

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Indiantown
Gas Company.

DOCKET NO. 030954-GU
ORDER NO. PSC-04-0180-PCO-GU
ISSUED: February 23, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
LILA A. JABER
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

ORDER SUSPENDING PERMANENT RATE INCREASE AND
GRANTING INTERIM RATES SUBJECT TO REFUND

BY THE COMMISSION:

I. BACKGROUND

This proceeding commenced on December 15, 2003, with the filing of a petition for a permanent rate increase by Indiantown Gas Company, Inc. (Indiantown or the Company). Indiantown requested an increase of \$306,751 in additional annual revenues. The Company based its request on a 13-month average rate base of \$755,812 for a projected test year ending December 31, 2004. The requested overall rate of return is 10.09% based on an 11.50% return on equity.

In its initial filing, the Company also requested an interim increase of \$131,896. It calculated the interim increase request using a 13-month average rate base of \$642,589 and an overall rate of return of 8.49% based on a return on equity of 10.50%. The interim test year is the period ended December 31, 2002. However, upon reviewing the filing an error was found in the calculation of the cost rate for long-term debt. After correcting for this error, the overall cost of capital is 9.14% based on the Company's proposed capital structure. On December 31, 2003, the Company filed certain revised MFR schedules and amended its requested interim increase to \$138,602. The oversight was specific to the interim request and will have no impact on the Company's request for permanent rate relief.

By Order No. 4933, issued August 27, 1970, in Docket No. 70377-GU, In Re: Application of Indiantown Gas Company, Inc. for approval of rate schedules for the sale of natural gas, p. 1, the Commission approved initial rates and charges for Indiantown on a temporary basis. The Commission, in Order No. 5578, issued November 9, 1972, in Docket No.

DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

70377, In Re: Application of Indiantown Gas Company, Inc., for approval of rate schedules for the sale of natural gas, p. 1, made the previously authorized temporary rates permanent. Indiantown has never had a rate case. However, by Order No. PSC-02-1666-PAA-GU, issued November 26, 2002, in Docket No. 020470-GU, In Re: Request for limited proceeding by Indiantown Gas Company for approval of Natural Gas Tariff, Original Volume No. 2, implementing restructured rates, p. 7, the Commission approved a revenue-neutral restructuring of the Company's rates based on 2001 test year billing determinants. The restructured rates became effective December 5, 2002. In addition, the Order established an authorized return on equity of 11.50% with a range of plus or minus 100 basis points, limited Indiantown's common equity ratio to not more than 60%, and ordered a refund of overcollection of regulatory assessment fees.

Pursuant to Section 366.06(4), Florida Statutes, Indiantown requested to proceed under the rules governing Proposed Agency Action (PAA). Under that section, this Commission must enter its vote on the PAA within 5 months of the date on which a complete set of minimum filing requirements (MFRs) are filed with the Commission. We have jurisdiction over this request for a rate increase and interim rate increase under Sections 366.06(2) and (4), and 366.071, Florida Statutes.

II. SUSPENSION OF RATES

Indiantown filed its petition and a complete set of MFRs on December 15, 2003. The Company requested a permanent rate increase of \$306,751 which would produce a 10.09% overall return on its 13-month average adjusted rate base. This overall rate of return was calculated using a 11.50% return on equity. The Company also requested interim rate relief in accordance with Section 366.071, Florida Statutes. In order to allow our staff time to complete its review of the Company's MFRs, the proposed rates and charges shall be suspended.

III. INTERIM RATES

As stated above, Indiantown has never had a rate case. Therefore, there are no adjustments to be made consistent with a prior rate case. We have reviewed the current filing to determine whether Florida Statutes, rules, and Commission practice and philosophy were followed. We believe the filing is consistent with Commission practices with the exception of the following adjustments which are shown on Attachments 1 and 1A, attached hereto and incorporated herein by reference.

Adjustment 1: Allocation of Materials & Supplies - The Company recorded \$22,149 in Materials and Supplies. In addition to providing natural gas transportation service, the Company also sells appliances and provides propane distribution. We reduced working capital by \$16,794 to remove materials and supplies related to these nonutility operations.

