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December 30, 2025

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: **Docket No. 20240046-GU - Petition for rate increase by St. Joe Natural Gas Company, Inc.**

Dear Mr. Teitzman:

In compliance with Order No. PSC-2025-0035-PAA-GU, at page 27, please find St. Joe Natural Gas Company's Cost Allocations Manual.

Sincerely,

Beth Keating
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MEK
Cc:// Office of General Counsel (Dose, Farooqi)
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Office of Public Counsel (Trierweiler)

ST JOE NATURAL GAS COMPANY
COST ALLOCATION MANUAL
2025

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1. INTRODUCTION

This Cost Allocation Manual (CAM) provides cost allocation direction to employees regarding the allocation of transactions and facilities between the company's three Divisions. The regulated natural gas utility is charged no more than the cost it would incur operating as a stand-alone entity.

2. DEFINITIONS

a) **Divisions** – (1) Natural Gas, (2) Propane Gas, (3) Appliance Sales
b) **Direct Costs** – Costs that are specifically and easily identified with a single project, service or cost objective.
c) **Indirect Costs** – Transaction which is shared by Divisions
d) **Facility** – Facility solely owned by the Regulated Division

3. PURPOSE AND OBJECTIVES

The purpose of this Coast Allocation Manual ("CAM") is to establish consistent, transparent, and equitable methods for allocating costs among the Corporation's regulated and non-regulated operations in compliance with:

- Florida Public Commission
- Generally Accepted Accounting Principals (GAAP)
- Principals preventing cross-subsidization between regulated and non-regulated activities
- Ensure regulated natural gas customers bear only their fair share of costs
- Clearly distinguish direct vs. indirect costs
- Provide auditable. Repeatable allocation methodologies

The CAM provides the guidelines to ensure there is no cross subsidization of direct or indirect costs of the unregulated divisions allocated to the regulated division in accordance with F.S. Section 366.05(9).

4. PROHIBITED COST PRACTICES

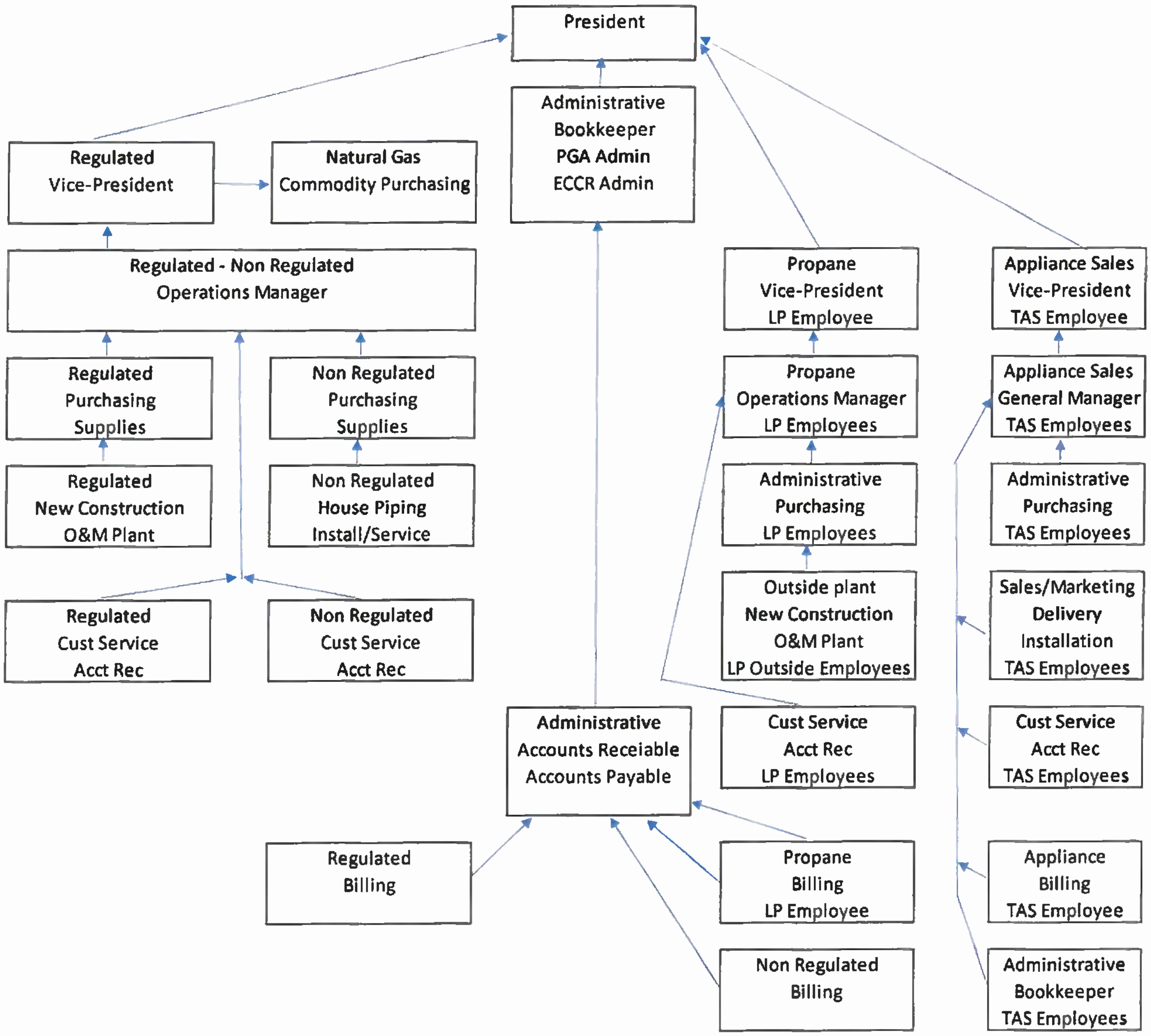
- Allocation methods that shift non-regulated costs to the regulated natural gas operation
- Arbitrary or convenience-based allocations
- Retroactive changes to allocation methodologies without documentation
- Use of regulated assets or personnel for non-regulated work without proper cost recovery

