BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for a rate increase by West Florida Natural Gas Company.	DOCKET NO. 910778-GU ORDER NO. PSC-92-0580-FOF-GU ISSUED: 6/29/92

The following Commissioners participated in the disposition of this matter:

THOMAS M. BEARD, Chairman
BETTY EASLEY

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 April 27, 1992. Having considered the record in this proceeding, the Commission now enters its Final Order.

BACKGROUND

This proceeding commenced on October 15, 1991, with the filing of a petition by West Florida Natural Gas Company (West Florida, WFNG, or the Company) for a rate increase that would provide West Florida with $1,930,801 in additional annual revenues.

The Company's last rate case, in Docket No. 871255-GU, was based upon a test year ending June 30, 1987, with rates set for an attrition year ending June 30, 1989. In that case, the Commission found the Company's jurisdictional rate base to be $16,362,103 in the attrition year. The Company's last authorized rate of return, set in that docket, was 11.06%, which included a return on common equity of 13.50%.

The Company's current request is based upon a projected test year ending June 30, 1993, with a jurisdictional rate base of $18,066,280 in that projected test year. In this case, West Florida has requested an overall rate of return of 11.14%, with a return on common equity of 12.80%.

By Order No. 25522, issued December 23, 1991, the Commission suspended West Florida's permanent rate schedules and granted the Company an interim increase of $853,689.

Customer service hearings were held in Panama City, Florida, on February 5, 1992, and in Ocala, Florida, on February 12, 1992. Customers gave testimony at both service hearings. A formal prehearing conference was held before Chairman Beard on April 6, 1992, at which time the parties reached agreement on several of the issues. There remained for the hearing a number of contested issues which will be discussed in this Order. Testimony and exhibits were presented on these issues by J. E. McIntyre, Patti A. Smith, Bruce Christmas, Teresa K. Bean and Mark Cicchetti on behalf of the Company. No other witnesses were heard.

The Federal Executive Agencies and the Office of Public Counsel intervened as parties in this proceeding. However, the Federal Executive Agencies did not participate in the hearing or file a brief.

I. REVENUE REQUIREMENTS DETERMINATION

The revenue requirements of a utility are derived by establishing its rate base, net operating income (NOI) and fair rate of return. A test year of operations, traditionally based upon one year of operations, is used to derive these factors. Multiplying the rate base by the fair rate of return provides the net operating income the utility is permitted to earn. Comparing the permitted net operating income with the test year net operating income determines the net operating income deficiency or excess. The total test year revenue deficiency or excess is determined by adjusting the deficiency or excess by the revenue expansion factor.

A. STIPULATED ISSUES

There were several stipulations relating to projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense. The parties agreed that projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense should be reduced by $175,307, $180,610 and $5,303 respectively to reflect an accounting error in inventory booked in Account 376, Mains. The parties agreed that projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense should be reduced $26,347, $34,837, and $3,396, respectively, to reflect the retirement of three vehicles and equipment relating to two retired vehicles. The parties also agreed that projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense should be reduced $8,423, $9,953 and $612, respectively, to reflect the sale of certain power operated equipment to AmeriGas. The parties agreed that projected test year Plant-In-Service, Accumulated Depreciation and Depreciation Expense should be reduced $129,140, $85,316, and $4,808, respectively, to remove the Panama City propane air facility as contained in Accounts 319 and 320. These accounts shall be reduced accordingly.

The parties agreed that Account 143, Merchandise, Jobbing & Other should be reduced by $21,871 to remove receivables for non-regulated contract labor and for reservation fees. This account shall reduced accordingly.

The parties stipulated to several issues relating to the revenues of the Company. The parties agreed that base year and projected test year revenues should be reduced by $2,460 to correct a company error. The parties agreed that revenues should be increased $8,427 for returned check fees improperly recorded below-the-line. The parties agreed that base year flex rate revenues should be decreased $52,387 in the projected test year. These revenues shall be adjusted accordingly.

The parties agreed that Taxes Other Than Income Taxes should be increased $932 for the effect of adjustments to operating revenues. Taxes Other Than Income Taxes shall be adjusted accordingly.

The parties agreed that an adjustment should be made to increase the projected test year revenues by $393,422 for the effect of customer growth and changes in consumption. These revenues shall be adjusted accordingly.

The parties agreed that the appropriate amount of projected test year base rate operating revenue is $6,805,538. Because of adjustments to the Company's projected revenues, as discussed in other issues, we find the Company's base rate operating revenues to be $6,805,538.

The parties agreed that the Company's adjustment removing conservation expenses and related taxes is inappropriate. Therefore, conservation expenses shall be increased $4,596, and Taxes Other than Income Taxes shall be increased by $75.

The parties agreed that in the base year, for purposes of trending, Account 921 should not be adjusted by $14,351 for expense adjustments the Company made but could not identify by account number. This account shall not be so adjusted.

The parties agreed that the Company's adjustment to the projected test year to allow for increases in postage rates from 29 cents to 30 cents is not appropriate. Accordingly, expenses shall be reduced $12,379.

The parties agreed that Account 921, Office Supplies, should be reduced $5,555 in the projected test year. This account shall be reduced accordingly.

The parties agreed that Maintenance of Other Equipment should be reduced by $2,041 for maintenance contracts on unused equipment. This account shall be reduced accordingly.

The parties agreed that Maintenance of Other Equipment should be reduced $11,277 in the projected test year for the costs associated with the maintenance of leased water heaters at no cost to the customers. This account shall be reduced accordingly.

The parties agreed that Account 903 should be reduced $2,278 to disallow for cash shortages. This account shall be reduced accordingly.

The parties agreed that base year operating expenses should be reduced $2,049 to reflect the replacement of cellular phones with a new communication system in Panama City. This account shall be reduced accordingly.

The parties agreed that $9,310 should be reclassified from Miscellaneous General Expense to Bank Service Fees. The parties agreed that an adjustment should be made to reclassify Contractor Cut-Ons in the amount of $7,622.50 from Account 930 to Meter and House Regulator Expenses, Account 878. These amounts shall be reclassified accordingly.

The parties agreed that Account 887 - Maintenance of Mains, should be increased by $2,790 for maintenance of the mains on the Hathaway Bridge. This account shall be increased accordingly.

The parties agreed that Depreciation Expense should be reduced $3,871 to reflect the removal of the non-utility Ocala propane plant from rate base. This account shall be reduced accordingly.

The parties agreed that the utility's treatment of the amortization related to its investment tax credits (ITCs) is inappropriate. Accordingly, amortization in the amount of $44,731 shall be reflected below the line.

B. <u>DISPUTED ISSUES</u>

1. <u>RATE BASE</u> - ATTACHMENT 1

(a) <u>Should an adjustment be made to the projected test year rate base to recognize the utility's acquisition adjustment in the Ocala Division incorrectly removed from rate base by the company?</u>

Gulf Natural Gas Corporation (GNG), West Florida's predecessor, booked an acquisition adjustment when Ocala Gas Company merged with GNG in 1959. The purchase price for the Ocala Gas assets was the lowest of two independent appraisals of the assets. An acquisition adjustment of $465,716 was made, and it represented the difference between the lowest appraisal and the net book value of the assets. In Docket No. 72676-GU, the acquisition adjustment was first approved by us in Order No. 5685, issued March 29, 1973, when rates were first determined. We have allowed the $465,716 acquisition adjustment in all rate cases since the merger. The company removed the acquisition adjustment in this case.

We find the record does not support disallowing the acquisition adjustment that we had previously approved, and thus we will correct the Company's error. The 13 month average rate base shall be increased $465,726, accumulated depreciation shall be increased $398,756, and amortization expense shall be increased $31,061.

(b) <u>What is the correct amount of the rate base addition to reflect extensions to the Okaloosa County line?</u>

West Florida's extensions to the Okaloosa County line were originally scheduled to be in service in July of 1992, with an estimated cost of $400,000. Due to construction delays, service is now scheduled to begin in November of 1992. Because this project will not be in service during the entire projected test year, the amount added to plant in service must reflect the average amount for the entire year, which is $246,154.

Also, the Company is allowed to earn a return on projects which are under construction, but not yet completed. Work in progress for this project amounts to $132,385. Normally, projects as costly as this one would accrue AFUDC rather than include CWIP. However, pursuant to Rule 25-7.0141(1)(b), Florida Administrative Code, "projects expected to be completed in less than one year after commencement of construction" may be included in CWIP and may not accrue AFUDC. According to the Company, the construction time for this project is expected to be six months. Thus, inclusion in CWIP is appropriate here.

