

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of City Gas Company) DOCKET NO. 891175-GU
of Florida for a rate increase.) ORDER NO. 23159
) ISSUED: 7-9-90

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER

NOTICE OF PROPOSED AGENCY ACTIONORDER SUSPENDING PROPOSED PERMANENT RATES AND AUTHORIZING INTERIM INCREASES

BY THE COMMISSION:

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

On April 26, 1990, City Gas Company (City) filed a petition requesting a permanent rate increase of \$6,757,589. Such an increase would allow the company to earn an overall rate of return of approximately 9.76%, or a 14.00% return on equity. The Company also filed a separate petition in accordance with Section 366.071, Florida Statutes, requesting interim relief.

Section 366.06(3), Florida Statutes, imposes an affirmative obligation upon this Commission to decide within sixty (60) days of filing whether to withhold consent to all or part of a utility's proposed permanent rate increase. If the Commission withholds consent to the implementation of the

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new rate schedules, it must deliver to the utility a reason or written statement of good cause for withholding consent.

Upon review of the petition and the rate increases proposed therein, we find that the proposed rate schedules must be suspended pending the outcome of a formal hearing. We deem it necessary to withhold consent to the operation of the new rate schedules, to require further review of the underlying data and calculations and to require additional support and information in proceedings to be held in this docket.

INTERIM RELIEF

Rate Base

The company has requested an interim test year rate base of \$50,304,440. We find that the appropriate interim test year rate base for City Gas is \$49,637,904. Discussed below are the Company's adjustments and any additional adjustments used to determine the interim rate base of \$49,637,904. (Schedule 1 and 1A)

Adjustment 1: Acquisition Adjustment - The Company made an adjustment of \$13,919,975 to remove the 13-month average balance of the acquisition adjustment related to the acquisition of City Gas Company by NUI Corporation in July, 1988. We agree that this item should be removed from the interim test year rate base.

Adjustment 2: Anti-trust Adjustment - The Company made an adjustment of \$314,067 to eliminate the 13 month average balance of damages assessed against the Company as a result of anti-trust litigation. The Company booked a portion of the assessment as a contingent loss pending the outcome of its appeal to the Eleventh Circuit Court of Appeals. We agree with the Company but not for the reason stated by the Company. Rather we believe it is inappropriate for ratepayers to pay a return on a judgement against the Company for anticompetitive practices that did not benefit the general body of ratepayers.

Adjustment 3: Accumulated Amortization-Acquisition adjustment - The Company made an adjustment of \$308,800 to remove the 13-month average of accumulated amortization relating to the acquisition adjustment in adjustment 1 above. We accept this adjustment.

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Adjustment 4: Customer Advances for Construction - The Company made an adjustment removing a deduction of \$75,890 for a customer advance from the rate base. City Gas removed the item from working capital because it bore interest. City Gas Company's main extension policy contains no provision for the payment of interest on customer advances. Interest, in this case, is per the terms of a special gas service agreement with Brevard County to extend service to the county's detention facility.

The Company's proposed adjustment would cause existing ratepayers to pay a return on line extension costs above the free limit even though the facilities benefit primarily one customer. Section 25-7.054, F.A.C., entitled "Extension of Facilities" is intended to insulate the general body of ratepayers from rate increases due to main extensions costing in excess of the established average cost per customer. Payment of interest on a customer advance, reduction of the amount of the required advance, or failure to deduct a customer advance from rate base all have the same effect. They discriminate against existing ratepayers to benefit and solicit a new customer. Therefore, we believe that the Company's stockholders should bear the cost of the interest in this case and that the advance should remain in working capital as a deduction to rate base.

Adjustment 5: Various Accounts - Removal of non-utility portion - Regulated utility operations and leased appliance operations were commingled in a number of balance sheet accounts included in working capital calculations. The Company supplied estimates for the percentage of each account related to leased appliance operations. Estimated leased appliance related amounts included in working capital accounts totalled \$171,081 consisting of the following:

<u>Account</u>	<u>Leased Appliance Portion</u>
Cash	\$ 87,696
Working Funds	414
Customer Accounts Receivable	146,046
A/R-Mdse, Job & Other	23,915
Acc Prov Uncollect Accts-Gas	(4,476)
Materials & Supplies	12,117
Prepayments	11,760
Clearing Accounts	540
Interest Accrued	(44,912)

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Tax Collections Payable	(43,035)
Misc Current & Accrued Liabilities	(18,984)
Total	\$171,081

We made an adjustment eliminating leased appliance amounts from working capital. We note that the present adjustment is a rough estimate to be used for interim purposes only and that a more detailed analysis will be required to calculate permanent rates.

Adjustment 6: Other Special Funds - The Company made an adjustment removing utility deposits of \$9,216 paid by City Gas Company to other utilities. City Gas Company receives interest on these deposits. We accept this adjustment since interest bearing instruments are usually removed from working capital.

Adjustment 7: Temporary Cash Investments - The Company removed \$308,145 of interest bearing investments from working capital. We accept this adjustment.

Adjustment 8: Notes Receivable - The Company removed a note receivable of \$16,968 from working capital. The receivable related to the sale of utility land and bore interest. We accept this adjustment.

Adjustment 9: A/R - Mdse, Jobbing & Other - The Company reduced working capital by removing \$197,331 of nonutility receivables related to merchandise sales. We accept this adjustment.

