.81	$21.35	-14.5%	-9.3%	($2.18)
15	$16.48	$29.29	$14.71	$27.52	-10.7%	-6.0%	($1.77)
20	$17.98	$35.05	$16.62	$33.69	-7.6%	-3.9%	($1.36)
25	$19.47	$40.82	$18.52	$39.87	-4.9%	-2.3%	($0.95)
30	$20.96	$46.58	$20.43	$46.04	-2.6%	-1.2%	($0.54)
35	$22.46	$52.34	$22.33	$52.22	-0.6%	-0.2%	($0.13)
40	**$23.95**	**$58.11**	**$24.23**	**$58.39**	**1.2%**	**0.5%**	**$0.28**
45	$25.44	$63.87	$26.14	$64.56	2.7%	1.1%	$0.69
50	$26.94	$69.63	$28.04	$70.74	4.1%	1.6%	$1.10
55	$28.43	$75.40	$29.95	$76.91	5.3%	2.0%	$1.52
60	$29.93	$81.16	$31.85	$83.08	6.4%	2.4%	$1.93
65	$31.42	$86.92	$33.76	$89.26	7.4%	2.7%	$2.34
70	$32.91	$92.68	$35.66	$95.43	8.3%	3.0%	$2.75
75	$34.41	$98.45	$37.56	$101.61	9.2%	3.2%	$3.16
80	$35.90	$104.21	$39.47	$107.78	9.9%	3.4%	$3.57
85	$37.39	$109.97	$41.37	$113.95	10.6%	3.6%	$3.98
90	$38.89	$115.74	$43.28	$120.13	11.3%	3.8%	$4.39
95	$40.38	$121.50	$45.18	$126.30	11.9%	4.0%	$4.80
100	$41.88	$127.26	$47.09	$132.47	12.4%	4.1%	$5.21
105	$43.37	$133.03	$48.99	$138.65	13.0%	4.2%	$5.62
110	$44.86	$138.79	$50.89	$144.82	13.4%	4.3%	$6.03
115	$46.36	$144.55	$52.80	$151.00	13.9%	4.5%	$6.44

* FORMERLY "COMMERCIAL SERVICE"

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

C \123\StJoe\StJoeFinalRates 123

ST. JOE NATURAL GAS COMPANY

BILL COMPARISON

DOCKET NO. 001447-EU

COMMERCIAL SERVICE *
(2,000-25,000 therms per year)

PRESENT RATES	RECOMMENDED RATES
Customer Charge $35.00	Customer Charge $40.00
Cents per Therm 10.064	Cents per Therm 20.665

Average Usage: 492 therms per month

Gas Cost Cents/Therm: 85.388 Therm usage Increment 150

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	Dollar Increase
200	$55.13	$225.90	$81.33	$252.11	47.5%	11.6%	$26.20
350	$70.22	$369.08	$112.33	$411.19	60.0%	11.4%	$42.10
500	**$85.32**	**$512.26**	**$143.33**	**$570.27**	**68.0%**	**11.3%**	**$58.01**
650	$100.42	$655.44	$174.32	$729.34	73.6%	11.3%	$73.91
800	$115.51	$798.62	$205.32	$888.42	77.7%	11.2%	$89.81
950	$130.61	$941.79	$236.32	$1,047.50	80.9%	11.2%	$105.71
1,100	$145.70	$1,084.97	$267.32	$1,206.58	83.5%	11.2%	$121.61
1,250	$160.80	$1,228.15	$298.31	$1,365.66	85.5%	11.2%	$137.51
1,400	$175.90	$1,371.33	$329.31	$1,524.74	87.2%	11.2%	$153.41
1,550	$190.99	$1,514.51	$360.31	$1,683.82	88.7%	11.2%	$169.32
1,700	$206.09	$1,657.68	$391.31	$1,842.90	89.9%	11.2%	$185.22
1,850	$221.18	$1,800.86	$422.30	$2,001.98	90.9%	11.2%	$201.12
2,000	$236.28	$1,944.04	$453.30	$2,161.06	91.8%	11.2%	$217.02
2,150	$251.38	$2,087.22	$484.30	$2,320.14	92.7%	11.2%	$232.92
2,300	$266.47	$2,230.40	$515.30	$2,479.22	93.4%	11.2%	$248.82
2,450	$281.57	$2,373.57	$546.29	$2,638.30	94.0%	11.2%	$264.72
2,600	$296.66	$2,516.75	$577.29	$2,797.38	94.6%	11.2%	$280.63
2,750	$311.76	$2,659.93	$608.29	$2,956.46	95.1%	11.1%	$296.53
2,900	$326.86	$2,803.11	$639.29	$3,115.54	95.6%	11.1%	$312.43
3,050	$341.95	$2,946.29	$670.28	$3,274.62	96.0%	11.1%	$328.33

* Formerly "LARGE COMMERCIAL SERVICE"

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

C:\123\StJoe\StJoeFinalRates 123

ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

Attachment 7
Page 7 of 8

FIRM TRANSPORTATION SERVICE *
(25,000-500,000 therms per year)

