

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application of West Florida)	DOCKET NO. 871255-GU
Natural Gas Company for a Rate)	ORDER NO. 21054
Increase.)	ISSUED: 4/17/89
_____)	

The following Commissioners participated in the disposition of this matter:

MICHAEL MCK. WILSON, Chairman
 GERALD L. GUNTER
 JOHN T. HERNDON

ORDER GRANTING CERTAIN INCREASES

BY THE COMMISSION:

Pursuant to Notice, the Florida Public Service Commission held a public hearing on this matter in Tallahassee, Florida, on January 26, 1989. Having considered the record in this proceeding, the Commission now enters its Final Order.

Background

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

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

Customer service hearings were held in Panama City, Florida, on August 8, 1988, and Ocala, Florida, on August 29, 1988. No customers appeared at the Panama City hearing, however, two customers testified at the Ocala hearing. A prehearing conference was held before Commissioner Gerald L.

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Gunter on January 19, 1989, at which time the utility announced that it agreed with Staff's positions on most issues and agreed to accept Staff's positions on all other issues for purposes of settlement. ACC took no position on most issues, and agreed with Staff on those issues with which it was concerned. At that time, the utility and ACC presented a written stipulation as to issues, which was reviewed and approved at the hearing held on January 26, 1989.

I. TEST YEAR RATE BASE - SCHEDULE 1

The utility's rate base is the investment upon which it is entitled to earn a return. Once a rate base has been established, the test-period expense, and rate of return are established, the revenue requirement can be calculated by multiplication. The stipulated test year rate base for WFNG is \$14,098,547, including the adjustments shown below.

1) Booking of Meter Purchases

Plant-in-Service, and Accumulated Depreciation was increased by \$1,296 and \$5, respectively, to account for an error in booking of meter purchases.

2) Administrative and General Transfer Expenditures

Utility Plant was reduced by \$20,148, Accumulated Depreciation by \$127, and Depreciation Expense by \$415 to correct the Administrative and General Transfer account.

3) Common Plant Allocation Factor

Utility Plant, related Accumulated Depreciation, and Depreciation Expense were reduced to account for a change in the Common Plant Allocation Factor. Utility Plant was reduced by \$20,143, Accumulated Depreciation by \$513, and Depreciation Expenses by \$388.

4) Non-Utility House Piping

Plant-in-Service was reduced by \$136,639 and Accumulated Depreciation was reduced by \$6,640 to remove non-utility house piping.

5) Allocation Factor Change and Unsubstantiated Items

Utility Plant was reduced by \$83,221, Accumulated Depreciation by \$16,843, and Depreciation Expenses by \$4,079 to reflect both a change in the allocation factor and the removal of items which were not substantiated.

6) Other Equipment

Adjustments were made to reduce Plant-in-Service by \$82,995, Accumulated Depreciation by \$40,507, and Depreciation Expenses by \$2,064 to remove property in Account 320, "Other Equipment", which is unidentifiable and/or no longer used and useful.

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7) Acquisition Adjustments

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

8) Construction-Work-in-Progress (CWIP)

Test-year CWIP was reduced by \$72,828 to reflect overallocation of common property.

9) Depreciation Reserve

The appropriate test-year Depreciation Reserve is \$4,735,940.

10) Working Capital Allowance

The appropriate test-year Working Capital Allowance is zero.

II. TEST-YEAR NET OPERATING INCOME - SCHEDULE 2

Once a rate base is established, the next step is to determine the utility's Net Operating Income (NOI) for the test year. Once this amount is determined, it can be related to the test-year rate base to develop the rate of return for the test period. The stipulated test year NOI for WFNG is \$1,054,353, and the stipulated deficiency is \$442,018, including the following adjustments:

1) Pro Forma Adjustments

Test year revenues were increased by \$192,359, and associated taxes were increased by \$3,126 to remove the effect of the utility's proforma adjustments. The adjustments reflect items which occurred outside the test-year. In Staff's view these are more appropriately addressed in the attrition year. The utility accepted Staff's treatment in this case because it does not change the end result. We therefore approve Staff's adjustments.

2) Miscellaneous Adjustments

- a) Test year O&M Expense was reduced by \$20,009 for banquet expenses, dues, and business entertainment charges, including lunches, dinners, LP items and cover charges for nightclubs. A further adjustment of \$4,253 was made to remove demonstrating and selling expenses from test-year O&M.