Adjustment 2: Purchased Gas Adjustment (PGA) Overrecovery - The Company made an adjustment to exclude a PGA overrecovery of \$53,401 from working capital. Our practice is to include overrecoveries, which are liabilities, in working capital. The rationale for including overrecoveries as a reduction to working capital is to provide the Company with an incentive to make its projections for the cost recovery clause as accurate as possible and to avoid large overrecoveries. See Order No. PSC-96-1404-FOF-GU, issued November 20, 1996, Docket No. 960502-GU, In Re: Application for rate increase by City Gas Company of Florida, p. 14. Further, Indiantown's participation in the PGA proceedings was terminated pursuant to Order No. PSC-02-1655-TRF-GU, issued November 26, 2002, Docket No. 020471-GU, In Re: Petition for authority to convert all remaining sales customers to transportation service and to terminate merchant function by Indiantown Gas Company, p. 5. Hence, in the future, over and underrecoveries will no longer exist. Therefore, we have reversed the Company's adjustment and included the overrecovery in working capital thereby reducing rate base by \$53,401.

Based on the above, we calculate the interim test year rate base to be \$572,394.

IV. INTERIM TEST YEAR NET OPERATING INCOME

We have reviewed the net operating income in the current interim filing to determine if it is consistent with Florida Statutes and Commission rules, practices and philosophy. We find the filing is consistent with Commission practices with the exception of the following adjustments which are shown on Attachment 2.

Adjustment 3: Annualize Revenues - By Order No. PSC-02-1666-PAA-GU, we approved a revenue-neutral restructuring of the Company's rates. The restructured rates became effective in December 2002.

The Company calculated base rate revenues of \$344,845 for the interim test year ended December 31, 2002. The calculation was based on a weighted average of the rates that were in effect for the first 11 months of 2002 and the restructured rates in effect for December 2002. Section 366.071(5)(b)1., Florida Statutes, requires that any rate changes during the test period must be annualized for the purposes of determining the interim rate increase. Therefore, the restructured rates should have been applied to the billing determinants to calculate the base rate revenues for the interim test year. This calculation results in interim test year service revenues of \$319,727, a decrease of \$25,118.

The Company bills gross receipts tax (GRT) separately as a line item on its customers' bills. Therefore, the calculation of revenues does not include GRT.

Adjustment 4: Reverse Revenue Adjustments - The Company made a net adjustment of \$5,142 to revenues for PGA true-up, GRT, and Miscellaneous Items. When we calculated annualized revenues, these items were taken into consideration. Further, as stated above, the restructured

rates do not include GRT. Therefore, we have reversed the Company's adjustment and reduced revenues by \$5,142. This results in revenues of \$320,349, \$319,727 in service revenues plus \$622 in miscellaneous revenues.

Adjustment 5: PGA Revenues, Expenses and Taxes Other - The Company included PGA revenues, expenses, and taxes other than income of \$1,095,519, \$1,057,122 and \$27,388, respectively, in net operating income. These expenses were recovered through the PGA cost recovery clause and not through base rates. Therefore, consistent with Commission practice, we reduced revenue by \$1,095,519, expenses by \$1,057,122, and taxes other by \$27,388.

Adjustment 6: Nonrecurring PGA Accounting Expense - The Company included \$5,400 in Account 923, Outside Services, for accounting services related to its PGA filings. We reduced expenses by \$5,400 because Indiantown will no longer participate in the PGA and the filings will not be required.

Adjustment 7: Taxes Other Than Income - The Company has included \$35,483 of gross receipts tax in its calculation of taxes other than income. The calculated revenues do not include gross receipts tax. Therefore, the entire amount of gross receipts tax shall be excluded. In Adjustment 4, we removed gross receipts tax of \$27,388 related to PGA revenues. Therefore, we have decreased gross receipts tax by an additional \$8,095 to remove the remaining amount of gross receipts tax included in taxes other than income.

The Company has included \$7,495 of regulatory assessment fees (RAFs) in its calculation of taxes other than income. Based on calculated revenues, RAFs should reflect a balance of \$1,602. Therefore, we have reduced RAFs by \$5,893.

Adjustment 8: Tax Effect of Other Adjustments - We made an adjustment to decrease the Company's income tax expense by \$4,305. This adjustment is a fallout based on other income and expense adjustments.

Adjustment 9: Interest Reconciliation Adjustment - We made an adjustment to increase the Company's income tax expense by \$886. This adjustment represents adjustments based on the approved capital structure and cost rates.