Adjustment 10: Accumulated Provision for Uncollectibles-Other - The Company removed a \$7,544 bad debt provision for nonutility receivables from working capital. We accept this adjustment.

Adjustment 11: A/R Associated Companies - The Company made an adjustment reducing working capital for an \$855 receivable due from a related company. We accept this adjustment as consistent with our policy to eliminate intercompany receivables and payables from working capital.

Adjustment 12: Merchandise - The Company made an adjustment removing \$228,596 of nonutility merchandise from working capital. We accept this adjustment.

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Adjustment 13: Stores Expense - The Company made an adjustment removing a credit balance of \$4,084 in the "Stores Expense" account from working capital. Stores Expense is a clearing account for nonutility expenses related to merchandise inventory. We accept this adjustment.

Adjustment 14: Prepayments-Pensions - The historic base year balance in "Prepaid Pensions" contained a debit of \$23,747 to recognize the difference in the amount of pension costs for ratemaking purposes and the amount of pension costs determined using FASB Statement No. 87 entitled "Employers' Accounting for Pensions". The Company indicated that this amount had been inadvertently left in the working capital for interim rates. Therefore, we made an adjustment removing the asset from working capital.

Adjustment 15: Interest and Dividends Receivable - We removed \$4,486 of Interest and Dividends Receivable in accordance with our policy to exclude earnings on other assets from working capital.

Adjustment 16: Misc Deferred Debits - The Company made an adjustment increasing working capital by \$168,307 to eliminate an overrecovery of costs through the energy conservation cost recovery (ECCR) clause. It is correct to remove ECCR costs, fuel costs, and associated underrecoveries from base rate proceedings as these items are addressed in separate dockets. However, in Docket No. 830012-EU, Order No. 12663, 11/7/83, we ruled that fuel overrecoveries should be treated like cost free liabilities and remain as a reduction to working capital.

If working capital is increased by removing a fuel overrecovery, a company will be able to earn a return on cash available from such overrecovery. Interest associated with a fuel cost overrecovery is calculated to act as an incentive for a company to submit accurate projections of upcoming costs. However, a company suffers no penalty for excessive estimates if it is able to recover interest on an overrecovery through base rates. Consequently, fuel overrecoveries should remain in working capital to ensure that utilities, not ratepayers, bear the penalties associated with overrecoveries.

Noting that the same logic underlying fuel overrecoveries would also apply to ECCR overrecoveries, we do not accept the Company's adjustment removing the ECCR overrecovery from working capital.

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Adjustment 17: Notes Payable - The Company removed Notes Payable of \$38,462 from working capital as this was an interest bearing instrument which has been included in the capital structure. We accept this adjustment.

Adjustment 18: Accounts Payable - The Company removed accounts payable of \$38,748 that were associated with purchases of nonutility merchandise and leased appliances. We accept this adjustment.

Adjustment 19: Accounts Payable-Assoc. Companies - The Company removed an intercompany payable of \$669 in compliance with our policy to exclude intercompany payables and receivables from working capital. We accept this adjustment.

Adjustment 20: Customer Deposits - The Company removed \$4,539,219 of customer deposits from working capital and included them in the capital structure. We accept this adjustment.

Adjustment 21: Misc. Current & Accrued Liabilities - In September, 1989, the Company recorded a liability of \$6,546,210 for anti-trust damages. As a result, the 13 month average balance of \$503,555 was included in the historic base year period. The Company then made an adjustment removing the liability from working capital. We agree that it would be inappropriate to include this item in interim rates.

Adjustment 22: Other Deferred Credits-PGA True-up - The Company made an adjustment increasing working capital by \$223,025 to eliminate an overrecovery of costs through the purchased gas adjustment clause. Commission policy has been that fuel cost overrecoveries should remain in working capital to ensure that utilities, not ratepayers, bear the penalties associated with overrecoveries. Therefore, we do not accept the Company's adjustment.

Net Operating Income

The Company has requested an interim test year net operating income of \$2,987,589. We find that the appropriate net operating income is \$3,282,604. Discussed below are the Company's and any additional adjustments used to determine the interim test year net operating income. (Attachment 2)

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Adjustment 23: Removal of Fuel Revenues, Cost of Gas, and Related Taxes - The Company eliminated the impact of fuel revenues, cost of gas, and related taxes. Since fuel-related items are recovered through the Purchased Gas Adjustment Clause, we accept the Company's elimination of fuel revenues of \$19,359,319, cost of gas of \$19,044,730, and related taxes of \$314,589.

Adjustment 24: ESOP Contribution Accrual - The Company made an adjustment to increase its ESOP contribution accrual by \$240,000. During the historic base year period, the Company accrued \$325,00 of ESOP contributions. At the end of the plan period, the actuary calculated the maximum accrual the Company could have made was \$565,000. Generally, the Company would have expensed the difference between the actual accrued and the maximum contribution the moment the difference was known. However, when NUI purchase the Company, its fiscal year changed from March 31 to September 30. When the Company became aware of the difference between the actual accrued and the maximum contribution allowed, it did not expense the difference, but spread that difference over the remaining months of the new fiscal year. In essence, 12 months of expense was spread over 18 months. To properly account for the expense attributable to the historic base year, the Company has made an adjustment to increase the ESOP contribution \$240,000, which we accept.

Adjustment 25: Depreciation Study Amortization - The Company made an adjustment to reduce the historic base year amortization expense by \$17,369. The Company made this adjustment because it had inadvertently expensed the total cost of the depreciation study in the historic base year instead of amortizing the cost over 5 years. We accept this adjustment as appropriate.