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- b) Vehicle Maintenance was reduced by \$9,170 to allocate 23.7 percent of vehicle maintenance expense to non-utility.
- c) General Plant Maintenance Expense was reduced by \$11,561 to allocate 37 percent of that expense to non-utility.
- d) Test-year office equipment repairs and maintenance expense was reduced by \$1,811 to allocate 38.9 percent of this expense to non-utility.
- e) An adjustment of \$5,063 was made to eliminate the allocation of home office insurance expenses of \$5,063.
- f) Test-year legal and professional fees were increased by \$13,084 to adjust for an out-of-period entry made by the utility's outside auditors.
- g) Miscellaneous General Expenses was increased by \$5,295 to remove an out-of-period entry, which was made to correct the balance in Accounts Payable.
- h) \$587,952 is the appropriate amount of the test-year depreciation and amortization expense.
- i) \$8,250 was removed from Other Taxes, since the Florida Emergency Excise Tax has been included as part of the income tax expense.
- j) The category of Taxes-Other was increased by \$1,352 to include property taxes associated with the allocation of commonly used property owned by West Florida L. P. Gas Company.
- k) Income tax expense was reduced by \$2,656 because excess deferred taxes should be written back over the remaining life of the associated asset or 24 years.
- l) The appropriate amount of Deferred Tax Expense to be included in NOI is \$239,441.

III. CAPITAL STRUCTURE, COST OF CAPITAL AND RELATED ISSUES -

SCHEDULE 3

Fair Rate of Return

The Commission must establish the fair rate of return which the Company will be authorized to earn on its investment in rate base. The allowed rate of return should be established so

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as to maintain the Company's financial integrity and enable it to attract capital at reasonable costs.

The ultimate goal of providing a fair return is to allow an appropriate return on the equity-financed portion of the investment in rate base. However, because as a general rule, sources of capital cannot be associated with specific utility property, the Commission has traditionally considered all sources of capital (with appropriate adjustments) in establishing a fair rate of return.

The establishment of a utility's capital structure serves to identify the sources of capital employed by the utility, together with the amounts and cost rates associated with each. After identifying the sources of capital, the weighted average cost of capital is determined by multiplying the relative percentages of the capital structure components by their associated cost rates and then summing the weighted average costs. The net utility rate base multiplied by the weighted average cost of capital produces an appropriate return on rate base. In this docket, these issues were all stipulated, as set forth below.

Deferred Taxes

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

Non-Utility Items and Capital Structure

We approve WFNG's stipulation to remove WFNG's investments in non-utility property and unregulated operations directly from equity and debt. In general, there are very few investments utilities can make that are of equal or lower risk than the regulated utility. It has been our practice to remove non-utility investment directly from equity to reflect the higher financing costs associated with riskier investments unless the company can show that to do otherwise would result in a more equitable determination of the cost of capital for ratemaking purposes. The purpose of removing the non-utility investment from rate base when reconciling the capital structure is to remove from the regulated capital structure the effects associated with financing the non-utility investment. Given the circumstances in this docket, we believe that removing the non-utility investment from debt and equity is reasonable.

Cost of Common Equity and Capital

The cost of common equity for the test-year was stipulated as 13.5 percent.

The weighted average cost of capital for the test-year is 9.40 percent. The proper components, amounts and cost rates for equity and capital are shown on Schedule 3.

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IV. ATTRITION YEAR

A major factor in setting rates to realize a required rate of return is the ability of the test year to accurately represent future conditions. To the extent that the test year does not adequately represent cost levels of the future, it must be restated. Under conditions where costs are increasing more rapidly than revenues an earnings erosion must be anticipated if the rates are to capture a target, required rate of return. The selection of a test year has a substantial impact on the degree to which an attrition-year is required. The greater the time span between the test year and the effective date of new rates, the greater potential need for an attrition-year. The purpose of the attrition-year is to restate the test year to reflect as accurately as possible conditions that will exist when the rates are in effect.

Attrition-Year Rate Base Issues - Schedule 5

This Commission approved the stipulated issues below:

- a) Plant-In-Service was increased by \$8,425, Accumulated Depreciation by \$620 and Depreciation Expense by \$371. These adjustments reflect an error in booking of meter purchases.
- b) An adjustment was made to reduce Utility Plant by \$20,433, Accumulated Depreciation by \$1,488 and Depreciation Expense by \$712 to reflect correction of the Administrative and General Transfer in the test year.
- c) Plant-In-Service, the related depreciation reserve, and Depreciation Expense were reduced by \$20,323, \$903, and \$393, respectively to reflect a change in the common plant factor.
- d) Utility Plant was reduced by \$136,639, Accumulated Depreciation by \$6,640, and Depreciation Expense by \$3,617 to remove non-utility house piping.
- e) Utility Plant, the related Accumulated Depreciation, and Depreciation Expense were reduced by \$22,848, \$9,036, and \$1,203, respectively to reflect a change in the allocation factor and the removal of unsubstantiated items.
- f) Attrition Year Plant-in-Service, Accumulated Depreciation, and Depreciation Expense were increased by \$56,490, \$59,511 and \$16,029, respectively, to reflect corrections in the Company's test-year plus one budget.