Adjustment 10: Adjustment using a 15% Federal Tax Rate - The Company calculated income tax expense using a 34% tax rate. Based on the Company's taxable income, we determined that the appropriate federal tax rate is 15%. Therefore, we have adjusted income tax expense to reflect the appropriate amount.

Based on the net effect of the adjustments discussed above, we have determined the interim test year net operating income to be (\$57,415).

V. INTERIM RETURN ON EQUITY AND OVERALL RATE OF RETURN

Pursuant to Section 366.071(2)(a), Florida Statutes, the appropriate return on equity (ROE) for purposes of determining an interim rate increase is the minimum of the Company's currently authorized ROE range. We established Indiantown's current authorized ROE of 11.50% in Order No. PSC-02-1666-PAA-GU. For purposes of its interim rate increase, the Company correctly used the minimum of its authorized ROE range of 10.50%.

The Company's per book amounts were taken directly from Schedule F-8 of Indiantown's MFR filing. The Company made a specific adjustment to remove non-utility investment specifically from common equity. The result of this adjustment is an equity ratio of 61.2% as a percentage of investor capital.

Adjustment 11: Adjustment to Comply with Commission-Ordered 60% Equity Ratio Cap - While we agree with the adjustment to remove non-utility investment from common equity, the resulting equity ratio as a percentage of investor capital exceeds the equity ratio cap of 60.0% set forth in Order No. PSC-02-1666-PAA-GU. To meet the requirement of the Order, we made an adjustment to decrease common equity and increase long-term debt by \$7,800.

As discussed previously, Indiantown filed certain revised MFR schedules to correct for an error in the calculation of the cost rate for long-term debt. In its original filing, the Company used a cost rate of 5.49% for long-term debt in the determination of the overall cost of capital of 8.49% for purposes of determining its requested interim rate increase. The correct cost rate for long-term debt is 7.20%. Using the 7.20% cost rate for long-term debt results in an overall cost of capital of 9.14%, all other aspects of the Company's filing held constant.

Finally, we have made certain adjustments which have resulted in a net reduction to Indiantown's proposed interim rate base. To reconcile capital structure and the approved rate base, a pro rata adjustment was made over all sources of capital.

Based upon the proper components, amounts, and cost rates associated with the capital structure for the interim test year ended December 31, 2002, the weighted average cost of capital is 9.10%. Adjustments are shown on Attachment 3, attached hereto and incorporated herein by reference.

VI. INTERIM REVENUE EXPANSION FACTOR

We reviewed the Company's calculations and determined the Company calculated the revenue expansion factor based on a 34% federal income tax rate. We determined that based on the Company's taxable income, the appropriate federal income tax rate should be 15%. Therefore, the appropriate revenue expansion factor is 1.2512 as shown on Attachment 4, attached hereto and incorporated herein by reference.

VII. INTERIM REVENUE INCREASE

The Company requested \$138,602 in interim revenue relief for the historical test year ended December 31, 2002. Based on the Company's calculations and adjustments, this would have allowed the Company to earn an overall rate of return of 9.14%. Based on the previously discussed adjustments, we have determined the interim rate base to be \$572,394, the net operating income to be (\$57,415), and the overall rate of return to be 9.10%. Based on the Company's filing, modified by the aforementioned adjustments, the Company is entitled to \$137,014 in interim relief as shown on Attachment 5, attached hereto and incorporated herein by reference.

VIII. DISTRIBUTION OF INTERIM RATE AMONG RATE CLASSES

Rule 25-7.040, Florida Administrative Code, requires that any increase be applied evenly across the board to all rate classes based on their base rate revenues. Based on the approved interim increase of \$137,014, and using the methodology contained in Rule 25-7.040, Florida Administrative Code, we have determined the cents-per-therm increases to be applied to each rate class as shown on Attachments 6A and 6B, attached hereto and incorporated herein by reference.

The interim rates shall be effective for all meter readings made on or after thirty days from the date of our vote approving any interim increase. The Company shall give appropriate notice to customers commencing with the first bill for service that reflects the increase authorized herein, explaining the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to the Division of Economic Regulation for approval prior to its use.