Adjustment 26: Outside Services Expense - The Company made an adjustment to increase the historic base year expenses \$139,272. During the historic base year, the Company began accruing additional legal expenses relating to an antitrust lawsuit in which City Gas is the defendant. According to the contract between the Company and its legal counsel, if legal counsel was able to reduce the lawsuit liability, legal counsel would be entitled to 3% of the amount of reduction. Since the Company believed it would prevail, it began accruing additional legal fees based on approximately 3% of the

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liability. When the 11th Circuit Court of Appeals upheld the District Court's judgement for the plaintiff, the Company reversed the expense, thus decreasing accrued legal fees. The reversal of the expense was booked in the historic base year. However, subsequent to the 11th Circuit Court's judgement, the Company was granted an En Banc hearing. An En Banc entitles the Company to have its case reheard by all the judges of the Circuit Court. The Company now believes it will have a chance of winning the case. As a result, the Company has made an adjustment to reverse the reversal, thus, increasing the historic base year legal expenses.

We do not accept the Company's adjustment. The Company's reversal has the effect of increasing the historic base year expenses beyond what was actually accrued in that year. The Company actually accrued \$70,188 for the contingency reserve. This amount of the reversal should be negated. For interim purposes, the Company's adjustment should be reduced by \$69,084 (\$139,272 - \$70,188) to obtain the proper amount of legal expense.

Adjustment 27: Injuries and Damages Expense - The Company made an adjustment to increase the historic base year expenses by \$409,320. The Company made this adjustment to eliminate the effect of retrospective insurance adjustments. Since these adjustments pertain to periods outside the historic base year, we have accepted this adjustment for interim purposes. However, we intend to address this issue during the full rate case.

Adjustment 28: Miscellaneous General Expenses - The Company made an adjustment to increase the historic base year expenses \$7,500. Prior to the historic base year, the Company failed to reverse the accrual for directors fees. The error was detected by the Company and corrected in the historic base year. To eliminate the effect of the out of period reversal, the Company has made an adjustment to offset the reversing entry. We accept the Company's adjustment.

Adjustment 29: Meter and House Regulators Expense - The Company made an adjustment to increase the historic base year expenses by \$24,985. Prior to the historic base year, the Company inadvertently expensed a purchase of meters instead of capitalizing. The Company found this error and corrected it in the historic base year. To eliminate the effect of the out

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of period reversal, the Company has made an adjustment to offset the reversing entry. We accept the Company's adjustment.

Adjustment 30: Allocation of A&G Expenses - The Company failed to eliminate administrative and general expenses that related to non-utility operations. The Company supplied Staff estimates for the percentages of applicable administrative and general accounts that related to non-utility operations. The estimated amount of administrative and general expenses included in the Company's filing are as follows:

Account 920, Administrative & General Salaries	\$50,497
Account 921, Office Supplies Expense	\$19,551
Account 923, Outside Services Expense	\$ 9,068
Account 924, Property Insurance	\$ 521
Account 930, Misc and General Expenses	\$ 3,484
Account 935, Maintenance	\$ 2,389
	<u>\$85,510</u>

Since non-utility Administrative and General Expenses were not allowed in the Company's last rate case, \$85,510 should be removed from the historic base year expenses for interim purposes.

Adjustment 31: Common Plant Depreciation - The Company removed \$15,121 of depreciation expense related to common plant. Since this depreciation relates to non-utility plant, we accept the Company's reduction of \$15,121.

Adjustment 32: Amortization of Acquisition Adjustment - In its filing, the Company included \$308,800 of amortization expense related to the acquisition of the Company by NUI Corporation. Although the Company removed the rate base effect of the acquisition, the Company included the associated amortization. Since we have yet to approve or disapprove the amortization expense of the acquisition, for interim purposes amortization expense should be reduced \$308,800.

Adjustment 33: Property Taxes on Common Plant - The Company failed to remove a portion of property taxes related to common plant allocations. Based on the common plant allocations filed, \$8,295 should be removed from the historic base year expenses.

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Adjustment 34: Income Taxes and Taxes Other Than Income - True-Up - The Company made adjustments to state and federal income taxes, and taxes other than income. These tax adjustments result from the Company being purchased by NUI. Since NUI's fiscal year ended September 30, while City Gas' fiscal year ended March 31, City Gas faced 3 different tax years during the historic base year. To true-up the amount of taxes on the Company's books with that included in the tax returns, several adjustments were necessary. As a result of the true-up, the following adjustments were made:

Taxes Other Than Income	\$ 23,912 increase in expense
Federal Income Taxes - Current	\$103,349 increase in expense
State Income Taxes - Current	\$ 32,709 increase in expense
Federal Income Taxes - Deferred	\$ 71,257 decrease in expense
State Income Taxes - Deferred	\$ 19,235 decrease in expense

The total effect of these adjustments is a net increase in tax expense of \$69,478. We accept all of the adjustments except the federal income tax - current portion.

In the Company's calculation of federal income tax, it made a calculation error regarding the income tax effect of the Florida Emergency Excise tax. The effect of this error understated Federal Income Tax Expense by \$8,998. Therefore, Federal income tax expense should be increased \$8,998.