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- g) Plant-in-Service and Accumulated Depreciation were decreased by \$18,074 and \$11,207, respectively, to adjust the Common Plant Allocations for corrections in the Company's test-year plus one budget.
- h) Plant-in-Service was reduced by \$82,995, Accumulated Depreciation by \$44,659 and Depreciation Expense by \$2,076 to remove property in Account 320, "Other Equipment," which is unidentifiable and/or no longer used and useful.
- i) The utility's acquisition adjustment was removed from Account 399 "Other Tangible Property," and properly recorded in Account 114 "Gas Plant Acquisition Adjustments." Associated Accumulated Depreciation was also removed and properly recorded in Account 115, "Accumulated Provision for Amortization of Gas Plant Acquisition Adjustments."
- j) The appropriate attrition-year depreciation reserve is \$5,849,726.
- k) Working Capital Allowance was reduced by \$1,262 to remove an interest-bearing Notes Receivable Account.
- l) Miscellaneous Current and Accrued Assets was reduced by \$2,280 in the attrition-year Working Capital Allowance to remove interest-earning items.
- m) An adjustment of \$28,525 was made to Customer Accounts Receivable in Working Capital to remove receivables associated with non-utility operations.
- n) Miscellaneous Deferred Debits were adjusted to remove items already recovered through other regulatory means as follows:
- | | |
|-------------------------------------|------------------|
| 1) Unrecovered Conservation Expense | \$126,120 |
| 2) Unamortized Rate Case Costs | (16,597) |
| 3) Unrecovered Gas Costs | <u>(104,486)</u> |
| 4) Total | <u>\$ 5,037</u> |
- o) Other Deferred Credits was reduced by the take-or-pay liability, thus increasing Working Capital Allowance by \$32,073.
- p) The appropriate Working Capital Allowance to be used in the attrition-year is \$1,188,944.
- q) The appropriate attrition-year rate base is \$16,362,103.

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Leased Appliances and Rate Base

This Commission accepts WFNG's position that its leased appliances should be excluded from its rate base.

WFNG took the position that this Commission does not have the authority to require leased appliances to be included in rate base for the following reasons. First, WFNG questions the legality of including leased appliances in rate base, as the objects are not "used and useful in providing utility service." Second, the utility does not "lease" the appliances in the conventional sense, rather, the transactions are vehicles for financing customer purchases. Third, the utility's competitors are not regulated. Fourth, the Commission has not in the past attempted to mandate regulation of the appliance business and including appliances in rate base would be inconsistent with the Commission's treatment of customer premise equipment in the telephone industry. Finally, including leased appliances in rate base would appear to occasion a comprehensive new body of regulation, including the terms and conditions of transactions, prescribing tariffs, and repair and maintenance of the appliances.

Attrition-Year Net Operating Income Issues - Schedule 6

The following attrition-year NOI issues were stipulated:

- a) Attrition-year revenues were increased by \$89,434, to reflect customer growth and changes in consumption.
- b) The appropriate amount of attrition-year revenues is \$5,608,040.
- c) Attrition-year Operating and Maintenance Expense was reduced by \$33,488 for the effect of applicable test-year adjustments.
- d) Attrition-year Operating and Maintenance Expense was reduced by \$7,501 for the trend effect of test-year adjustments.
- e) Attrition-Year Operating and Maintenance Expense was adjusted by \$40,269, to account for Company trending errors.
- f) Attrition-Year Operating and Maintenance Expense was reduced by \$33,473 for the effect of changing the trend factors applied to data processing charges, communication expenses and outside services expenses.
- g) Attrition-year insurance expense was reduced by \$3,661 to account for the effect of a known refund.
- h) Operations and Maintenance Expense and associated taxes and employee benefits were increased by \$8,516 and \$601,

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respectively, to account for an additional clerical position added in the attrition period.

- i) Attrition-year Rent Expense was increased by \$20,973, to account for known rent increases.
- j) Property, liability, and vehicle insurance expense of \$225,097 was included in the attrition-year. A reduction of \$52,906 to attrition-year operating and maintenance expense was made.
- k) An adjustment of \$14,621, was made to remove one month of amortization expense for the environmental clean-up project.
- l) The appropriate amount of attrition-year depreciation and amortization expense is \$919,417.
- m) The appropriate amount of current tax expense to be included in the attrition Net Operating Income is zero.
- n) The appropriate amount of deferred taxes to be included in the attrition-year NOI is \$68,172.
- o) The appropriate amount of attrition-year NOI is \$1,150,018.
- p) The appropriate attrition-year deficiency is \$1,076,253.