IX. SECURITY FOR REFUND

Pursuant to Section 366.071(2)(b) and (c), Florida Statutes, revenues collected under interim rates are subject to refund with interest and shall be secured under bond or corporate undertaking pending final resolution of the requested relief. As discussed previously, the approved annual interim increase is \$137,014. For purposes of the analysis in this proceeding, we used \$68,507. This amount represents six months of additional revenue that Indiantown would be allowed to collect under interim rates. Based upon our analysis of the Company's financial condition, we do not believe Indiantown has the financial capability to support a corporate undertaking in the amount proposed.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 2000, 2001, and 2002 financial statements of Indiantown were used to determine the financial condition of the Company. The analysis for this period shows that the Company has relatively stable but minimal

liquidity and adequate but declining equity capitalization. In addition, the Company has insufficient interest coverage and has experienced three consecutive years of net losses. Although the Company's 2003 financial statements are not yet publicly available, it is known that the Company experienced another net loss for the year which has further eroded both its equity capitalization and interest coverage ratios.

For these reasons, we find that the Company secure an irrevocable letter of credit, surety bond, or escrow agreement to guarantee the funds collected subject to refund. If the security provided is an irrevocable letter of credit or surety bond, said instrument shall be in the amount of \$68,507, the named beneficiary shall be the Florida Public Service Commission on behalf of the customers of Indiantown Gas Company, and the instrument shall remain in effect until a final Commission order is issued regarding the resolution of the Company's request for permanent rate relief.

Alternatively, the Company could establish an escrow agreement with an independent financial institution. If security is provided through an escrow agreement, the following conditions shall be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Company without express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Company.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of the Division of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.

The Company shall deposit 30.0% of gas revenues collected into the escrow account each month to secure for a possible refund. In no instance shall the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and shall be borne by, the Company.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Indiantown Gas Company, Inc. is granted an interim increase of \$137, 014. It is further

ORDERED that all the matters contained in the attachments attached hereto are incorporated herein by reference. It is further

ORDERED that the permanent rates shall be suspended until May 15, 2004. It is further

ORDERED that the interim rate base increase shall be distributed to all rate classes based on their base rate revenues, and shall be collected on a cents-per-therm basis. It is further

ORDERED that the interim rates shall be made effective for all meter readings on or after 30 days from February 3, 2004. It is further

ORDERED that Indiantown Gas Company, Inc. shall give appropriate notice to customers commencing with the first bill for service that reflects the increase authorized herein, explaining the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to the Division of Economic Regulation for approval prior to its use. It is further

ORDERED that Indiantown Gas Company, Inc. shall secure the interim refund with an irrevocable letter of credit, surety bond, or escrow agreement in the amount of \$68,507. It is further

ORDERED that this docket shall remain open pending final resolution of Indiantown Gas Company, Inc.'s requested rate increase.

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By ORDER of the Florida Public Service Commission this 23rd day of February, 2004.

BLANCA S. BAYÓ, Director
Division of the Commission Clerk
and Administrative Services

By: Kay Flynn
Kay Flynn, Chief
Bureau of Records

(SEAL)

KEF

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to 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 wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.

COMPARATIVE AVERAGE RATE BASES

ADJ. NO.	COMPANY			COMMISSION	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	APPROVED
PLANT IN SERVICE					
UTILITY PLANT	1,205,273				
COMMON PLANT ALLOCATED	0	(23,247)			
ACQUISITION ADJUSTMENT	0				
PLANT HELD FOR FUTURE USE	0				
CONSTRUCTION WORK IN PROGRESS	15,142				
TOTAL PLANT	<u>1,220,415</u>	<u>(23,247)</u>	<u>1,197,168</u>	<u>0</u>	<u>1,197,168</u>
DEDUCTIONS					
ACCUM. DEPR.- PLANT IN SERVICE Remove Common Plant Allocation	639,362	(6,836)			
CUSTOMER ADVANCES FOR CONSTR.	0				
TOTAL DEDUCTIONS	<u>639,362</u>	<u>(6,836)</u>	<u>632,526</u>	<u>0</u>	<u>632,526</u>
NET UTILITY PLANT	<u>581,053</u>	<u>(16,411)</u>	<u>564,642</u>	<u>0</u>	<u>564,642</u>
WORKING CAPITAL ALLOWANCE	<u>183,828</u>	<u>(105,881)</u>	<u>77,947</u>	<u>(70,195)</u>	<u>7,752</u>
TOTAL RATE BASE	<u><u>764,881</u></u>	<u><u>(122,292)</u></u>	<u><u>642,589</u></u>	<u><u>(70,195)</u></u>	<u><u>572,394</u></u>