Adjustment 35. - Income Taxes As Adjusted for the Effects of the Above Adjustments - The Company made an adjustment to reduce federal and state income taxes by \$269,186 and \$44,687 respectively, for the income tax effect of its adjustments. We believe that the Company's filed federal and state tax expense should be increased \$151,554 and \$25,943 respectively. We have also decreased the Company's interest reconciliation adjustment by \$9,821.

Adjustment 36. - Revenue Expansion Factor - Since the Company prepared its filing, the Commission approved an increase in the regulatory assessment rate from one-eighth of one percent to three-eighths of one percent (Order No. 22789). Based on Staff's calculation at the current rate, the recommended revenue expansion factor is 1.6381 (Attachment 4).

Rate of Return

The Company has requested in its petition that a 14.00% return on equity be used in determining its interim rate

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relief in lieu of the bottom of its last authorized range of 14.75%. We agree that the 14.00% is more reasonable based on current economic conditions and should be used.

The only additional adjustments we have made beyond those proposed by the Company, reflect the removal of non-utility property directly from equity which is consistent with the Company's last rate case. These adjustments reduce the overall rate of return from the 9.80% rate requested by the Company to 9.69%.

Interim Relief

The Company requested \$3,176,058 in interim relief for the historic base year ended September 30, 1989. This would have allowed the company to earn an overall rate of return of 9.80%. Based on the previously discussed adjustments, we have determined the interim rate base to be \$49,637,904 (Attachment 1), and the net operating income to be \$3,282,604 (Attachment 2). Applying a 9.69% overall rate of return (Attachment 3), the Company is entitled to \$2,501,885 in interim relief (Attachment 5).

Allocation of Interim Increase

In accordance with Rule 25-7.040, Florida Administrative Code, any interim authorized should be applied uniformly across the board to all rate classes' base rates exclusive of fuel costs and collected on a cents-per-therm basis, as shown on Attachment 5.

The interim rates should be made effective for all meter readings taken on or after thirty days from the date of the vote and decision herein.

The Company is required to give appropriate notice to customers commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose and effect of the increase. A copy of the notice should be submitted to the Bureau of Gas Regulation for approval prior to its use.

The interim rate increases granted the City Gas Company shall be collected subject to refund, with interest, and the refund (including interest) shall be guaranteed by an appropriate corporate undertaking to be filed by the utility.

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Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that consent to the rate schedules filed by City Gas Company on April 26, 1990, requesting a permanent rate increase of \$6,757,589, is withheld, and the rate schedules are suspended pending further order of this Commission. It is further

ORDERED that the additional revenues approved in this Order shall be collected subject to the refund, with interest, and the company shall file a corporate undertaking guaranteeing the refunds (including interest). It is further

ORDERED that the interim rates approved by this Order shall be effective for meter readings taken on or after July 5, 1990. It is further

ORDERED that City Gas Company provide each customer with notice of the interim award and that such notice shall first be approved by the Division of Electric and Gas of the Florida Public Service Commission and shall accompany the first bill which reflects the interim increase.

By ORDER of the Florida Public Service Commission,
this 9th day of July, 1990.


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.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on July 30, 1990.

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

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

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

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CITY GAS COMPANY
DOCKET NO. 891175-GU
COMPARATIVE AVERAGE RATE BASES
TYE 6/30/89

Attachment 1

ADJ NO.	COMPANY			STAFF	
	TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS ADJUST.	ADJ. JURIS.
<u>Utility Plant:</u>					
	Plant in Service	\$71,119,515			
	Common Plant Allocated	(\$994,238)			
1	Acquisition Adjustment	\$14,585,664	(\$13,919,975)		
2			(\$314,067)		
	Construction Work In Progress	\$949,440			
	Total Plant	<u>\$85,660,381</u>	<u>(\$14,234,042)</u>	<u>\$71,426,339</u>	<u>\$0</u>
<u>Deductions:</u>					
	Accum. Depr. & Amort.-Utility Plant	\$24,800,780	\$0		
	Accum. Depr.-Common Plant	(\$81,110)	\$0		
3	Accum. Amort.-Acquisition Adj.	\$605,763	(\$308,800)		
4	Customer Advances for Constructio	\$75,890	(\$75,890)	\$75,890	
	Total Deductions	<u>\$25,401,323</u>	<u>(\$384,690)</u>	<u>\$75,890</u>	<u>\$25,092,523</u>
	Net Plant	<u>\$60,259,058</u>	<u>(\$13,849,352)</u>	<u>\$46,409,706</u>	<u>(\$75,890)</u>
<u>Allowance for Working Capital:</u>					
	Balance Sheet Method	(\$867,768)	\$4,762,502	\$3,894,734	(\$590,646)
	Total Rate Base	<u>\$59,391,290</u>	<u>(\$9,086,850)</u>	<u>\$50,304,440</u>	<u>(\$666,536)</u>

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CITY GAS COMPANY
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COMPARATIVE WORKING CAPITAL COMPONENTS
TYE 6/30/89