Attrition-Year Cost of Capital Issues - Schedule 8

The Commission approves the following issues as stipulated:

- a) The appropriate amount of deferred taxes to be included in the capital structure for the attrition-year is \$1,496,207, before reconciliation. This includes adjustments to deferred income taxes associated with net operating losses and ITC carryforwards of \$318,917, and \$327,000, respectively, with a corresponding decrease in ITC's of \$105,136;
- b) The cost of common equity for the attrition-year is 13.5 percent; and
- c) The weighted average cost of capital for the attrition-year is 11.06 percent.

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V. RATE DESIGN ISSUES - SCHEDULE 10

We approve WFNG's stipulated rates, service charges, and methodology to be used in allocating costs to the various rate classes, all of which are shown on Schedule 10.

We further approve the stipulated billing determinants to be used in the attrition year as set forth in Schedule 10. The revenue increase shall be allocated between classes so as to move the rates of return of all rate classes as close to parity as practical. Revenue requirements have changed due to prior adjustments, therefore, the proper allocation of revenue shall be as shown on Schedule 10.

We also approve the flexible rate for the interruptible class as proposed by WFNG's Tariff Sheets 7.104, 7.105 and 7.502 through 7.504 attached hereto as Attachment 12.

ACC-WFNG Contract

This Commission orders that the ACC-WFNG contract attached as Attachment 11 is approved. The contract is essentially a "take-or-pay" contract which covers more than the cost to serve ACC. It, therefore, serves to insulate the general body of ratepayers from any revenue deficiency which might otherwise result if the utility were to flex its rates downward in order to retain this customer. Further, the contract accomodates the customer's desire for certainty in its base rate cost. The contract rate is based on the cost to serve and comes under the interruptible rate schedule as an optional provision.

VI. PAYROLL ALLOCATION FACTOR

Payroll expense constitutes approximately 44% of WFNG's total O&M expense. The utility did not supply documentation in support of the factors used to allocate payroll expense between utility and nonutility operations. Most of the factors applied by the utility were determined in 1985 and therefore may or may not be appropriate.

We accepted the utility's payroll expense (subject to other Staff adjustments) because total payroll expense is reasonable in comparison with prior cases. However, in the utility's next rate case, all payroll expense will be disallowed in the absence of adequate supporting allocation documentation.

VII. INACTIVE SERVICE LINES

Commission Order No. 16269, issued on June 29, 1986, states that inactive service lines that have been inactive for more than two years should be physically abandoned as well as retired from plant. The issue was raised as to whether or not WFNG was in compliance with this Order.

This Commission holds that WFNG is in compliance. However, with respect to the approximately 2,800 service lines which were identified in the utility's last rate case as having been

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inactive for more than two years, the utility shall cut services at the main within three years following the date of this final order. The \$268,800 cost will be amortized over three years at \$89,600 per year and is included in amortization expense in this case. In addition, the utility agrees to submit to Staff within 90 days following the final order in this case an economic study to ascertain the period of inactivity at which it is most cost-effective to cut a service line at the main, in order to determine how best to treat future inactive service line retirements.

VIII. QUALITY OF SERVICE

This Commission has found that WFNG has not complied with the Commission's Gas Meter Testing Rule 25-7.064, Florida Administrative Code. The utility shall pay a penalty in the sum of \$10,000, to be paid within 10 days of this Commission's decision. Furthermore, this sum shall be recorded below the line.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that the findings of fact and conclusions of law set forth herein are approved as stated. It is further

ORDERED that the stipulation entered into between West Florida Natural Gas Company and Arizona Chemical Company, by which those parties agreed with Staff's positions on all issues herein, is approved. It is further

ORDERED that West Florida Natural Gas Company is authorized to collect increased revenues of \$1,518,271. It is further

ORDERED that West Florida Natural Gas Company shall file revised tariffs reflecting the increased rates and charges approved in this Order. It is further

ORDERED that the rate increase authorized shall be effective on billings rendered for all meter readings taken on or after February 25, 1989. It is further

ORDERED that West Florida Natural Gas Company shall include in each bill in the first billing cycle for which this increase is effective, a bill stuffer explaining the nature of the increase, average level of increase, a summary of the tariff changes and reasons therefor. The bill stuffer shall be submitted to the Commission's Division of Electric and Gas for approval before implementation. It is further

ORDERED that all payroll expense in West Florida Natural Gas Company's next rate case shall be disallowed unless supported by adequate documentation as to payroll allocation factors. It is further

ORDERED that within 90 days after the date of this Order, West Florida Natural Gas Company submit to Staff an economic study to ascertain the period of inactivity at which it is most cost-effective to cut a service line at the main, in order to

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determine how best to treat future inactive service line retirements. It is further

ORDERED that the attached contract between West Florida Natural Gas Company and Arizona Chemical Company, attached hereto as Attachment 11, is approved. It is further