Because the completion date for the project changed, the depreciation expense and accumulated depreciation in the MFR's are incorrect. The correct depreciation expense is $8,076 and the correct accumulated depreciation is $2,650. In Issue (h) of this section, we remove the entire amount of this project, as well as the related accumulated depreciation and depreciation expense from rate base. Here, we are simply adding back the proper addition to rate base and any associated expense.

We find the correct amount of rate base addition reflecting extensions to the Okaloosa County line to be $378,539, of which $246,154 is Plant-in-Service and $132,385 is Construction Work in Progress. In addition, we find the correct amount of Accumulated Depreciation related to this project to be $2,650, and we find the correct amount of Depreciation Expense to be $8,076.

(c) <u>What is the correct amount of the rate base addition to reflect extensions to the Gulf Asphalt plant?</u>

The extensions to the Gulf Asphalt plant were originally scheduled to be in service by July of 1992, with an estimated cost of $380,000. Due to construction delays, service is now scheduled to begin in September of 1992. Since this project will not be in service during the entire projected test year, the amount added to Plant-in-Service must reflect the average amount for the entire year. The average addition for the projected test year is $292,308.

Also, the Company is allowed to earn a return on projects which are under construction, but not yet completed. Work in progress for this project is $82,692. As we stated in subsection (b) above, normally, projects as costly as this one would accrue AFUDC rather than include CWIP. However, pursuant to Rule 25-7.0141(1)(b), Florida Administrative Code, "projects expected to be completed in less than one year after commencement of construction" may be included in CWIP and may not accrue AFUDC. According to the Company, the construction time for this project is expected to be six months. Thus, inclusion in CWIP is appropriate here.

Because the completion date for the project changed, the depreciation expense and accumulated depreciation in the MFR's are incorrect. The correct amount of Depreciation Expense is $9,136 and the correct amount of Accumulated Depreciation is $3,699. In Issue (h) of this section, we remove the entire amount of this project, as well as the related accumulated depreciation and depreciation expense from rate base. Here, we are simply adding back the proper addition to rate base and any associated expense.

We find that the correct amount of rate base addition reflecting extensions to the Gulf Asphalt plant is $375,000, of which $292,308 is Plant-in-Service and $82,692 is Construction Work in Progress. In addition, we find the correct amount of Accumulated Depreciation to be $3,699, and the correct amount of Depreciation Expense to be $9,136.

(d) <u>Should projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense be adjusted to reflect the appropriate booking of a new Cannon copier and the retirement of a Sharp copier?</u>

The Engineering Evaluation Report showed that in October of 1990, a copier was traded in for a new copier, but the investment represented by the old copier was not retired from the Company's books. In addition, the original cost of the new copier was not properly recorded. Instead, the Company booked the net value of the new copier. In other words, the books only reflected the original cost of the new copier less the trade-in value from the old copier. Rule 25-7.0461(4)(c), Florida Administrative Code, requires the book cost of the retiring unit to be removed from both plant-in-service and the depreciation reserve. This rule also requires the salvage resulting from either a trade-in or sale to be booked to the associated account reserve. The net effect of removing the old copier's investment and correctly booking the new copier results in a reduction to plant-in-service, accumulated depreciation, and depreciation expense for the projected test year. We find that adjustments should be made to correct these booking errors. Accordingly, the projected test year Plant-in-Service shall be decreased by $258, Accumulated Depreciation shall be decreased by $337, and Depreciation Expense shall be decreased by $36.

(e) <u>Should projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense be reduced to reflect tools that West Florida Natural Gas has been unable to identify or locate, or are no longer in use?</u>

The Engineering Evaluation Report noted that tools totaling $56,671 were unidentified or not located. This Report also noted that although tools totaling $3,807 were included in the sale to AmeriGas, these tools were still listed on the Company's books. In order to adjust for the projected test year, our calculations are based on the premise that these plant items were already removed from service at the beginning of the historic base year. Therefore, we find that the projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense shall be reduced by $60,478, $68,188, and $3,084, respectively.

(f) <u>Should projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense be reduced to reflect certain power operated equipment that West Florida Natural Gas has been unable to identify or locate?</u>

The Engineering Evaluation Report noted that power operated equipment totaling $65,531 could not be located or identified. For purposes of adjusting the projected test year, our calculations are based on the premise that these plant items were already removed from service at the beginning of the historic base year. Therefore, we find the projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense shall be reduced by $65,531, $79,051, and $4,718, respectively.

(g) Should projected test year Plant-In-Service, Accumulated Depreciation, and Depreciation Expense be reduced to reflect communication equipment no longer in use by WFNG and the correct booking of the replacement equipment?

Both the Engineering Evaluation Report and the Audit Report noted two deficiencies in the Company's communication equipment account. The Engineering Evaluation noted that because $17,619 of communication equipment was no longer in use, this amount should have been retired from the Company's books. The Audit Report further noted that when the Company purchased mobile radios in the amount of $17,834, it recorded the new plant additions as a net amount of the purchase price minus the trade-in value received. In addition, the investment associated with the equipment that had been removed from service and traded in still remained on the books. The Audit Report also found a mobile radio on the books for $683 that should have been retired. As noted in Issue (d) above, Rule 25-7.461(4)(c), Florida Administrative Code, requires the book cost of the retiring unit to be removed from both Plant-In-Service and the depreciation reserve. This rule also requires the salvage resulting either from a trade-in or sale to be booked to the associated account reserve.

We find the net effect of these adjustments to be a reduction to Plant-In-Service, Accumulated Depreciation, and Depreciation Expense, in the amounts of $18,429, $24,999 and $2,628, respectively.

(h) Should adjustments be made to Plant-In-Service and expense and reserve to reflect corrections to test year data?

Because our adjustments to the Okaloosa extension and to the Gulf Asphalt Plant were made in Issues (b) and (c) above, we shall not make any adjustments relating to those plants here. The additional adjustments made here correct additions as well as the projected test year retirements. There were several instances where the Company booked the wrong amounts for additions, retirements, and depreciation expense. The Company interpreted

Rules 25-7.0461(4)(a) and (c), Florida Administrative Code, to permit it to assign net book value as trade-in value when a retirement unit was traded in. The Company reduced the cost of the new item by the trade-in value of the retired item, and did not book a retirement to the reserve. The amount booked as the addition was the incremental difference between this amount and the value of the retired item. We find that this practice understated the reserve and additions booked to plant, and that the amounts booked to these accounts were inconsistent.

The Company testified that it was in the process of correcting its computer program so that it can follow the directives of Rules 25-7.0461(4)(a) and (c), Florida Administrative Code.

The projected retirements forecasted in the original filing were based on a retirement rate calculated by dividing annual retirements by the annual additions (where additions were adjusted for transfers) for the five year period 1987 through 1991. This related the amount of retirements to the amount of additions, whereas the correct calculation relates retirements to the amount of plant investment exposed to the possibility of retirement. Based upon the correctly calculated retirement rates, we find that there should be a decrease to projected retirements which results in an increase to the plant estimate by $143,028.

Plant shall be decreased $238,328 to correct for misstatements of additions and projected retirements. In addition, plant shall be reduced by $378,539 for the Okaloosa extension, and by $380,000 for the Gulf Asphalt Plant, to correct for the delay in construction as discussed in Issues (b) and (c) above. We find that this shall result in a total decrease of $996,867 to Plant-in-Service for the test year. The reserve shall be decreased by $399,242 to adjust for accounting errors. In addition, to account for the construction delays, the reserve shall be decreased by $2,650 for the Okaloosa extension and by $3,699 for the Gulf Asphalt Plant. We find that this results in a total decrease of $405,591 to the reserve for the test year. Depreciation expense shall increase by $24,221 to adjust for accounting errors. Test year expense for the Okaloosa project shall be reduced $8,076, and test year expense for the Gulf Asphalt Plant shall be reduced $9,136. This results in a total increase of $7,009 to Depreciation expense to the test year.

(i) <u>Is West Florida Natural Gas in compliance with Rule 25-7.0461,(4)(a), Florida Administrative Code?</u>

Rule 25-7.0461(4)(a), Florida Administrative Code, states that when a retirement unit is added for the first time at a location, the cost should be added to the appropriate plant account, along with associated labor and installation costs. Under Rule 25-7.0461(2)(b), Florida Administrative Code, "cost" is defined as the original cost plus associated labor and installation costs. The Company testified that the value it assigned to new plant additions was the original cost, except in instances where trade-ins were involved when the Company would net the purchase price with the salvage or trade-in value. We find that the salvage the Company receives should not be netted against the purchase price; instead, it should be handled in accordance with Rule 25-7.0461(4)(c), Florida Administrative Code, which requires that costs of the retiring unit, removal, and salvage associated with the retirement, should be debited and credited, respectively, to the proper account reserve.