COMPARATIVE WORKING CAPITAL COMPONENTS

ADJ. NO.	COMPANY AS FILED			COMMISSION	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	APPROVED
	WORKING CAPITAL	183,828			
	Nonutility Property		(38,354)		
	Accum. Depr. - Nonutility Property		0		
	Accounts Rec-Propane		(69,754)		
	Transporter Fuel-Rec		(8,683)		
	Accounts Rec-Misc		(49,626)		
	Propane Inventory		(25,857)		
	Appliance Inventory		(17,642)		
	Prepayments		(1,039)		
	Suspense Account		419		
	Unrecovered Gas Cost		53,401		
1	Decrease Materials & Supplies for Nonutility Allocation			(16,794)	
2	Decrease for PGA Overrecovery			(53,401)	
	Accounts Payable		11,837		
	Customer Deposits-Propane		22,324		
	Customer Deposits		17,093		
	TOTALS	<u>183,828</u>	<u>(105,881)</u>	<u>77,947</u>	<u>(70,195)</u>
				<u>7,752</u>	

COMPARATIVE NOIs

ADJ. NO.		COMPANY		COMMISSION		
		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	APPROVED
	OPERATING REVENUES	1,446,128				
3	Annualize revenue				(25,118)	
4	Reverse Co. revenue adjustments				(5,142)	
5	Remove PGA revenue				(1,095,519)	
	TOTAL REVENUES	<u>1,446,128</u>	<u>0</u>	<u>1,446,128</u>	<u>(1,125,779)</u>	<u>320,349</u>
	OPERATING EXPENSES:					
	COST OF GAS	1,057,122				
5	Remove Cost of Gas				(1,057,122)	
	OPERATION & MAINTENANCE EXPENSE	325,094				
6	Remove Nonrecurring Accounting Expense				(5,400)	
	TOTAL O & M EXPENSE	<u>1,382,216</u>	<u>0</u>	<u>1,382,216</u>	<u>(1,062,522)</u>	<u>319,694</u>

COMPARATIVE NOIs

ADJ. NO.	TOTAL PER BOOKS	COMPANY		COMMISSION	
		COMPANY ADJS.	COMPANY ADJUSTED	ADJS.	APPROVED
	50,404				
		(2,046)			
	<u>50,404</u>	<u>(2,046)</u>	<u>48,358</u>	<u>0</u>	<u>48,358</u>
	67,305				
5				(27,388)	
7				(8,095)	
7				(5,893)	
	<u>67,305</u>	<u>0</u>	<u>67,305</u>	<u>(41,376)</u>	<u>25,929</u>
	1,630				
9		(1,613)		886	
		(24,495)			
8				(4,305)	
10				11,680	
	<u>1,630</u>	<u>(26,108)</u>	<u>(24,478)</u>	<u>8,261</u>	<u>(16,217)</u>
	1,501,555	(28,154)	1,473,401	(1,095,637)	377,764
	<u>(55,427)</u>	<u>28,154</u>	<u>(27,273)</u>	<u>(30,142)</u>	<u>(57,415)</u>

FPSC ADJUSTED CAPITAL STRUCTURE

COMPANY ADJUSTMENTS

COMMISSION ADJUSTMENTS

	COMPANY ADJUSTMENTS			COMMISSION ADJUSTMENTS			COMMISSION APPROVED	RATIO	COST RATE	WEIGHTED COST
	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	SPECIFIC	PRO RATA				
COMMON EQUITY	522,454	(139,385)	0	383,069	(7,800)	(40,994)	334,275	58.40%	10.50%	6.13%
LONG TERM DEBT	242,427	0	0	242,427	7,800	(27,334)	222,893	38.94%	7.20%	2.80%
SHORT TERM DEBT	0		0	0		0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	17,093	0	0	17,093		(1,867)	15,226	2.66%	6.20%	0.16%
OTHER DEFERRED CREDIT - FC	0			0			0	0.00%	0.00%	0.00%
OTHER DEFERRED CREDIT - GC	0			0			0	0.00%	0.00%	0.00%
DEFERRED INCOME TAX	0			0			0	0.00%	0.00%	0.00%
	\$781,974	(\$139,385)	\$0	\$642,589	\$0	(\$70,195)	\$572,394	100%		<u>9.10%</u>