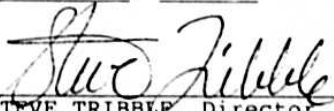
ORDERED that West Florida Natural Gas Company's Tariff Sheets 7.104, 7.105 and 7.502 through 7.504, attached hereto as Attachment 12, are approved. It is further

ORDERED that West Florida Natural Gas Company is assessed a penalty in the sum of \$10,000 to be paid within 10 days of this decision, for noncompliance with the Gas Meter Testing Rule (Rule 25-7.064, Florida Administrative Code). It is further

ORDERED that this sum be recorded below the line. It is further

ORDERED that this docket be closed on May 18, 1989, if no petition for reconsideration or notice of appeal is timely filed.

By ORDER of the Florida Public Service Commission,
 this 17th day of APRIL, 1989.


 STEVE TRIBBLE, Director
 Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

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

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with

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the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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WEST FLORIDA NATURAL GAS COMPANY
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COMPARATIVE NOIS
TYE 6/30/87

SCHEDULE 2

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

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

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SCHEDULE 3

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

COMPANY REVISED POSITION

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

STAFF POSITION

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

Specific Adjustments:

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

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

SCHEDULE 4

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

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

SCHEDULE NO. 5
 ATTRITION

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

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

SCHEDULE NO. 5A

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

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

SCHEDULE 6

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

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

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

SCHEDULE 7

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

TEST YEAR	TEST YEAR + 1	TEST YEAR + 2
***** TOTAL EXPENSES *****		
Payroll-trended	1,198,418	1,282,307
Other trended	979,904	1,078,995
Other not trended	452,801	549,807
Total	\$2,631,123	\$2,911,109
	*****	*****

	1,342,116
	1,190,688
	528,443
	\$3,061,247

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SCHEDULE 8

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

COMPANY REVISED POSITION

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

STAFF POSITION

Class of Capital	Amount Per Books	Specific Adjustments	Staff Adjusted	Prorata Adjustments	Staff Adjusted	Ratio	Cost Rate	Weighted Cost of Capital
Common Equity	\$5,832,658	(\$592,200)	5,240,458	\$402,136	\$5,642,594	34.40%	13.50%	4.66%
Long Term Debt	8,345,757	(1,494,371)	6,851,386	525,754	7,377,140	45.09%	13.20%	5.95%
Short Term Debt	0		0	0	0	0.00%	0.00%	0.00%
Customer Deposits	851,119		851,119	65,312	916,431	5.60%	8.00%	0.45%
Deferred Taxes	851,618	644,589	1,496,207	114,814	1,611,021	9.85%	0.00%	0.00%
Tax Credits	861,975	(105,136)	756,839	58,077	814,916	4.98%	0.00%	0.00%
Total Capital	\$16,743,127	(\$1,547,118)	\$15,196,009	\$1,166,094	\$16,362,103	100.00%		11.06%

Specific Adjustments:

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

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

SCHEDULE 9

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

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

SCHEDULE - A
PROPOSED RATE DESIGN

SCHEDULE 10

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

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COMPANY NAME: WEST FLA. NAT. GAS CORP. DOCKET NO. 871255-GU	SCHEDULE - B CALCULATION OF PROPOSED RATES				SCHEDULE 10
	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
PROPOSED TOTAL TARGET REVENUES	6,684,293	4,087,967	2,084,499	269,827	242,000
LESS: OTHER OPERATING REVENUE	150,360	147,353	3,007	0	0
LESS: CUSTOMER CHARGE REVENUES					
PROPOSED CUSTOMER CHARGES		\$6.00	\$15.00	\$50.00	\$612.00
TIMES: NUMBER OF BILLS	272,172	250,356	21,768	36	12
EQUALS: CUSTOMER CHARGE REVENUES	1,837,800	1,502,136	326,520	1,800	7,344
LESS: OTHER NON-THERM-RATE REVENUES					
EQUALS: PER-THERM TARGET REVENUES	4,696,133	2,438,478	1,754,972	268,027	234,656
DIVIDED BY: NUMBER OF THERMS	37,353,531	9,207,288	13,574,988	5,371,255	9,200,000
EQUALS: PER-THERM RATES (UNRNDED)		.2648421555	.12927 820	.049900256	.025506093
PER-THERM RATES (RNDED)		.26484	.12928	.04990	.02551
PER-THERM-RATE REVENUES (RNDED RATES)	4,696,150	2,438,458	1,754,974	268,026	234,692
SUMMARY: PROPOSED TARIFF RATES					
CUSTOMER CHARGES		\$6.00	\$15.00	\$50.00	\$612.00
ENERGY CHARGES					
NON-GAS (CENTS PER THERM)		26.484	12.928	4.990	2.551
PURCHASED GAS ADJUSTMENT		27.437	27.437	27.437	24.633
TOTAL (INCLUDING PGA)		53.921	40.365	32.427	27.184
SUMMARY: PRESENT TARIFF RATES					
CUSTOMER CHARGES		\$6.00	\$15.00	\$50.00	\$612.00
ENERGY CHARGES					
NON-GAS (CENTS PER THERM)		12.99	9.45	4.99	4.87
PURCHASED GAS ADJUSTMENT		27.437	27.437	27.437	24.633
TOTAL (INCLUDING PGA)		40.4270	36.8870	32.4270	29.5030
SUMMARY: OTHER OPERATING REVENUE					
CONNECT AND RECONNECTION CHARGE		PRESENT	REVENUE	PROPOSED	REVENUE
BILL COLLECTION IN LIEU OF DISCONNECTION		\$20.00	132,920	\$20.00	132,920
		0	0	\$8.00	17,440