Attachment 1A

ADJ NO.	TOTAL PER BOOKS	COMPANY		STAFF		
		JURIS. ADJUST.	COMPANY ADJUSTED	JURIS ADJUST.	ADJ. JURIS.	
5	Working Capital	(\$867,768)			(\$171,081)	
6	Other Special Funds		(\$9,216)			
7	Temporary Cash Investments		(\$308,145)			
8	Notes Receivable		(\$16,968)			
9	A/R-Mdse, Job & Other		(\$197,331)			
10	Acc Prov Uncollect-Other		\$7,544			
11	Receivable-Assoc Company		(\$855)			
12	Merchandise		(\$228,596)			
13	Stores Expense		\$4,084			
14	Prepayments				(\$23,747)	
15	Interest & Dividends Receivable				(\$4,486)	
16	Misc Deferred Debits		\$168,307		(\$168,307)	
17	Notes Payable		\$38,462			
18	Accounts Payable		\$38,748			
19	Accts Pay-Assoc Co		\$669			
20	Customer Deposits		\$4,539,219			
21	Misc Current & Accrued Liab.		\$503,555			
22	Other Deferred Credits		\$223,025		(\$223,025)	
Totals	(\$867,768)	\$4,762,502	\$3,894,734	(\$590,646)	\$3,304,088	

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CITY GAS COMPANY OF FLORIDA
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COMPARATIVE NOIs
TYE 9/30/89

ATTACHMENT 2
JUNE 5, 1990
INTERIM

ADJ NO	COMPANY			STAFF	
	PER BOOKS	ADJUST.	COMPANY ADJUSTED	ADJUSTS.	ADJUSTED JURIS.
	OPERATING REVENUES	\$38,038,654			
23	FUEL REV ADJUSTMENT		(19,359,319)		
	TOTALS	<u>38,038,654</u>	<u>(19,359,319)</u>	<u>18,679,335</u>	<u>0</u>
	OPERATING EXPENSES:	28,797,769			
23	REMOVE COST OF GAS		(19,044,730)		
24	ESOP CONTRIBUTION		240,000		
25	DEPR. STUDY AMORT		(17,369)		
26	ADJ OUTSIDE SERV EXP		139,272	(69,084)	
27	ADJ INJURIES & DAMAGES		409,320		
28	ADJ MISC. EXPENSE		7,500		
29	ADJ METER & REG EXP		24,985		
30	ADJ A&G EXPENSE			(85,510)	
	TOTALS	<u>28,797,769</u>	<u>(18,241,022)</u>	<u>10,556,747</u>	<u>(154,594)</u>
	DEPRECIATION & AMORTIZATION	3,048,930			
31	ADJ FOR COMMON PLNT ALLOC		(15,121)		
32	AJD FOR ACQUISITION AMORTIZATION			(308,800)	
	TOTALS	<u>3,048,930</u>	<u>(15,121)</u>	<u>3,033,809</u>	<u>(308,800)</u>
	TAXES OTHER THAN INCOME	1,501,537			
23	ADJ FUEL RELATED TAXES		(314,589)		
34	ADJ EMERGENCY EXCISE TRUE-UP		23,912		
33	ADJ FOR COMMON PLT PROP. TX			(8,295)	
	TOTALS	<u>1,501,537</u>	<u>(290,677)</u>	<u>1,210,860</u>	<u>(8,295)</u>
	CURRENT INC TAXES - FEDERAL	748,337			
34	ADJ FOR INCOME TX TRUE-UP		103,349		
34	TO CORRECT ERROR IN CALCU.			8,998	
35	ADJ FOR THE EFFECT OF ABOVE		(269,186)	151,554	
	TOTALS	<u>748,337</u>	<u>(165,837)</u>	<u>582,500</u>	<u>160,552</u>
	CURRENT INC TAXES - STATE	95,912			
34	ADJ FOR INCOME TX TRUE-UP		32,709		
35	ADJ FOR THE EFFECT OF ABOVE		(44,687)	25,943	
	TOTALS	<u>95,912</u>	<u>(11,978)</u>	<u>83,934</u>	<u>25,943</u>
	DEFERRED INCOME TAXES - FED	145,427			
34	ADJ FOR INCOME TX TRUE-UP		(71,257)		
	DEFERRED INCOME TAXES - ST	66,509			
34	ADJ FOR INCOME TX TRUE-UP		(19,235)		
	TOTALS	<u>211,936</u>	<u>(90,492)</u>	<u>121,444</u>	<u>0</u>
	INVESTMENT TAX CREDITS	(10,652)			(10,652)
35	INTEREST RECONCILIATION		113,104	113,104	103,28
	TOTAL OPERATING EXPENSES	<u>34,393,769</u>	<u>(18,702,023)</u>	<u>15,691,746</u>	<u>295,015</u>
	NET OPERATING INCOME	<u>\$3,644,885</u>	<u>(\$657,296)</u>	<u>\$2,987,589</u>	<u>\$295,015</u>
					<u>15,396,731</u>
					<u>\$3,282,604</u>

City Gas Company
 13-Month Average Capital Structure
 Interim Period Ending 9/30/89
 Docket No. 891175-GU
 Staff Position

Capital Components	Per Books	Specific Adjustments Company	Staff	Pro Rata Adjustments	Adjusted	Ratio	Cost Rate	Weighted Cost
Common Equity	\$39,007,283	(\$15,069,360)	(\$1,471,288)	(\$2,321,237)	\$20,145,398	40.58%	14.00%	5.68%
Long-Term Debt	\$18,805,491	\$0	\$0	(\$1,942,970)	\$16,862,521	33.97%	9.93%	3.37%
Short-Term Debt	\$38,462	\$0	\$0	(\$3,974)	\$34,488	0.07%	9.75%	0.01%
Customer Deposits	\$4,539,219	\$0	\$0	(\$468,989)	\$4,070,230	8.20%	7.69%	0.63%
Tax Credits - Zero Cost	\$2,425,318	(\$232,893)	\$0	(\$226,520)	\$1,965,905	3.96%	0.00%	0.00%
Tax Credits - Wtd. Cost	\$0	\$0	\$0	\$0	\$0	0.00%	0.00%	0.00%
Acc Def Inc Taxes - Zero Cost	\$8,536,952	(\$1,221,793)	\$0	(\$755,797)	\$6,559,362	13.21%	0.00%	0.00%
	\$73,352,725	(\$16,524,046)	(\$1,471,288)	(\$5,719,487)	\$49,637,904	100.00%		9.69%