Because the Company has agreed to bring its records into conformity with Rule 25-7.0461(4)(a), Florida Administrative Code, we shall not assess a penalty at this time. However, West Florida must bring its procedures into compliance immediately, subject to a compliance audit within 12 months by Commission Staff. At that time, if the Company is still found not in compliance, a show cause proceeding shall be initiated.

(j) Is West Florida Natural Gas in compliance with Rule 25-7.0461,(4)(c), Florida Administrative Code?

Rule 25-7.0461(4)(c), Florida Administrative Code, states that when a retirement unit is retired, the book cost of the retiring unit should be credited to the plant account in which it is included, and debited to the associated account reserve. This rule further requires that any cost of removal and gross salvage associated with the retirement must be debited and credited, respectively, to the account reserve. It also directs that costs of the retiring unit, removal, and salvage, should be recorded within one month of the retirement date.

Both the Engineering Evaluation Report and the Audit Report noted that the Company was not properly removing the investment from its books as plant was being retired. In addition, the Company was not properly recording the amount received for items of plant either sold or traded-in as salvage. The Company testified that it was the Company's practice to remove items from plant at the time of retirement. However, the Company admitted there were instances when the proper procedure was not followed.

Because the Company has agreed to bring its records into conformity with Rule 25-7.0461(4)(c), Florida Administrative Code, we shall not assess a penalty at this time. However, West Florida must bring its procedures into compliance immediately, subject to a compliance audit within 12 months by Commission Staff. At that time, if the Company is still found not in compliance, a show cause proceeding shall be initiated.

(k) What adjustment, if any, should be made related to the sale of the LP properties to AmeriGas?

On September 12, 1989, West Florida L.P. sold substantially all of its assets to Amerigas. The assets sold were located in Panama City, Quincy, Ocala, Tallahassee, and other locations where the company had L.P. operations. Assets of Best Gas Company, located in Georgia, were also included in the sale. The total purchase price of all the assets was $31 million, plus a floating number for working capital.

The Company testified that it allocated the sales price to West Florida L.P. and Best Gas at a 52/48 ratio, which resulted in $16,120,000 being allocated to West Florida L.P. The allocation was based on the ratio of L.P. gas sold by each company. For state taxing purposes, a 78/22 ratio was developed for allocating the sales price. The Company stated that it would have been impossible to consider the fair market value of the assets when the allocation took place, because it would have required a determination of the fair market value of every single item and piece of equipment sold to Amerigas.

Based on the 52/48 ratio, West Florida L.P. booked a gain of $7,979,142 on the sale. Because of the substantial dollar amounts brought out at the hearing, it would seem that the Company's ratepayers recognized a substantial gain from the sale. However, the sale involved L.P. operations in multiple locations, and only two locations, Panama City and Ocala, contained common plant previously allocated to the regulated operations. Thus, the amount of common plant that could have affected the regulated company's ratepayers was small when compared to the total.

In order for West Florida L.P. to sell the assets to Amerigas, it was necessary to transfer certain assets from West Florida Natural Gas to West Florida L.P. Although some of the properties were in common use, the bulk of the properties were not previously included in rate base.

We shall view the sale of the properties as three separate transactions:

1) the sale of the Ocala warehouse,
2) the exchange of the Oak Street property for the Maple

Avenue property in Panama City, and
3) the sale of L.P. bulk tanks, land, and certain structures in Panama City.

The WFNG Ocala property included a warehouse and vehicle maintenance shop located at 2120 NW 7th St., office furniture, office equipment, tools, power operated equipment, and communications equipment. The Company recorded a gain on the sale of $132,931 (transfer price, $400,000 less net book value of the assets of $267,068). However, the Company testified that $12,345 in account 375, Structures, was included in error. This property was not sold to Amerigas, but rather to Irving Isicoff, and is addressed in Issue (t) of this section.

After correcting for this error, we find the gain on the sale of the Ocala property to be $145,335. Applying the same allocation factor between regulated and non-regulated that was used in the Company's last rate case, we find that a gain of $85,747 is attributable to regulated activities. This results in an adjustment of $7,318.

While OPC agreed with the gain on the sale of the Ocala warehouse, it took the position that an additional gain of $6,139 should be recognized. This property, however, is the same property on which the $85,747 was recognized. Including this additional amount would result in a duplication.

Regarding Panama City, the Company exchanged property it owned on Oak Street for the Maple Avenue property, the present location of the Company's main office and warehouse. The exchange price was based on individual appraisals of the two properties. The result of the exchange was a $20,000 reduction in plant which benefitted the ratepayers. The remaining assets purchased by Amerigas in Panama City were propane bulk storage tanks, several lots adjacent to the office building, and land on the beach and on Highway 231 that was used exclusively for L.P. operations. The remaining properties sold were several small buildings jointly used by the natural gas and L.P. operations.

Public Counsel took the position that the gain should not be treated as a credit to Accumulated Depreciation, but amortized over a three year period. The basis for this position is that the depreciation rates we set did not take into account the aspect that the properties would be sold. The salvage value used in setting rates is based on the mass depreciation principle that some units of plant are retired early and some are retired later.

We find that the gain on the sale of the Ocala properties shall be increased by $7,318 to correct the company's error, and no further gains should be recognized for the Panama City transaction. Further, we are treating this adjustment as salvage and as a credit to Accumulated Depreciation. We will consider the salvage recorded in this transaction in the Company's next depreciation study, as accumulated depreciation is a component in the design of depreciation rates.

(l) <u>What is the appropriate projected test year Plant-In-Service?</u>

We find the appropriate projected test year Plant-In-Service to be $25,205,881.

(m) <u>What is the appropriate projected test year Depreciation Reserve?</u>

We find the appropriate projected test year Depreciation Reserve to be $8,154,079.

(n) <u>Should adjustments be made to include Customer Advances for Construction as a line item deduction from rate base and to remove it from working capital?</u>

The Company received Customer Advances in the amount of $35,418 in fiscal year 1992 that were not included in the MFRs. The Company testified that these Advances "...were not included as a projection in the MFRs, nor was the related capital expenditure projected in our capital budget." The Company provided evidence that the additions projected in the MFRs for 1992 did not include the projects supported by these Advances.

We accept the Company's evidence that neither these Advances nor the associated capital expenditures were projected in the MFRs. Accordingly, we find there should be no adjustment related to this amount. However, Customer Advances in Aid of Construction in the amount of $999 (13-month average) were improperly included in working capital, in the balance of Other Deferred Credits. We find that advances in the amount of $999 shall be removed from working capital and included as a separate line item deduction from rate base.

(o) <u>Should working capital be increased to add Cash?</u>

The Company excluded $76,850 of cash from working capital primarily because cash had been excluded in its last rate case. However, at the time of its last case, the Company had combined

L.P. and Natural operations, and we were unable to separate cash into regulated and non-regulated operations. As a result, we excluded all cash.

The Company has attempted to demonstrate that the $76,850 should be included in working capital. Because of bank financial arrangements, the Company is required to keep a minimum compensating balance of $50,000 to avoid service charges. We agree that the maintenance of a $50,000 balance would be beneficial to the ratepayers.

A review of the MFRs indicates that the 13-month average of cash of $76,850 is partly due to a sharp increase in May 1993 to $501,964, which is roughly $450,000 higher than any other month of the projected test year. If May 1993 is excluded, the average is $38,237. We find that the Company presented no compelling reason to explain the May 1993 increase. The Company did state that cash usually increases near the end of the fiscal year. While this may be true, the two prior years show an increase for several months prior to the close of the fiscal year. These prior years do not show a one-month-only surge. A review of the accounts receivable-gas do not show any noticeable increase during these months, nor do revenues associated with gas sales show any particular increase.

Because cash is difficult to forecast, the Company shall be allowed $50,000 to cover the minimum requirements for compensating balances. Accordingly, working capital shall be increased $50,000.

(p) Should the excess amortization of inactive service lines be transferred to offset the unrecovered costs of environmental cleanup in the Ocala Division?

By our Order No. 21054, issued April 17, 1989, in Docket 871255-GU, we granted the Company $268,800 to be amortized to retire inactive service lines. The Company discovered, however, that there were fewer inactive lines than anticipated. As a result, the Company over-recovered these costs by $121,796.