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

SCHEDULE - C
 DERIVATION OF REVENUE DEFICIENCY

SCHEDULE 10

COST OF SERVICE BY CUSTOMER CLASS

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
CUSTOMER COSTS	4,082,196	3,260,669	804,495	11,496	5,535
CAPACITY COSTS	2,272,770	1,007,259	919,805	132,265	213,441
COMMODITY COSTS	70,348	17,340	25,566	10,116	17,326
REVENUE COSTS	108,619	72,442	29,581	2,601	3,995
TOTAL	6,533,933	4,357,711	1,779,447	156,478	240,297
less: REVENUE AT PRESENT RATES (in the attrition year)	5,033,096	2,698,162	1,609,220	269,827	455,887
equals: GAS SALES REVENUE DEFICIENCY	1,500,837	1,659,549	170,227	-113,349	-215,590
plus: DEFICIENCY IN OTHER OPERATING REV.	17,440	16,233	1,207	0	0
equals: TOTAL BASE-REVENUE DEFICIENCY	1,518,277	1,675,781	171,435	-113,349	-215,590
UNIT COSTS:					
Customer	14.9985892	13.02413126	36.9576962	317.342559	461.261853
Capacity	.562840582	.7013778190	.666857507	.290341256	.278259095
Commodity	.001883303	.0018833031	.001883303	.001883303	.001883303

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

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

SCHEDULE 10

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

RATE BASE:	16,362,103	10,613,551	5,255,583	214,301	278,668
RATE OF RETURN	.110598925	.0803481378	.154847723	.517203208	.115546162

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

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

SCHEDULE 10

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

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

SCHEDULE 10

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

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

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		SCHEDULE - E		SCHEDULE 10	
		CLASSIFICATION OF RATE BASE			
COMPANY NAME: WEST FLA. NAT. GAS CORP.		(Page 2 of 2: ACCUMULATED DEPRECIATION)			
DOCKET NO. 871255-GU					
LOCAL STORAGE PLANT:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
	0	0	0	0	related plant
INTANGIBLE PLANT:	34791	0	34791	0	rel. plant account
PRODUCTION PLANT	62741		62741		"
DISTRIBUTION PLANT:					
375 Structures and Improvements	3354	0	3354	0	"
376 Mains	3137402	0	3137402	0	"
377 Compressor Sta. Eq.	0	0	0	0	"
378 Meas. & Reg. Sta. Eq.-Gen	2209	0	2209	0	"
379 Meas. & Reg. Sta. Eq.-CG	40477	0	40477	0	"
380 Services	698873	698873	0	0	"
381-382 Meters	795487	795487	0	0	"
383-384 House Regulators	284281	284281	0	0	"
385 Indust. Meas. & Reg. Sta. Eq.	0	0	0	0	"
386 Property on Customer Premises	0	0	0	0	"
387 Other Equipment	0	0	0	0	"
Total A.D. on Dist. Plant	4962083	1778641	3183442	0	4962083
GENERAL PLANT:	458312	229156	229156	0	general plant
PLANT ACQUISITIONS:	331799	0	331799	0	plant acquisitions
RETIREMENT WORK IN PROGRESS:	0	0	0	0	distribution plant
TOTAL ACCUMULATED DEPRECIATION	5849726	2007797	3841929	0	5849726
NET PLANT (Plant less Accum. Dep.)	15173159	6490378	8682782	0	15173159
less: CUSTOMER ADVANCES	0	0	0		50%-50% cust--cap
plus: WORKING CAPITAL	1188944	1031062	131994	25888	oper. and maint. exp.
equals: TOTAL RATE BASE	16362103	7521440	8814775	25888	16362103