Specific Adjustments to Equity:

Company:

- 1) Investment in Essel - \$1,144,118
- 2) NUI acquisition adjustment - \$13,611,175
- 3) Antitrust damages - \$314,067
-
- \$15,069,360

Staff:

- 1) Non-utility working capital adjustments - \$171,081
- 2) Accounts receivable - merchandise, jobbing, and other - \$197,331
- 3) Non-utility merchandise - \$228,596
- 4) Accounts payable - non-utility merchandise - (\$38,848)
- 5) Allocation of common plant - \$913,128
-
- \$1,471,288

Other Specific Adjustments:

Company:

- 1) Removal of deferred taxes associated with leased appliances - \$1,411,281
- 2) Removal of investment tax credits associated with leased appliances - \$232,893

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CITY GAS COMPANY OF FLORIDA
DOCKET NO. 891175-GU
NET OPERATING INCOME MULTIPLIER
TYE 9/30/89

ATTACHMENT 4
INTERIM
JUNE 5, 1990

<u>DESCRIPTION</u>	<u>%</u>
REVENUE REQUIREMENT	100.0000%
GROSS RECEIPTS TAX RATE	1.5000%
REGULATORY ASSESSMENT FEE	0.3750%
BAD DEBT RATE	<u>0.2500%</u>
NET BEFORE INCOME TAXES	97.8750%
STATE INCOME TAX RATE	5.5000%
STATE INCOME TAX	<u>5.3831%</u>
NET BEFORE FEDERAL INCOME TAXES	92.4919%
FEDERAL INCOME TAX RATE	34.0000%
FEDERAL INCOME TAXES	<u>31.4472%</u>
REVENUE EXPANSION FACTOR	61.0446%
36 NET OPERATING INCOME MULTIPLIER	<u><u>1.6381%</u></u>

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CITY GAS COMPANY OF FLORIDA
 DOCKET NO. 891175-GU
 COMPARATIVE DEFICIENCY CALCULATIONS
 TYE 9/30/89

ATTACHMENT 5
 JUNE 5, 1990
 INTERIM

	<u>COMPANY</u>	<u>STAFF</u>
RATE BASE (AVERAGE)	\$50,304,440	\$49,637,904
RATE OF RETURN	X <u>9.8000%</u>	X <u>9.6900%</u>
REQUIRED NOI	<u>\$4,931,275</u>	<u>\$4,809,913</u>
Operating Revenues	\$18,679,335	\$18,679,335
Operating Expenses:		
Operation & Maintenance	10,556,747	10,402,153
Depreciation & Amortization	3,033,809	2,725,009
Taxes Other Than Income Taxes	1,210,860	1,202,565
Current Income Taxes - Federal	582,500	743,052
- State	83,934	109,877
Deferred Income Taxes	121,444	121,444
ITC Amortization	(10,652)	(10,652)
Interest Reconciliation	113,104	103,283
Total Operating Expenses	<u>15,691,746</u>	<u>15,396,731</u>
ACHIEVED NOI	<u>\$2,987,589</u>	<u>\$3,282,604</u>
NOI DEFICIENCY (Required - Achieved)	\$1,943,686	\$1,527,309
NOI MULTIPLIER	X <u>1.6340</u>	X <u>1.6381</u>
REVENUE INCREASE	<u>\$3,176,058</u>	<u>\$2,501,885</u>

COMPANY: CITY GAS COMPANY
 ALLOCATION OF INTERIM INCREASE
 BASED ON 12 MONTHS ENDED: SEPTEMBER 30, 1989

ATTACHMENT 6
 DOCKET NO. 891175-GU

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(1)	<u>PRESENT REVENUE</u>					<u>INTERIM INCREASE</u>			(9)
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(7)/(3)	
SCHEDULE	<u>BILLS</u>	<u>THERM SALES</u>	<u>CUSTOMER CHARGE</u>	<u>ENERGY CHARGE</u>	<u>TOTAL</u>	<u>(4)+(5)</u>	<u>(6)X(8)</u>	<u>(7)/(6)</u>	<u>(7)/(3)</u>
									<u>INCREASE</u>
							\$	%	CENTS
									PER THERM
RESIDENTIAL	873,819	17,955,874	\$5,242,914	\$4,259,133	\$9,502,047	\$1,284,672		13.52	7.1546
COMMERCIAL	49,694	40,474,861	\$596,328	\$6,845,514	\$7,441,842	\$1,006,133		13.52	2.4858
COMPRESSED NATURAL GAS	54	94,056	\$648	\$11,490	\$12,138	\$1,641		13.52	1.7448
INTERRUPTIBLE	355	16,182,723	\$8,520	\$1,534,122	\$1,542,642	\$208,564		13.52	1.2888
GAS LIGHTING	9,276	166,968	\$0	\$6,473	\$6,473	\$875		13.52	0.5241
TOTAL	933,198	74,874,482	\$5,848,410	\$12,656,732	\$18,505,142	\$2,501,885		13.52	3.3414