PRESENT RATES	RECOMMENDED RATES
Customer Charge $1,000.00	Customer Charge $1,000.00
Cents per Therm 4.070	Cents per Therm 8.091

Gas Cost Cents/Therm: N/A   Therm usage Increment 2,000

Therm Usage	Present CTS Monthly Bill w/o Fuel	Present CTS Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
2,000	$1,081	N/A	$1,162	N/A	7.4%	N/A	$80
4,000	$1,163	N/A	$1,324	N/A	13.8%	N/A	$161
6,000	$1,244	N/A	$1,485	N/A	19.4%	N/A	$241
8,000	$1,326	N/A	$1,647	N/A	24.3%	N/A	$322
10,000	$1,407	N/A	$1,809	N/A	28.6%	N/A	$402
12,000	$1,488	N/A	$1,971	N/A	32.4%	N/A	$483
14,000	$1,570	N/A	$2,133	N/A	35.9%	N/A	$563
16,000	$1,651	N/A	$2,295	N/A	39.0%	N/A	$643
18,000	$1,733	N/A	$2,456	N/A	41.8%	N/A	$724
20,000	$1,814	N/A	$2,618	N/A	44.3%	N/A	$804
22,000	$1,895	N/A	$2,780	N/A	46.7%	N/A	$885
24,000	$1,977	N/A	$2,942	N/A	48.8%	N/A	$965
26,000	$2,058	N/A	$3,104	N/A	50.8%	N/A	$1,045
28,000	$2,140	N/A	$3,265	N/A	52.6%	N/A	$1,126
30,000	$2,221	N/A	$3,427	N/A	54.3%	N/A	$1,206
32,000	$2,302	N/A	$3,589	N/A	55.9%	N/A	$1,287
34,000	$2,384	N/A	$3,751	N/A	57.4%	N/A	$1,367
36,000	$2,465	N/A	$3,913	N/A	58.7%	N/A	$1,448
38,000	$2,547	N/A	$4,075	N/A	60.0%	N/A	$1,528
40,000	$2,628	N/A	$4,236	N/A	61.2%	N/A	$1,608

* CUSTOMERS UNDER RECOMMENDED FIRM TRANSPORTATION RATE SCHEDULE ARE CURRENTLY SERVED UNDER THE COMPANY'S EXISTING CONTRACT TRANSPORTATION SERVICE RATE (CTS) RATE SCHEDULE.

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed
- Gas cost effective March 2001.

C:\123\StJoe\StJoeFinalRates.123

ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

Attachment 7
Page 8 of 8

CONTRACT TRANSPORTATION SERVICE
(Above 500,000 therms per year)

PRESENT RATES	RECOMMENDED RATES
Customer Charge	Customer Charge
$1,000	$1,000
Cents per Therm	Cents per Therm
4.070	4.070

Gas Cost Cents/Therm: N/A   Therm usage Increment 50,000

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	Dollar Increase
100,000	$5,070.00	N/A	$5,070.00	N/A	0.0%	N/A	$0.00
150,000	$7,105.00	N/A	$7,105.00	N/A	0.0%	N/A	$0.00
200,000	$9,140.00	N/A	$9,140.00	N/A	0.0%	N/A	$0.00
250,000	$11,175.00	N/A	$11,175.00	N/A	0.0%	N/A	$0.00
300,000	$13,210.00	N/A	$13,210.00	N/A	0.0%	N/A	$0.00
350,000	$15,245.00	N/A	$15,245.00	N/A	0.0%	N/A	$0.00
400,000	$17,280.00	N/A	$17,280.00	N/A	0.0%	N/A	$0.00
450,000	$19,315.00	N/A	$19,315.00	N/A	0.0%	N/A	$0.00
500,000	$21,350.00	N/A	$21,350.00	N/A	0.0%	N/A	$0.00
550,000	$23,385.00	N/A	$23,385.00	N/A	0.0%	N/A	$0.00
600,000	$25,420.00	N/A	$25,420.00	N/A	0.0%	N/A	$0.00
650,000	$27,455.00	N/A	$27,455.00	N/A	0.0%	N/A	$0.00
700,000	$29,490.00	N/A	$29,490.00	N/A	0.0%	N/A	$0.00
750,000	$31,525.00	N/A	$31,525.00	N/A	0.0%	N/A	$0.00
800,000	$33,560.00	N/A	$33,560.00	N/A	0.0%	N/A	$0.00
850,000	$35,595.00	N/A	$35,595.00	N/A	0.0%	N/A	$0.00
900,000	$37,630.00	N/A	$37,630.00	N/A	0.0%	N/A	$0.00
950,000	$39,665.00	N/A	$39,665.00	N/A	0.0%	N/A	$0.00
1,000,000	$41,700.00	N/A	$41,700.00	N/A	0.0%	N/A	$0.00
1,050,000	$43,735.00	N/A	$43,735.00	N/A	0.0%	N/A	$0.00

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

C:\123\StJoe\StJoeFinalRates.123