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SCHEDULE - F
COMPANY NAME: WEST FLA. NAT. GAS CORP. CLASSIFICATION OF EXPENSES
DOCKET NO. 871255-GU AND
SCHEDULE 10
DERIVATION OF COST OF SERVICE BY COST CLASSIFICATION
(Page 1 of 2)

OPERATIONS AND MAINTENANCE EXPENSES

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

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

SCHEDULE - F
CLASSIFICATION OF EXPENSES
AND

SCHEDULE 10

DERIVATION OF COST OF SERVICE BY COST CLASSIFICATION
(Page 2 of 2)

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

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COMPANY NAME: WEST FLA. NAT. GAS CORP. SCHEDULE - G SCHEDULE 10
 DOCKET NO. 871255-GU DEVELOPMENT OF ALLOCATION FACTORS

	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT
CUSTOMER COSTS					
No. of Customers	22681	20863	1814	3	1
Weighting	NA	1.000	2.827	24.334	35.149
Weighted No. of Customers	26099	20863	5128	73	35
Allocation Factors	1	.7993841012	.196472000	.002797153	.001346746
CAPACITY COSTS					
Peak/Average Month Sales (therms)	4038035	1436115	1379313	455549	767058
Allocation Factors	1	.3556469917	.341580249	.112814525	.189958235
COMMODITY COSTS					
Annual Sales Vol. (therms)	37353531	9207288	13574988	5311255	9200000
Allocation Factors	1	.2464904322	.363419137	.143745107	.246295323
REVENUE-RELATED COSTS					
Tax on Cust, Cap, & Commod.	104411	69636	28435	2500	3840
Allocation Factors	1	.6669353008	.272339403	.023948511	.036776786

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

SCHEDULE - W
ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

SCHEDULE 10

RATE BASE BY CUSTOMER CLASS	TOTAL	RESIDENTIAL	COMMERCIAL	INDUSTRIAL	INTERUPT	ALLOCATOR

DIRECT AND SPECIAL ASSIGNMENTS:						
Customer						
Meters	1650172	1319121	324213	4616	2222	weighted customers
House Regulators	865380	865380	0	0	0	wtd.cust.
Services	3287241	2627768	645851	9195	4427	wtd.cust.
All Other	1718647	1373859	337666	4807	2315	weighted cust.
Total	7521440	6186128	1307729	18618	8964	7521440
Capacity						
Industrial Meas. & Reg. Sta. Eq.	0	0	0	0	0	peak/ave. sales ind
Meas. & Reg. Sta. Eq. - Gen.	18079	9222	8857	0	0	peak/ave. sales rs
Mains	7535646	3963331	3498838	49696	23781	dir. peak/ave.
All Other	1261050	448489	430750	142265	239547	peak/ave. les
Total	8814775	4421042	3938445	191961	263328	8814775
Commodity						
Account #	\$??	\$??	\$??	\$??	\$??	
Account #	\$??	\$??	\$??	\$??	\$??	
Account #	\$??	\$??	\$??	\$??	\$??	
All Other	25888	6381	9408	3723	6376	annual sales
Total	25888	6381	9408	3723	6376	
TOTAL	16362103	10613551	5255583	214301	278668	

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SCHEDULE - I SCHEDULE 10
 COMPANY NAME: WEST FLA. NAT. GAS CORP. ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES
 DOCKET NO. 871255-GU (Page 1 of 2)

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

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

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

SCHEDULE 10

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

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Attachment 11

WEST FLORIDA NATURAL GAS COMPANY
POST OFFICE BOX 1460
PANAMA CITY, FLORIDA 32402

AGREEMENT FOR INTERRUPTIBLE NATURAL GAS SERVICE

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

WITNESSETH:

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

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

NOW THEREFORE, Seller and Buyer agree as follows:

ARTICLE I - DEFINITIONS

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

- a. "Day" shall mean a period of twenty-four (24) consecutive hours beginning and ending at 8:00 a.m. local time.
- b. "Month" shall mean a period of time beginning at 8:00 a.m. local time on the first day of a calendar month and ending at 8:00 a.m. local time on the first day of the next succeeding calendar month.
- c. "Contract Year" shall mean a period of twelve consecutive months beginning on the effective date of this Agreement or beginning on any anniversary of the effective date of this Agreement.
- d. "Gas" shall mean natural gas.
- e. "Cubic foot of gas" shall mean the amount of gas which occupies one (1) cubic foot of space when the gas is at an absolute Pressure of 14.73 pounds per square inch and at a temperature of sixty degrees Fahrenheit (60° F).