As discussed in Issues (t) and (u) of this section, the Company is responsible for the cleanup of a manufactured gas site located on a parcel of land that the Company sold. Rather than refund the over-recovered costs for the service lines, and then request an even higher amount to amortize for the cleanup, the Company proposed to "transfer" the excess recovered costs associated with the service lines to the Ocala cleanup. In actuality, these costs are amortized within the same account. The Company has reduced the amount of its additional requested amortization costs for the Ocala cleanup by an amount equal to the over-recovery of expenses associated with the retirement of the service lines. As addressed in later issues, the projected additional costs of the environmental cleanup of the Ocala site will exceed the over-recovery costs associated with the retirement of inactive service lines. The costs of these two projects will ultimately be netted against each other. There will be no additional costs to the ratepayers over and above the actual expenses associated with each project separately.

We find that the excess recovery cost of $121,796 shall be transferred to offset the environmental costs in the Ocala Division. We also find that there is no net effect on rate base by this transfer.

(q) Should Accounts Receivable - Gas be reduced to remove non-utility related receivables from working capital?

The Company included Accounts Receivable - Gas in Working Capital, which included receivables associated with non-utility activities. We have determined that 2.34% of the receivables are related to non-utility activities and should be removed. Therefore, we shall reduce accounts receivable by $24,812 and the accumulated provision for uncollectibles by $1,283 for a net reduction of $23,529.

(r) Should Notes Receivable be removed from working capital?

Notes Receivable in the amount of $4,375 was included in working capital in the projected test year. We find that Working capital should be reduced by $4,375.

(s) Should unamortized rate case expense be included in working capital?

West Florida included $4,308 in unamortized rate case expense in working capital. In the Prehearing Order, the Company revised its request to include an additional $78,230 in Working Capital. The Company testified that it was an oversight to not include this full amount in its original filing.

We have removed this item from Working Capital in a number of cases. For instance, in Order No. 14030, issued January 25, 1985, in Docket Number 840086-EI, and in Order No. 23573, issued October 3, 1990, in Docket Number 891345-EI, we stated that it is our policy to exclude unamortized rate case expense from working capital. In those orders, we adopted a sharing concept whereby the cost of a rate case would be shared between the ratepayer and stockholder. That is, we would include the expense in O&M, but not allow a return on the unamortized portion. In Order No. 16313, issued July 8, 1986, in Docket No. 850811-GU, we found that

> the balance [of unamortized rate case expense] was removed from working capital in an effort to reflect a sharing of rate case expenses between the stockholders and the ratepayers since both benefit from a rate case proceeding.

We have adopted the sharing concept in another instance. By Order No. 12923, issued January 24, 1984, in Docket No. 830001-EU-B, we ordered that "economy energy sales profits are to be divided between the ratepayers and the shareholders on a 80%-20% basis." Our general purpose behind the "sharing concept" was to offer an incentive to maximize the amount of economy sales between electric utilities. We believe that the sharing concept used in that case is the same in principle as the sharing concept we have here. If it is appropriate to apply the sharing concept to revenues, then it is equally appropriate to apply the sharing concept to rate case expenses.

Public Counsel believes that we should continue to disallow unamortized rate case expense from working capital. Public Counsel stated that without a sharing, there would be no incentive for the company to exercise some discipline in incurring rate case expense, since it would recover both the expense and a return on the unamortized portion.

The company disagrees with removing this item from working capital. It believes that rate case expense represents an expense that a company must incur in order to stay in business, and that rate case expense is a necessary expense similar to other expenses or plant investments.

The Company stipulated in its last rate case to the removal of this item from working capital. Upon cross-examination, the Company did agree that stockholders benefit to some degree from rate increases. The Company also testified that the ratepayers benefit from a healthier company as reflected in an improved balance sheet, and from a company that is able to obtain capital at more reasonable rates.

We find that if rate case expense is allowed, and the unamortized expense is removed from working capital, that to some extent a sharing in the cost would be accomplished. As we have done in prior cases, we shall remove unamortized rate case expense from working capital. Working capital shall be reduced by $4,308 to remove unamortized rate case expense.

(t) Should $65,000 recorded as a credit to Account 143, Other Accounts Receivable, for a land payment be reclassified to Account 253, Other Deferred Credits?

On January 30, 1987, an Agreement was entered into between Ocala Gas Company, Inc. and Irving Isicoff for the sale of land in Marion County. The purchase price was $65,000 to be paid in 60 months. This land is located at 728 Osceola in Ocala and is the site of buried coal tar residues. West Florida Natural Gas is required by the Department of Environmental Regulation (DER) to clean up these residues.

When payments were received from Mr. Isicoff, the Company debited Cash and credited Account 143, Other Accounts Receivable. The final payment on the land was received in February 1992, and title passed to Mr. Isicoff. However, it was discovered that this property was removed from the Company's books in error following the sale of certain assets to Amerigas in September 1989.

OPC argued that the property should be removed from rate base, and the $52,655 gain amortized above the line over three years. However, as noted above, this property is no longer on the Company's books because it was removed from rate base in error in 1989. In addition, Public Counsel's calculation of the gain ignores $58 in depreciation which would yield a net book value of $12,403, and a gain of $52,597.

Our Staff initially recommended that the $65,000 reduction in Account 143 be reclassified to Account 253, Other Deferred Credits. We have since learned that title passed to Mr. Isicoff in February of 1992, and thus we find it would be appropriate to book the gain on the sale.

We believe it is appropriate to offset the cleanup costs of the Ocala Division by the amount of the gain. Since the Company is required by DER to clean up this land even though the property is no longer owned by WFNG, we find that the gain on the sale of $52,597 shall be recorded in Account 186, Other Deferred Debits/Environmental Costs, and amortized in accordance with our decision on environmental clean-up in the Company's last rate case. We find that there is no net effect to rate base by this transfer. Our adjustments to working capital and amortization expense are discussed in Issue (u) of this section.

In both the historic base year and the projected test year, the Company included ($46,308), the 13 month average balance, in Account 143, Other Accounts Receivable. However, the correct amount for the projected test year should have been ($52,597), the amount of the gain. Because the $46,308 was a reduction to working capital, we find that it would be appropriate to add back the $46,308 and reduce working capital by $52,597 as discussed in Issue (u) below.

(u) <u>What is the proper treatment of expenses associated with the cleanup of the Ocala manufactured gas plant site?</u>

In West Florida's last rate case, we approved the Company's request to recover over ten years, beginning in March of 1989, the clean-up of coal tar residue related to manufactured gas operations in Ocala prior to 1954. The environmental clean-up has been required by the Florida DER. In the last rate case, the clean-up expense was estimated to be $1,754,520, with $1,564,724 expensed through June 30, 1991.

Our finding on this issue is based on revised clean-up costs, excess amortization of inactive service lines, and the gain on the sale of land.

<u>Revised Clean-up Costs</u>

The Company originally testified that the estimated cost should be increased $567,200, in addition to the $1,564,724 expensed through June 30, 1991. The Company then decreased this estimate by $50,640. The total projected expense is $2,081,284, to be offset by the following items.

<u>Excess Amortization of Inactive Service Lines</u>

The Company originally proposed that the clean-up costs be reduced $131,256 for excess amortization of the abandonment of inactive service lines. This amount was reduced to $121,796 based on final amounts associated with the project, as addressed in Issue (p) of this section.

<u>Gain on the Sale of Land</u>

In Issue (t) of this section, we found that the $52,655 gain on the sale of the land shall be used to help offset the cost of the clean-up. This has been considered in adjusting the clean-up costs to be recovered.

Public Counsel argued that the Company was held liable for the clean-up, and thus must assume the responsibility for it. Public Counsel also argued that since the customers had no input into the decision to engage in the activity creating this expense, it would be unfair for the customers to shoulder the burden of the expense. Public Counsel argued for a 50/50 sharing of the costs.

The activities of Ocala Gas, the predecessor company to West Florida, were legal, appropriate, within environmental constraints of the time, and were necessary to provide gas service before the availability of natural gas. The law requires West Florida bring the site up to meet certain environmental standards, and doing so is a prudent expenditure on the part of the Company.

Based on the above, we find that the revised clean-up costs are accepted and reduced by the excess amortization of inactive service lines and gain, to be amortized over the remaining 80 months of the ten year period. This shall require a reduction of $11,436 from the company's proposed annual expense of $209,748.