NOTE: REVENUE ABOVE DEVOID OF FUEL

<u>RATE SCHEDULE</u>	<u>PRESENT RATE</u>	<u>INTERIM RATE INCREASE</u>	<u>PROPOSED INTERIM RATE</u>
<u>RESIDENTIAL</u>			
CUSTOMER CHARGE	\$6.00	0	\$6.00
ENERGY CHARGE (cents/therm)	23.7200	7.1546	30.8746
<u>COMMERCIAL</u>			
CUSTOMER CHARGE	\$12.00	0	\$12.00
ENERGY CHARGE (cents/therm)	16.9130	2.4858	19.3988
<u>COMPRESSED NATURAL GAS</u>			
CUSTOMER CHARGE	\$12.00	0	\$12.00
ENERGY CHARGE (cents/therm)	12.2160	1.7448	13.9608
<u>INTERRUPTIBLE</u>			
CUSTOMER CHARGE	\$24.00	0	\$24.00
ENERGY CHARGE (cents/therm)	9.4800	1.2888	10.7688
<u>GAS LIGHTING</u>			
CUSTOMER CHARGE	\$0.00	0	\$0.00
ENERGY CHARGE (cents/therm)	3.2780	0.5241	3.8021

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COST OF SERVICE SUMMARY
RATE COMPARISON

ATTACHMENT 6

COMPANY: CITY GAS COMPANY
DOCKET NO. 891175-GU

RATE SCHEDULE: RESIDENTIAL

PRESENT RATES			**Interim** PROPOSED RATES		
Customer Charge			Customer Charge		
6.00			6.00		
Energy Charge			Energy Charge		
Beginning therms	Ending therms	cents per therm	Beginning therms	Ending therms	cents per therm
0	0	0	0	0	0
0	N/A	23.72	0	N/A	30.875

GAS COST CENTS/THERM 23.993 THERM USAGE INCREMENT 10

therm usage	CURRENT		PROPOSED		percent increase w/o fuel	percent increase with fuel	Dollar Increase
	monthly bill w/o fuel	monthly bill with fuel	monthly bill w/o fuel	monthly bill with fuel			
0	6.00	6.00	6.00	6.00	0.00	0.00	0.00
10	8.37	10.77	9.09	11.49	8.55	6.64	0.72
20	10.74	15.54	12.17	16.97	13.32	9.21	1.43
30	13.12	20.31	15.26	22.46	16.36	10.57	2.15
40	15.49	25.09	18.35	27.95	18.48	11.41	2.86
50	17.86	29.86	21.44	33.43	20.03	11.98	3.58
60	20.23	34.63	24.52	38.92	21.22	12.40	4.29
70	22.60	39.40	27.61	44.41	22.16	12.71	5.01
80	24.98	44.17	30.70	49.89	22.92	12.96	5.72
90	27.35	48.94	33.79	55.38	23.55	13.16	6.44
100	29.72	53.71	36.87	60.87	24.07	13.32	7.15
110	32.09	58.48	39.96	66.35	24.52	13.46	7.87
120	34.46	63.26	43.05	71.84	24.91	13.57	8.59
130	36.84	68.03	46.14	77.33	25.25	13.67	9.30
140	39.21	72.80	49.22	82.81	25.55	13.76	10.02
150	41.58	77.57	52.31	88.30	25.81	13.84	10.73
160	43.95	82.34	55.40	93.79	26.05	13.90	11.45
170	46.32	87.11	58.49	99.27	26.26	13.96	12.16
180	48.70	91.88	61.57	104.76	26.45	14.02	12.88
190	51.07	96.65	64.66	110.25	26.62	14.06	13.59

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COST OF SERVICE SUMMARY
RATE COMPARISON

ATTACHMENT 6

CGMPANY: CITY GAS COMPANY
DOCKET NO. 891175-GU

RATE SCHEDULE: COMMERCIAL

PRESENT RATES			**Interim** PROPOSED RATES		
Customer Charge			Customer Charge		
12.00			12.00		
Energy Charge			Energy Charge		
Beginning therms	Ending therms	cents per therm	Beginning therms	Ending therms	cents per therm
0	0	0	0	0	0
0	N/A	16.913	0	N/A	19.399
GAS COST CENTS/THERM			THERM USAGE INCREMENT		
23.993			50		

therm usage	monthly bill		monthly bill		PROPOSED		Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel	percent increase w/o fuel	percent increase with fuel	
0	12.00	12.00	12.00	12.00	0.00	0.00	0.00
50	20.46	32.45	21.70	33.70	6.08	3.83	1.24
100	28.91	52.91	31.40	55.39	8.60	4.70	2.49
150	37.37	73.36	41.10	77.09	9.98	5.08	3.73
200	45.83	93.81	50.80	98.78	10.85	5.30	4.97
250	54.28	114.27	60.50	120.48	11.45	5.44	6.21
300	62.74	134.72	70.20	142.18	11.89	5.54	7.46
350	71.20	155.17	79.90	163.87	12.22	5.61	8.70
400	79.65	175.62	89.60	185.57	12.48	5.66	9.94
450	88.11	196.08	99.29	207.26	12.70	5.70	11.19
500	96.57	216.53	108.99	228.96	12.87	5.74	12.43
550	105.02	236.98	118.69	250.65	13.02	5.77	13.67
600	113.48	257.44	128.39	272.35	13.14	5.79	14.91
650	121.93	277.89	138.09	294.05	13.25	5.81	16.16
700	130.39	298.34	147.79	315.74	13.34	5.83	17.40
750	138.85	318.80	157.49	337.44	13.43	5.85	18.64
800	147.30	339.25	167.19	359.13	13.50	5.86	19.89
850	155.76	359.70	176.89	380.83	13.57	5.87	21.13
900	164.22	380.15	186.59	402.53	13.62	5.89	22.37
950	172.67	400.61	196.29	424.22	13.68	5.89	23.62