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NET OPERATING INCOME MULTIPLIER

<u>DESCRIPTION</u>	<u>COMPANY PER FILING</u>	<u>COMMISSION APPROVED</u>
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.0000%	0.0000%
NET BEFORE INCOME TAXES	<u>99.5000%</u>	<u>99.5000%</u>
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4725%	5.4725%
NET BEFORE FEDERAL INCOME TAXES	<u>94.0275%</u>	<u>94.0275%</u>
FEDERAL INCOME TAX RATE	34.0000%	15.0000%
FEDERAL INCOME TAX	31.9694%	14.1041%
REVENUE EXPANSION FACTOR	<u>62.0582%</u>	<u>79.9234%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.6114</u>	<u>1.2512</u>

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COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

	<u>COMPANY ADJUSTED</u>	<u>COMMISSION APPROVED</u>
RATE BASE (AVERAGE)	\$642,589	\$572,394
RATE OF RETURN	X <u>9.14%</u>	X <u>9.10%</u>
REQUIRED NOI	<u>\$58,733</u>	<u>\$52,091</u>
 Operating Revenues	 1,446,128	 320,349
Operating Expenses:		
Operation & Maintenance	1,382,216	319,694
Depreciation & Amortization	48,358	48,358
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	67,305	25,929
Income Taxes	(24,478)	(16,217)
Total Operating Expenses	1,473,401	377,764
ACHIEVED NOI	<u>(27,273)</u>	<u>(57,415)</u>
NET REVENUE DEFICIENCY	86,006	109,506
Revenue Tax Factor	1.6114	1.2512
TOTAL REVENUE DEFICIENCY	<u><u>\$138,602</u></u>	<u><u>\$137,014</u></u>

ALLOCATION OF APPROVED INTERIM INCREASE

(1) RATE CODE	(2) RATE SCHEDULE	PRESENT BASE RATE REVENUE				COMMISSION APPROVED INTERIM INCREASE			
		(3) BILLS	(4) THERM SALES	(5) CUSTOMER CHARGE	(6) ENERGY CHARGE	(7) TOTAL	(8) INCREASE \$	(9) INCREASE %	(10) INCREASE PER THERM CENTS
TS-1	TRANSPORTATION SERVICE 1	7,585	154,689	\$68,265	\$21,301	\$89,568	\$38,382	42.85	24.812
TS-2	TRANSPORTATION SERVICE 2	293	99,294	\$6,153	\$6,162	\$12,315	\$5,277	42.85	5.315
TS-3	TRANSPORTATION SERVICE 3	24	30,427	\$1,200	\$1,692	\$2,892	\$1,239	42.85	4.074
TS-4	TRANSPORTATION SERVICE 4	24	4,767,009	\$38,000	\$178,954	\$214,954	\$92,115	42.85	1.932
TS-5	TRANSPORTATION SERVICE 5	0	0	\$0	\$0	\$0	\$0	42.85	1.363
TOTAL		7,926	5,051,418	\$111,618	\$208,109	\$319,727	\$137,014		

COMMISSION APPROVED RATES

RATE SCHEDULE	PRESENT RATE	COMMISSION APPROVED INTERIM INCREASE	COMMISSION APPROVED INTERIM RATE
<u>TRANSPORTATION SERVICE 1</u>			
CUSTOMER CHARGE	\$9.00	\$0.00	\$9.00
ENERGY CHARGE (cents/therm)	13.770	24.812	38.582
<u>TRANSPORTATION SERVICE 2</u>			
CUSTOMER CHARGE	\$21.00	\$0.00	\$21.00
ENERGY CHARGE (cents/therm)	6.206	5.315	11.521
<u>TRANSPORTATION SERVICE 3</u>			
CUSTOMER CHARGE	\$50.00	\$0.00	\$50.00
ENERGY CHARGE (cents/therm)	5.562	4.074	9.636
<u>TRANSPORTATION SERVICE 4</u>			
CUSTOMER CHARGE	\$1,500.00	\$0.00	\$1,500.00
ENERGY CHARGE (cents/therm)	3.754	1.932	5.686
<u>TRANSPORTATION SERVICE 5</u>			
CUSTOMER CHARGE	\$5,500.00	\$0.00	\$5,500.00
ENERGY CHARGE (cents/therm)	3.181	1.363	4.544