The Company originally failed to reduce the deferred environmental cost included in working capital for the excess amortization of inactive service lines in the projected test year. The Company recalculated the deferred environmental cost to include the excess amortization of inactive service lines, which reduced the deferred clean-up costs by $161,289. However, this is an error in the recalculation. It should be reduced by $170,658. After considering the gain on the sale of the land, we find that the correct adjustment is to reduce the deferred clean-up costs by $219,313.

(v) What is the appropriate projected test year Working Capital Allowance?

We find the appropriate projected test year Working Capital Allowance to be $1,052,324.

(w) What is the appropriate projected test year rate base?

We find the appropriate amount of projected test year rate base to be $18,104,126.

COMPARATIVE RATE BASE

Projected Test Year Ending 6/30/93

Utility Plant-In-Service	$24,740,165
Acquisition Adjustment	465,716
Accumulated Depreciation and Amortization	- 8,154,079
Net Utility Plant	17,051,802
Working Capital Allowance	1,052,324
Total Rate Base	$18,104,126

2. CAPITAL STRUCTURE - ATTACHMENT 2

(a) What is the appropriate provision for accumulated deferred income taxes to be included in the projected test year capital structure?

In its MFR filing, the Company reflected a beginning accumulated deferred income tax balance of $1,573,426. The Utility adjusted this balance by $218,224, as part of its pro rata reconciliation to rate base. The Utility ultimately argued that the appropriate provision for accumulated deferred income taxes is $1,345,722.

We find that the Company's beginning accumulated deferred tax balance should be adjusted, because of our adjustments to plant in service. We find that a specific adjustment in the amount of $15,734 to increase deferred taxes is appropriate in lieu of a pro rata adjustment. This adjustment is based on our adjustments to plant in service. Thus, the appropriate provision for accumulated deferred income taxes to be included in the projected test year capital structure is $1,589,160.

(b) What is the appropriate amount of investment tax credits (ITCs) to be included in the projected test year capital structure?

In its MFR filing, the Company reflected a beginning investment tax credit (ITC) balance of $682,266. The Company adjusted this balance by $94,626, as part of its pro rata reconciliation to rate base. The Company ultimately argues that the appropriate provision for projected test year ITCs is $583,530.

We find that the beginning ITC balance should be adjusted for the effect of our adjustments to net plant in service. In lieu of a pro rata adjustment, a specific adjustment for the pro rata share of ITCs related to our reductions to plant in service, in the amount of $39,571, is appropriate. Based on our adjustments to net plant in service, we find that the appropriate provision for ITCs to be included in the projected test year capital structure is $642,695.

(c) What are the appropriate cost rates for long term and short term debt for the projected test year?

WFNG refinanced $6.5 million in long-term debt on June 30, 1988. The debt that was refinanced included eight debt instruments, several of which had variable rates. The old debt had a weighted average cost of 11.01% as of June 30, 1988, and the new debt, which was in the form of first mortgage bonds, had a fixed interest rate of 11.18%. As part of this refinancing, the Company incurred issuance costs of $841,832, which included a prepayment penalty of $115,223, and a placement fee of $163,292.

OPC states that the cost rate for long-term debt should be based on current market conditions, and suggested a rate no greater than 9.00%. WFNG believes that its 12.42% cost rate is appropriate. The Company stated that its debt cost is prudent and that if the Commission adopts OPC's position, the Company's financial integrity will be significantly impaired.

Though the interest cost of the new debt was higher, the Company testified that the covenants on the old debt effectively prevented it from obtaining additional loans. The Company stated that the covenants were onerous and expensive, and prevented West Florida from shopping around for a competitive rate for new loans. The Company further testified that the refinancing allowed it to obtain a revolving line of credit of approximately $1 million and allowed it to obtain a loan to finance the cleanup of the coal tar pit. At the time of the refinancing, the Company needed new debt to finance planned acquisitions of underground propane systems for conversion to natural gas use.

The Company's cost rate for long-term debt is an effective or embedded cost rate. That is, the cost rate allows for interest cost plus amortization of issuance costs. The weighted average interest rate for long-term debt is 10.75%. With the addition of amortized issuance costs to interest, and the subtraction of unamortized issuance costs from the principal, the weighted average embedded cost rate for long-term debt is 12.42%.

We find that the refinancing of the long-term debt in June of 1988 eliminated restrictive covenants, which allowed WFNG to obtain a loan for the coal tar cleanup. We also find that the refinancing allowed the Company to obtain a revolving line of credit. While the issuance costs of the new debt were high, and drove up the embedded cost of the new debt, we find that the issuance costs were a necessary part of the refinancing. The Company gained additional financial flexibility by refinancing the highly restrictive debt. For these reasons, we find the cost of long-term debt to be 12.42%.

Regarding the Company's short-term debt, the interest rate for the revolving line of credit is the prime rate plus 50 basis points, and the current prime rate is 6.50%. The Company testified that it used Sun Bank's (SunTrust) forecast to obtain the prime rate. The Sun Bank (SunTrust) forecast showed the prime rate to be 8.00% in the fourth quarter of 1992. The Company used 8.50% for the cost of short-term debt. On cross-examination, the Company acknowledged that the SunTrust forecast used was dated December, 1991, and that the actual prime rate at that time was 7.50%. The Company also agreed that SunTrust forecasted a 7.00% prime for the first quarter of 1992, when the prime was actually 6.50%, and that it had been so since early January, 1992. On cross-examination, the Company also agreed that Chemical Bank recently dropped its prime rate to 6.25%. We find that the current prime rate of 6.50% is more reliable than the SunTrust forecast, and that 8.50% is an unrealistic estimate of short-term debt cost. Accordingly, we find the cost rate for short-term debt based on the current prime rate to be 7.00%.

(d) Should the Commission remove an amount for non-utility investment specifically from common equity in reconciling rate base and capital structure?

WFNG leases water heaters, which are considered non-utility assets. Although our Order issued in the Company's last rate case, Order No. 21054, issued April 17, 1989, approved a stipulation by which non-utility investment was removed from debt and equity, the order also cited our practice of removing non-utility investment directly from common equity in reconciling rate base and capital structure absent evidence that to do otherwise would result in a more equitable determination of the cost of capital for ratemaking purposes.

The Company testified that it has been our practice to remove non-utility property directly from equity when reconciling rate base and capital structure, absent a showing that to do otherwise would result in a more equitable determination of the utility's cost of capital for ratemaking purposes. The Company also noted that non-utility investments are generally considered to be of greater risk than investments in the utility sector. Therefore, non-utility investments will generally be expected to increase a utility's capital costs. The Company compared the risk of WFNG's non-utility appliance assets to the risk of the utility assets, and concluded that WFNG's non-utility business is not significantly riskier than WFNG's utility business. The Company further concluded that the appliance assets should be removed equally from debt and equity in reconciling rate base and capital structure. Thus, we find that the Company acknowledged our past practice, and, attempted to show that we will be making an equitable determination of WFNG's cost of capital by removing non-utility investment from debt and equity rather than solely from equity.

The Company used tests of volatility of earnings, stability of revenue growth, and concentration of sales to large customers to assess the business risk of WFNG's non-utility assets relative to its utility assets. The Company also looked at financial leverage for appliance retailers. With the volatility of earnings test, the Company compared the coefficient of variation for earnings before interest and taxes (EBIT) as a percent of assets for WFNG's utility and non-utility businesses for the period 1981-1990. EBIT is independent of the effect of debt. The Company testified that this test shows that the non-utility business is moderately more risky than the utility business.

The Company compared the coefficient of determination (R-squared) of WFNG's non-utility and utility revenue for the period 1981-1990 as a test for stability of revenue growth. According to the Company, this test shows that there is not a material difference in the stability of revenues between the non-utility and utility businesses.

Using the Company's third test of business risk concentration of sales to large customers, the Company testified that WFNG's utility operations have a greater concentration of sales to relatively few large customers than does the non-utility appliance operations. Thus, the Company argues, the utility business has more business risk.

Regarding financial leverage, the Company testified that the amount of financial leverage is determined by the amount of business risk associated with a firm's operations. The Company stated that appliance retail stores similar in size to WFNG's appliance operations, including those owned by public utility companies, were capitalized with approximately 52% equity capital. The Company believes that this indicates that its utility and non-utility operations have similar risk. Thus, the Company argues that the appliance assets should be removed equally from debt and equity in reconciling rate base and capital structure.