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COST OF SERVICE SUMMARY
RATE COMPARISON

ATTACHMENT 6

PANY: CITY GAS COMPANY
DOCKET NO. 891175-GU

RATE SCHEDULE: GAS LIGHTING

PRESENT RATES			**Interim** PROPOSED RATES		
Customer Charge			Customer Charge		
0.00			0.00		
Energy Charge			Energy Charge		
Beginning therms	Ending therms	cents per therm	Beginning therms	Ending therms	cents per therm
0	0	0	0	0	0
0	N/A	3.278	0	N/A	3.802

GAS COST CENTS/THERM 23.993
THERM USAGE INCREMENT 10

therm usage	monthly bill		monthly bill		PROPOSED		Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel	percent increase w/o fuel	percent increase with fuel	
0	0.00	0.00	0.00	0.00	ERR	ERR	0.00
10	0.33	2.73	0.38	2.78	15.99	1.92	0.05
20	0.66	5.45	0.76	5.56	15.99	1.92	0.10
30	0.98	8.18	1.14	8.34	15.99	1.92	0.16
40	1.31	10.91	1.52	11.12	15.99	1.92	0.21
50	1.64	13.64	1.90	13.90	15.99	1.92	0.26
60	1.97	16.36	2.28	16.68	15.99	1.92	0.31
70	2.29	19.09	2.66	19.46	15.99	1.92	0.37
80	2.62	21.82	3.04	22.24	15.99	1.92	0.42
90	2.95	24.54	3.42	25.02	15.99	1.92	0.47
100	3.28	27.27	3.80	27.80	15.99	1.92	0.52
110	3.61	30.00	4.18	30.57	15.99	1.92	0.58
120	3.93	32.73	4.56	33.35	15.99	1.92	0.63
130	4.26	35.45	4.94	36.13	15.99	1.92	0.68
140	4.59	38.18	5.32	38.91	15.99	1.92	0.73
150	4.92	40.91	5.70	41.69	15.99	1.92	0.79
160	5.24	43.63	6.08	44.47	15.99	1.92	0.84
170	5.57	46.36	6.46	47.25	15.99	1.92	0.89
180	5.90	49.09	6.84	50.03	15.99	1.92	0.94
190	6.23	51.81	7.22	52.81	15.99	1.92	1.00

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COST OF SERVICE SUMMARY ATTACHMENT 6
 RATE COMPARISON

COMPANY: CITY GAS COMPANY
 DOCKET NO. 891175-GU

RATE SCHEDULE: INTERRUPTIBLE

PRESENT RATES			**Interim** PROPOSED RATES		
Customer Charge 24.00			Customer Charge 24.00		
Energy Charge			Energy Charge		
Beginning therms	Ending therms	cents per therm	Beginning therms	Ending therms	cents per therm
0	0	0	0	0	0
0	N/A	9.48	0	N/A	10.769

GAS COST CENTS/THERM 21.189
 THERM USAGE INCREMENT 1000

therm usage	monthly bill		monthly bill		PROPOSED		Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel	percent increase w/o fuel	percent increase with fuel	
0	24.00	24.00	24.00	24.00	0.00	0.00	0.00
1000	118.80	330.69	131.69	343.58	10.85	3.90	12.89
2000	213.60	637.38	239.38	663.16	12.07	4.04	25.78
3000	308.40	944.07	347.06	982.73	12.54	4.10	38.66
4000	403.20	1,250.76	454.75	1,302.31	12.79	4.12	51.55
5000	498.00	1,557.45	562.44	1,621.89	12.94	4.14	64.44
6000	592.80	1,864.14	670.13	1,941.47	13.04	4.15	77.33
7000	687.60	2,170.83	777.82	2,261.05	13.12	4.16	90.22
8000	782.40	2,477.52	885.50	2,580.62	13.18	4.16	103.10
9000	877.20	2,784.21	993.19	2,900.20	13.22	4.17	115.99
10000	972.00	3,090.90	1,100.88	3,219.78	13.26	4.17	128.88
11000	1,066.80	3,397.59	1,208.57	3,539.36	13.29	4.17	141.77
12000	1,161.60	3,704.28	1,316.26	3,858.94	13.31	4.18	154.66
13000	1,256.40	4,010.97	1,423.94	4,178.51	13.34	4.18	167.54
14000	1,351.20	4,317.66	1,531.63	4,498.09	13.35	4.18	180.43
15000	1,446.00	4,624.35	1,639.32	4,817.67	13.37	4.18	193.32
16000	1,540.80	4,931.04	1,747.01	5,137.25	13.38	4.18	206.21
17000	1,635.60	5,237.73	1,854.70	5,456.83	13.40	4.18	219.10
18000	1,730.40	5,544.42	1,962.38	5,776.40	13.41	4.18	231.98
19000	1,825.20	5,851.11	2,070.07	6,095.98	13.42	4.19	244.87