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- f. "British thermal unit" or "Btu" shall mean the amount of heat required to raise the temperature of one (1) pound of water one (1) degree Fahrenheit (at sixty degrees Fahrenheit (60° F)).
- g. "Therm" shall mean a unit of heat equal to one hundred thousand (100,000) British thermal units.
- h. "Mcf" shall mean one thousand (1,000) cubic feet of gas as defined above.
- i. "Psia" shall mean "pounds per square inch absolute."
- j. "°F" shall mean "degree(s) Fahrenheit."
- k. "FPSC" shall mean "Florida Public Service Commission."

ARTICLE II - TERM OF AGREEMENT

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

ARTICLE III - SALE OF GAS

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

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

ARTICLE IV - CUSTOMER CHARGE

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

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

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

ARTICLE V - CHARGES FOR GAS

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

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

ARTICLE VI - BILLING AND PAYMENT

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

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

ARTICLE VII - ALTERNATIVE FUELS

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

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

ARTICLE VIII - QUALITY OF GAS

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

ARTICLE IX - MEASUREMENT AND MEASURING EQUIPMENT

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

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

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

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

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

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

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

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

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

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

- a. Using the registration of any check meter if installed and accurately registering or, in the absence of (a)
- b. Correcting the error if the percentage of error is ascertainable by calibration, test, or mathematical calculation or, in the absence of both (a) and (b) then
- c. Estimating the quantity of delivery from deliveries during periods under similar conditions when the meter was registering accurately.
- d. Any method mutually agreed by both parties.

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

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

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

ARTICLE X - DELIVERY PRESSURES

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

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ARTICLE XI - DELIVERY POINT

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

ARTICLE XII - CURTAILMENT AND/OR INTERRUPTION

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

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

ARTICLE XIII - OTHER APPLICABLE PROVISIONS

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

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ARTICLE XIV - FORCE MAJEURE

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

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

ARTICLE XV - EASEMENT

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

ARTICLE XVI - STANDBY FACILITIES

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

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

ARTICLE XVII-FPSC RATE CHANGES

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

ARTICLE XVIII - MISCELLANEOUS

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

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

SELLER:

WEST FLORIDA NATURAL GAS
 COMPANY

By: _____

Title: _____

Attest: _____

BUYER:

ARIZONA CHEMICAL COMPANY

By: _____

Title: _____

Attest: _____

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WEST FLORIDA NATURAL GAS COMPANY

Original Sheet No. 7.502

**RATE SCHEDULE IS
INTERRUPTIBLE SERVICE**

AVAILABILITY

Throughout the service area of the Company.

APPLICABILITY

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

CHARACTER OF SERVICE

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

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

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

SPECIAL CONDITIONS

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

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Issued by: J. E. McIntyre
President

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Original Sheet No. 7.503

Rate Schedule IS
Continued from Sheet No. 7.502

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

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

RATES FOR SERVICE

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

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

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

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

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

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Original Sheet No. 7.504

Rate Schedule IS
Continued from Sheet No. 7.503

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

MINIMUM MONTHLY BILL

The customer charge.

TERMS OF PAYMENT

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

INTERRUPTION AND CURTAILMENT

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

BILLING ADJUSTMENTS

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

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Original Sheet No. 7.104

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

- (1) For the purposes of this clause, the following definitions shall apply:
 - (a) "Actual revenue" means Company's actual non-gas revenue derived from service provide at rates prescribed under the Rates for Service section of Company Rate Schedule IS during a determination period.
 - (b) "Base revenue" means the non-gas revenue which Company would have derived had all gas sold at rates prescribed under the Rates for Service section of Company Rate Schedule IS during a determination period been billed at the base non-gas energy charge.
 - (c) "Surplus" means the amount, if any, by which Company's actual revenue exceeds its base revenue for a determination period.
 - (d) "Shortfall" means the amount, if any, by which Company's base revenue exceeds its actual revenue for a determination period.
- (2) The existence of a shortfall or surplus shall be determined by comparing Company's actual revenue with its base revenue. This determination shall be made each year for the twelve months ending September 30 ("determination period").
- (3) Adjustments to firm rates pursuant to this clause shall be implemented during an "adjustment period," which shall be the twelve months immediately following the determination period in the event of a surplus. In the event of a shortfall, any twelve successive months ending on a September 30 within five years following the determination period may be an adjustment period.
- (4) In the event of a surplus, Company shall reduce rates to firm customers to credit them with revenues equal to one-half the surplus. In the event of a shortfall, Company may increase rates to firm customers to recover an amount not to exceed one-half the shortfall. The amount of any credit or recovery is governed by the following:

Credit to firm = (Actual revenue - Base revenue) x 0.5
Shortfall recovery \leq (Base Revenue - Actual revenue) x 0.5
- (5) A credit or shortfall recovery shall be implemented during an adjustment period by reducing or increasing the non-gas energy charges prescribed in

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

In event of a surplus, subtract: Credit to Firm
PFS

In event of a shortfall, add: Shortfall recovery
PFS

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

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

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