We find that the application of the Company's first test of business risk shows that WFNG's non-utility leased appliance business is more risky than its utility business. Further, upon cross-examination, the Company agreed that, generally, competition in a competitive industry can contribute to the variability of EBIT, and that, all other things being equal, a firm in a competitive industry faces greater risk than a regulated utility. Thus, we find that the volatility of the EBIT test and the Company's testimony on the effects of competition on the variability of EBIT confirms that WFNG's appliance business is more risky than its utility business.

We note that the Company acknowledged that the existence of regulation must be considered as having some favorable impact on the risk of the utility, although the impact is difficult to quantify. Indeed, under cross-examination, the Company agreed that in general, when compared to competitive enterprises, regulation can reduce risk for utility companies. The Company further agreed that, practically speaking, WFNG has a monopoly for the provision of natural gas to its residential customers, while the utility's appliance operations are in competition with many other retail appliance businesses that sell natural gas appliances. The prices charge by WFNG for leasing or selling appliances are set by market conditions, while the prices charged for natural gas must, by law, allow the Company an opportunity to recover reasonable expenses and earn a fair rate of return on its investment.

Using the concentration of sales test, the Company examined the percentage of WFNG's utility revenue attributable to its largest customer and to its five largest customers. The Company compared these percentages to the percentages of leased appliance revenue attributable to the largest customer and to the five largest customers. The Company agreed that it is reasonable to expect a natural gas distribution company to have some industrial customers, although there are natural gas utilities that have no industrial load. The Company also agreed that it is reasonable to expect a retail appliance operation to have a large volume of individual customers. We find that the Company is comparing businesses that inherently have dissimilar customer bases, and that this diminishes the meaning of the test. We shall consider the customer base of WFNG in the cost of equity issue, Issue (e) in this section.

An additional problem with the concentration of sales test is that it ignores WFNG's ability to accommodate large industrial customers. If WFNG lost a large industrial customer, it could file a rate case and request to be made whole, whereas, if the appliance operation lost a large customer, it would still have to continue to charge a price set in the marketplace. WFNG has flexible rates in effect to accommodate large customers. While WFNG's ability to work within the regulatory framework to offer special accommodations to large customers reduces the possible risks of serving large customers, the Company believes that it still faces risks in the marketplace. In addition, the Company testified that the presence of a large customer, Arizona Chemical Company, results in a substantial benefit to WFNG's other customers. For these reasons, we find the concentration of sales test is misleading and inconclusive regarding the business risk faced by WFNG's utility and non-utility operations.

The Company testified that smaller firms are generally riskier than larger firms. WFNG's gas revenues are 26 times larger than its appliance revenues. We find this shows that the leased appliance operations carry more risk than WFNG's gas system.

Of the four tests presented by the Company, only the volatility of EBIT test confirms that the natural gas utility business is less risky than the appliance leasing business. We find the concentration of sales test to be completely invalid. The stability of revenues and financial leverage tests indicate that the gas utility business and appliance business face similar levels of risk. In addition, the size of WFNG's appliance business compared to its utility business shows the appliance business to be more risky. Accordingly we find that $449,150, the amount representing non-utility appliance assets in water heaters, shall be removed from common equity in reconciling rate base and capital structure.

(e) <u>What is the appropriate cost of common equity for the projected test year?</u>

The Company used two models to estimate the cost of equity: a two-stage, annually compounded DCF model; and a risk premium analysis. The two-stage DCF model uses dividends forecasted for an initial growth period and an expected long-term growth rate after the initial period. The DCF analysis was based on the companies in Moody's Natural Gas Distribution Index, using **Value Line** as the source for expected growth rates. The model allows for 3% flotation costs. The Company used average high and low stock prices from July, 1991. The Company's DCF model produces a 10.51% required return on common equity for the Moody's companies.

The risk premium model recognizes that equity is riskier than debt, and that the equity investor requires a "risk premium" over the cost of debt as compensation for assuming the additional risk. The Company used a DCF model to estimate the required market return for Moody's Natural Gas Distribution Index for the period August, 1981 through July, 1991. Current **Value Line** data and stock prices for each month of the ten-year period were used as inputs for the DCF model. Subtracting the then current long-term government bond yield from the monthly DCF results yields the risk premium for the Moody's companies, which averaged 3.56% over the ten-year period, rounded up to 3.60%. Then the Company used the September 1, 1991, **Blue Chip Financial Forecast** (Blue Chip) to obtain a consensus forecast of long-term government bonds for the coming year of 8.10%. Adding the rounded 3.60% risk premium to the forecasted debt cost of 8.10% yields an 11.70% cost of equity for the Moody's companies based on the Company's risk premium model.

The Company testified that WFNG is much riskier than the companies in Moody's index, and argued that WFNG should be allowed a higher cost of equity. The Company stated that WFNG has a lower pre-tax coverage ratio and a lower funds from operations to interest expense ratio than the average for the companies in the index. We note that WFNG's total debt to total capital ratio compares favorably with the average for the index. The Company also pointed out that WFNG is significantly smaller than the companies in the index, and that smaller firms are generally riskier than larger firms. The Company stated that small local distribution companies have unique circumstances that would cause them to differ from the average company in their industry. Four of WFNG's customers account for 52% of therm deliveries, and the Company stated that the threat of bypass exists with one customer.

The Company believes that the introduction of open access transportation in Florida on August 1, 1990 increased its business risk. In addition, WFNG projects $2.5 million in external capital needs to meet future growth and environmental requirements. The Company made two adjustments to the cost of equity derived from its models to arrive at an estimate of the cost of equity for WFNG. First, the Company added 60 basis points, the average spread over the past five years between the yields on Aa3 and Baa3 bonds, to the DCF and risk premium estimates for the index, to obtain a range of 11.10%-12.30%. Second, to adjust for the Company's alleged unique risk factors, West Florida added 50 basis points to the top of the range to arrive at its recommended return on common equity of 12.80%.

The Company agreed that the most current information should be used to estimate the cost of equity for WFNG. The Company also agreed that the average expected yield for long-term government bonds for the next four quarters is 8.00%, according to the **Blue Chip** dated April 1, 1992. The Company updated its models to reflect the most current information available at the time of the hearing, using data through March of 1992. Based on these updated models, the DCF and risk premium estimates for the cost of equity for the index are 10.3% and 11.5%, respectively. Therefore, the range for the estimates of the cost of equity for the companies in Moody's index is 10.32%-11.47%.

The Company agreed that the eight companies currently in Moody's Natural Gas Distribution Index have an average bond rating of A1. When the Company measured the risk differential between Moody's index and WFNG, it assumed that the index had an Aa3 bond rating. The Company's witness testified in the last City Gas rate case that the bond yield differential should be between Aa3 and Baa2 bonds, in effect, assigning City Gas a Baa2 bond rating to calculate a risk differential. Recognizing WFNG's small size and risk factors, we find that the risk differential or spread should be between bond yields for A1 bonds, the current rating for the index, and Baa3 bonds, the rating WFNG assigned itself. Based on current information, that spread is 49 basis points. By treating WFNG as a Baa3 rated Company rather than a Baa2 rated Company, the spread between the index and WFNG is larger by 9 basis points. We find that this larger spread between the index and WFNG at least partially allows for any unique risk factors.

The Company raised the specters of open access and bypass as unique risks the Company faces. WFNG has flexible rates in effect to accommodate large customers, however, and if WFNG lost a large customer, it could file a rate case and request to be made whole. The Company characterized open access as both an opportunity and a risk. If a large industrial customer contracted with a producer for an amount of natural gas, that gas would have to be delivered through WFNG's distribution system unless the customer connected with the pipeline, and WFNG charges for transporting gas over its system. Also, the use of natural gas for fleet vehicles, air conditioning, and cogeneration provides new market opportunities for natural gas distributors. Furthermore, the industry prospects are reflected in the stock prices. We find that there are unique risk factors, as well as positive and mitigating factors, that should be considered in determining WFNG's cost of equity.

OPC states that the cost of common equity should be 11.00%, with a range of plus or minus 100 basis points. We find there is no record evidence to support 11.00% as a reasonable cost of equity for WFNG.