5. DIVISION ACCOUNT NUMBERS

The Natural Gas Regulated Division utilizes account numbers prescribed in Title 18 of the Code of Federal Regulations, Federal Energy Regulatory Commission. The unregulated Divisions utilize a different unrelated account number system. Costs, direct and indirect, are recorded to appropriate Division account numbers.

6. COPORATE STRUCTURE

ST JOE NATURAL GAS CO. INC.
Structure 1/1/2025



6.1 NATURAL GAS UTILITY (Regulated)

Subject to Florida Public Commission ("FPSC") jurisdiction

Includes gas distribution, metering, billing, customer service, system operations and maintenance, and regulatory compliance

6.2 PROPANE GAS OPERATION (Non-Regulated)

- Retail propane sales, storage, delivery, billing, and customer service
- No FPSC regulation

6.3 HOUSEHOLD APPLIANCE OPERATION (Non-Regulated)

- Sales and installation
- No FPSC regulation

7. COST CLASSIFICATION FRAMEWORK

All costs are classified into one of the following categories:

7.1 DIRECT COSTS

Costs that can be clearly and exclusively identified with a specific business segment.

Examples:

- Salaries and wages of employees working exclusively on one line of business
- Materials and supplies used for a single division
- Equipment purchased for a single division
- Contracted service tied to one division
- Natural gas pipeline maintenance
- Propane delivery truck fuel
- Appliance inventory and installation labor

Treatment: Direct Costs are charged 100% to the benefiting segment with no allocation supported by documentation such as time sheets, invoices, or contracts

7.2 INDIRECT SHARED COSTS

Costs incurred at the corporate or shared-services level that support both the regulated utility division and one or more non-regulated divisions, and that cannot be directly assigned to a single division without the use of a reasonable allocation methodology. These costs are incurred for the overall operation, governance, and support of the company and may benefit more than one divisional unit. Unlike direct costs, indirect shared costs do not have a one-to-one relationship with a specific division. Instead, they are pooled and allocated using reasonable, systematic, and consistently applied allocation bases that reflect the relative benefit received by each cost objective. These shared costs are identified and allocated between regulated and non-regulated divisions in a manner that prevents cross-subsidization and reflects cost causation or benefits received.

Each indirect cost pool is assigned an allocation factor—such as labor hours, headcount, revenues, assets, or usage metrics—selected to best reflect how the cost is incurred or how benefits are received by each division. Costs that can be clearly identified with a specific division are classified as direct costs and are excluded from indirect shared cost pools.

Allocation Methodology

Indirect shared costs are allocated between the regulated and non-regulated divisions using allocation factors that best reflect cost causation or benefits received, including but not limited to:

Cost Pool	Typical Allocation Basis
Executive & Governance	Composite allocator (weighted labor, revenues, assets)
Human Resources	Headcount or labor hours
Accounting & Finance	Transactions processed or labor hours
Information technology	System usage, users, or devices
Legal & Regulatory	Time Tracking or matter specific assignment
Facilities & Office Space	Square footage

8. NON-ALLOWABLE COSTS (Regulated Utility)
   Regulated utility does not advertise, join civic clubs, Chambers of Commerce, or any other non-essential organizations.

   Examples:
   - Marketing for non-regulated services
   - Chambers of Commerce
   - Appliance promotions
   - Propane customer acquisition
   - Lobbying or political expenses
   - Penalties or fines

9. FACILITIES AND OCCUPANCY
   Office buildings and real estate are owned exclusively by the regulated natural gas division and fixed/variable carrying costs are paid by the natural gas division. The non-regulated divisions lease office space and storage from the regulated division for a fee based on square footage of use with any common square footage area (hallways, bathrooms, lobby) evenly allocation by division.

   Examples (Lease from Regulated)
   - 301 Long Avenue – Office Space
   - 303 Long Avenue – Office Space
   - 209 Kenny Mill Rd – Land, Regulator Station & Bulk Plant
   - 744 Fourth St. – Land, Storage

10. EMPLOYEES

Divisions employ their own inside management and outside workforce. Each Division has its own account numbers listed on daily Time Sheets used by its employees, who record their hours worked against the area of work performed by Division.

11. CERTIFICATION

Regulated management certifies this CAM reflects actual business operations which are consistently applied in accordance with FPSC allocation principals.