The Company agreed that the companies in Moody's index are exposed to the risk of open access and bypass, and that the stock prices for these companies, which are basic inputs for the models, reflect investor expectations regarding the business risk associated with open access and bypass. However, the Company pointed out that the risk of open access and bypass are magnified for small companies, and that WFNG is riskier than the companies in Moody's index. We agree that WFNG is riskier than the companies in the index, and that it faces unique risk factors due to its size, capital needs, and the factors discussed above. We find, however, that the models adequately estimate the cost of equity for WFNG, and that an added 50 basis points as compensation for unique risk factors is unnecessary. We find that using the top of the range for the updated estimates of the cost of equity for the index, and adding the wider bond yield spread, properly reflects the risk faced by WFNG. Our estimate of West Florida's cost of equity is the top of the range, 11.5%, plus 49 basis points for the difference between average bond yields of A1 and Baa3 rated bonds. Therefore, we find the appropriate cost of equity for WFNG to be 12.00%, with a range of plus or minus 100 basis points.

(f) <u>Is the Company's debt to equity ratio appropriate?</u>

OPC argues that WFNG's equity ratio should be set at 39.31%, which, it asserts, is the consolidated equity ratio for Martin Gas & Subsidiaries. OPC believes that Martin Gas, WFNG's parent, can manipulate WFNG's equity ratio, and thereby increase the revenue requirement. WFNG argues that its equity ratio is reasonable, and that there is no record evidence to support OPC's position.

The Company testified that its financial integrity would be significantly impaired if we were to adopt OPC's position. The Company defined financial integrity as a company's ability to attract capital at a reasonable rate. The Company stated that the standards of the <u>Hope</u> and <u>Bluefield</u> decisions would be violated if OPC's position were adopted. The Company argued that its equity ratio is reasonable, and within the guidelines of a BBB-rated natural gas distribution company. We find the 51% equity ratio presented on the company's capital structure to be within the guidelines for a BBB-rated natural gas distribution company. In addition, we find WFNG's equity ratio to be reasonable. There is no convincing evidence in the record to support a 39.31% equity ratio. Accordingly, we find the company's equity ratio of 51% to be appropriate.

(g) <u>What is the weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the projected test year?</u>

We require that the amount of capital used to decide the capital costs of a regulated utility be equal to the amount of rate base the capital supports.

We removed an amount for non-utility investment specifically from common equity as decided in Issue (d) of this section. We used a 12.00% cost of equity as decided in Issue (e) of this section. As determined in Issue (c) of this section, the cost rates for long-term and short-term debt are 12.42% and 7.00%, respectively. We reduced long-term debt by $666,639, the amount of unamortized issuance expense. We also reduced the balances for deferred taxes and investment tax credits as determined in Issues (a) and (b) of this section. As a result of these adjustments, we find 10.42% to be the weighted average cost of capital for the projected test year ending June 30, 1993.

3. NET OPERATING INCOME - ATTACHMENT 3

(a) What are the appropriate trending factors to be used in deriving projected test year operating expenses?

The payroll trend factor filed by the Company for the historic base year plus one, and the projected test year, was 5.0%. The Company testified that employees were granted pay raises on their anniversary date. By the end of the fiscal year the total payroll increase from fiscal year 1991 to fiscal year 1992 would have increased by 5%. We accept the Company's trend factor of 5% for both years.

The customer growth factor filed by the Company for both the historic base year plus one, and the projected test year, was 5.70%.

The inflation factors filed by the Company for the historic base year plus one, and the projected test year, were 3.85% and 3.60%, respectively. The Company testified that it would be appropriate to use the most current Consumer Price Index (CPI) to forecast projected test year expenses. At the hearing, the March 1992 forecast was the latest forecast available. Subsequently, the Company advocated the use of 3.60% and 3.25%. Because the Company's fiscal year runs from July to July and the Data Resources, Inc. (DRI) inflation figures are reported by calendar year, the Company based its figures on an average of the annual inflation rates for calendar year 1991 and 1992 for base year plus one, and calendar year 1992 and 1993 for the projected test year.

We agree with the Company that the appropriate inflation factors are 3.60% and 3.25%, respectively, since an average of the two years better represents the periods (fiscal years) in which the expenses will occur. Accordingly, we find the appropriate trend rates for the Company to be as follows:

TREND RATES	HBY + 1 6/30/92	PTY 6/30/93
#1 Payroll only	5.00%	5.00%
#2 Cust Grwth X Payroll	10.99%	10.99%
#3 Cust Grwth X Inflation	9.51%	9.14%
#4 Inflation Only	3.60%	3.25%
Customer Growth	5.70%	5.70%

(b) Should the projected test year O&M expense be adjusted for the effect of changing the trending factors?

The Company originally applied trend rates that were different from ours. The Company also applied trend factors to certain accounts that were different from the factors we used to trend the accounts. We find an adjustment is necessary as a result of a calculation of the differences in trend rates and trend factors applied. The trend schedule the Company filed contained numerous errors. O&M expenses were overstated in the historic base year by $415,932 and by $387,981 in the projected test year. An adjustment is also necessary to correct the Company's trending errors.

While the Company agreed that an adjustment is necessary to correct the errors in the trend schedule and to adjust for the application of different trend factors, the Company disagreed with Commission Staff concerning the amount of the adjustment.

We applied the trend rates shown in Issue (a) of this section to the adjusted O&M expenses. In addition, we applied different trend factors to Accounts 878, 894, and 903, based upon an analysis of the major items in each account and their sensitivity to the factors. We then reclassified certain accounts, and there were trend changes associated with them as well. The calculation results in a reduction to O&M expense of $51,226.

The Company's trend schedule contained many errors. Account totals were inadvertently omitted. Accounts were misclassified. One account's totals were entered as debits instead of credits. Digits were left out or added, and in some cases, historic base year adjustments were not trended to the projected test year. We find that an adjustment reducing O&M expenses by $60,810 is necessary to correct the Company's trending errors.

Based on the above, we find that Company's O&M expenses shall be reduced by $112,030 for the effect of changing the trending factors.

(c) Should the gain on the sale of common plant properties to Amerigas be amortized over five years?

In Order No. 13771, in Docket No. 830470-EI, we determined that any gains associated with the sale of utility land should be amortized over five years as a reduction to NOI. In accordance with the F.E.R.C. Uniform System of Accounts, prescribed by us, any gains related to the sale of structures and the like should be recorded as salvage. Salvage values increase accumulated depreciation, and therefore decrease rate base. This represents a permanent reduction to rate base and benefit to the ratepayers.

We find that any gains associated with land, as determined by us in Issue (k) of the first section, if any, should be amortized over five years. However, because of our decision in Issue (k), no adjustment is necessary.

(d) What is the appropriate amount of Bad Debt Expense for the projected test year?

The Company originally included $69,903 in Bad Debt Expense for the projected test year. Based on more up-to-date information, the Company recalculated its bad debt rate using a three year average resulting in an expense of $74,703. The Company historically used a three year average for purposes of determining its Bad Debt Expense or annual accrual.

The Company cited several factors that contributed to the level of bad debt expense. The Panama City Division operates in an area with one of the lowest per capita incomes in Florida. The weather in Panama City creates an increased exposure to bad debts. The maximum deposit that the company can require is the estimated billings for two average months, which is inadequate during cold winter months. In Ocala, customers tend to be within the city limits, where economic conditions are relatively poor. Finally, Ocala has experienced a business slowdown in the past two years as part of the overall economic downturn.

Although the Company engages in a high level of collection activity and requires customers to establish credit which discourages bad debt expense from increasing, these actions have not prevented the levels actually experienced.

Public Counsel, on the other hand, took the position that bad debt expense should not exceed 0.1% of revenues, or $14,828. In its opinion, the Company has not justified the amounts written off. OPC argued that the simple listing of dollars lost does not provide any evidence of prudence in its collection efforts. We find that OPC provided no basis for its position to allow only 0.1% of sales.

We agree with the Company's explanation of factors which may contribute to the level of bad debt expense. In particular, we acknowledge the overall economic downturn of the last two years. We find that this would have a pronounced impact on bad debt expense, regardless of increased collection efforts.

In the past, we have used a three year average net write-off as a percent of sales in determining the reasonableness of a company's Bad Debt Expense. We find that the use of a three year average in determining the $74,703 bad debt expense is proper in this instance. Therefore, we find it to be appropriate to increase expenses $4,800. While we find it appropriate to increase bad debt expense by $4,800, we note that we are concerned over the level of bad debt expense experienced by the Company.

(e) The Company made an adjustment increasing expenses $20,500 to hire a new salesman in Ocala. Is this appropriate?

The Company originally had projected the hiring of an additional sales person at a salary which, with trending, would have been $20,500 in the projected test year. However, the individual was in fact employed in the Distribution Department at a salary of $22,880, of which $21,678 was the regulated portion of the salary. With trending, the $21,678 salary is $22,762 in the projected test year. We find that an adjustment of $2,262 should be made to Account 912 to increase the amount budgeted from $20,500 to $22,762.

(f) The Company projected that property and liability insurance would increase by 20% per year from the base year to the projected test year. Is this reasonable?

The Company projected in its filing that property and liability insurance expense would increase 20% from the historic test year to the base year +1 and another 20% for the projected test year. The Company testified that its policies were renewed for the policy year December 1, 1991, through November 30, 1992, and reflected an increase of approximately 22%. The Company reviewed its history, and could not find where it had experienced two successive annual increases of this magnitude. Accordingly, the Company revised its increase in expenses by taking a three year average of actual premiums which resulted in an average increase of 10.76%, which substantially exceeds inflation. The 10.76% increase was multiplied against the most recent premium of $321,720.

On cross-examination, the Company explained that the premium increases are due to increases in rates and some changes in coverage. The Company also testified each year its insurance coverage is bid out to several different providers to obtain the lowest price.

We agree that insurance premiums do not necessarily track inflation, and we find the 10.76% increase to be reasonable. The Company testified that the most recent premium increase in the base year plus one increased approximately 22%. The policy runs from December 1, 1991, through November 30, 1992, or five months into the test year. We find it would be appropriate to calculate the base year plus one expense by using five months of the historic test year expense (that policy year would run from December 1, 1990, through November 30, 1991), and seven months of the most recent premium cost, for a total expense of $305,841, increasing this amount by 10.76%. This would result in a projected test year expense of $338,750, or a reduction of $26,814 in the Company's original projected expense.

(g) Should an adjustment be made to Account 923, Outside Services?

The Company's MFR filing indicates that it paid KPMG Peat Marwick $99,235 in the historic base year for auditing fees. Under cross examination, the Company testified that $25,503 of this amount was an expense of the prior year and should be removed. We find that trending by the Company's trend factor results in $27,438 being removed in the projected test year.

Our Staff took the position that Account 923 should be reduced by $18,704 in the projected test year. The Company testified that $4,027 paid to Thompson & Knight was for recurring expenses not related to the property exchange. $1,000 of that amount was a recurring filing fee to the Securities and Exchange Commission. $2,809 was paid to Thompson & Knight for preparation of the filing, and $218 was paid in connection with an easement granted to the telephone company. We agree that these amounts should be allowed in the historic base year as recurring expenses. Applying the Company's trending factor to this $4,027 total, we find that our Staff's figure should be reduced by $4,332 in the projected test year. This results in a $14,372 adjustment related to the property exchange.

Under cross examination, the Company agreed to the removal of the following nonrecurring expenses:

Title for land swap	$ 215
Paid to J. Smith for FERC matters	89
Paid for FCC matters	215
Related to a potential acquisition	3,387
Total Nonrecurring	$3,906

The Company also agreed that bond trustee fees should be reclassified from Account 923 to Account 930. On cross-examination, the Company stated that $20,173 would be the appropriate amount to remove from Account 923 in the projected test year. We find that the projected test year expense should be reduced by $20,173, consisting of $10,490 for the out-of-period adjustment and $9,683 to be reclassified to Account 930.

Accordingly, we find that there shall be a disallowance of $56,206 in the projected test year. This amount includes $27,438 in auditing fees, $14,372 related to the property exchange, $3,906 in nonrecurring expenses, and a $10,490 out-of-period adjustment. We also find that Account 923 shall be reduced by $9,683 in the projected test year in order that bond trustee fees may be reclassified to Account 930. This results in a total adjustment of $65,889.

(h) Should additional legal fees in the amount of $16,627 for FERC representation be allowed?

The Company requested $27,209 in legal fees for FERC representation in the projected test year. In the historic base year, this expense was $9,836. The Company argued that it will need to participate more actively in FERC proceedings than it has in the past, due to major changes in the gas industry, such as open access and pipeline expansion in Florida. The Company is located in north and central Florida, while the majority of natural gas sold in Florida is in the southern half of the state. The Company's FERC attorney estimated fees of $30,000 per year for the next three years, although this estimate could vary depending on events outside the control of the Company.

Although we recognize that these legal fees are increasing, we do not believe the costs will reach $27,209 in the projected test year. The legal fee was $10,393 for the first eight months of fiscal year 1992. We believe it is a more reasonable estimate to annualize this amount, and trend it by inflation, resulting in a projected test year amount of $16,107.

We find that legal fees for FERC representation in the projected test year shall be reduced from the $27,209 to $16,107. This reduction requires a reduction of $11,102 in Account 923.

(i) Should an adjustment be made to Account 926, Other Employee Benefits?

The Company testified that employee breakfasts and luncheons are quarterly business meetings, used to provide communication and direction to employees, and to allow a free interchange of ideas; therefore, they are a necessary expense of providing utility service. The Company believes that employee meetings held at the Company offices, without meals, would not be as effective. The Company agreed that stockholders, as well as ratepayers, benefit from these meetings, which make the employees more effective and more responsive to the needs of the customer, and improve employee morale. Breakfast meetings are held in Panama City and luncheon meetings in Ocala, approximately quarterly, outside of normal working hours for most employees. Employees receive compensation for attending the meetings outside of their normal work hours.

We find the employee meetings to be necessary, but we do not believe that it is necessary for the ratepayers to provide the full cost of the meals for the employees during these meetings. Accordingly, we the Company should recover only half of the cost of providing these meals. Accordingly, $1,301 shall be disallowed and the cost of service shall be reduced by $1,301 in the projected test year.

The Company argued that Christmas parties, flowers to hospitals and funerals, and cakes for birthdays and weddings should be paid for by the ratepayers, as they are reasonable, prudent business expenses. The Company testified that excessive expenses should be disallowed, and that its expenses were "reasonable and should be allowed." In addition, the Company testified that the ratepayers should bear these costs because they benefit from increased employee morale, better service, and better communication between the employees. The Company agreed that these expenses are beneficial to stockholders as well as to ratepayers. However, the amounts in issue here are 100% of the actual expense for these items, with no allocation having been made to the stockholders. As evidence of the necessity of these functions, the Company referred to an employee survey which indicated that 62% of employees agreed strongly that employee parties are necessary for morale, 22% agreed somewhat, 10% neither agreed nor disagreed, and 5% strongly disagreed.

While we do not disagree that these expenditures improve employee morale, we are not convinced that the ratepayers should bear the full costs. Accordingly, we find that the Company should be permitted to recover only half of the costs associated with Christmas parties, flowers to hospitals and funerals, and cakes for birthdays and weddings. Accordingly, we shall disallow $2,483 for employee Christmas parties, $590 for flowers sent to hospitals and funerals, and $340 for birthday and wedding cakes.

The Company also argued that $234 should be allowed for a program to help two employees stop smoking. The Company stated that the ratepayers benefit by lower medical insurance costs. We do not believe the ratepayers should be responsible for the full cost of this program. Accordingly, we find that the Company should be allowed to recover only half of the expense of this program, and $117 shall be disallowed.

Another component of Account 926 is the cost of employee relocations. The Company argued that a five year average of $16,580 should be trended forward to $19,251 for the projected test year. The Company stated that "Movement and relocation of employees is a normal and customary part of any business, including ours. These moves are initiated to fill vacancies, hire outside expertise and to allow promotion from within the organization. Although we are not as large as some other utilities, we are large enough to have recurring relocation expenses." One-half of the relocations from 1985 through 1991 were for the one general manager position in Ocala, and that there were two relocations, in consecutive years, for the service manager position in Ocala.

The five-year average used by the Company included the years 1987 - 1991. Relocation expense in 1988 was abnormally high, at $35,153. A four-year average, excluding 1988, would be only $11,913, and the three-year average including 1989 - 1991 would be $11,231. We believe that these are more representative amounts and would be more appropriately used. Trending the four-year average of $11,913 forward for inflation results in a projected test year amount of $12,744.

Although the Company has projected over $19,000 in relocation costs in the projected test year, the Company testified that the only possible relocation at this time, with a probability of no greater than 50%, is that another manager will be moved to Ocala. The Company knows of no other relocations planned in the projected test year. Although the Company argued that it could conceivably incur relocation costs as high as $35,000 during the projected test year, it agreed this was unlikely, and that the abnormally high expense in 1988 skewed the five-year average. Based on evidence in the record, we find that relocation expense of $12,744 shall be allowed in the projected test year, which is a reduction of $6,507.

As shown below, find that there shall be a total reduction to Account 926 of $17,575 in the projected test year:

Amounts in Agreement	4,958
Employee breakfasts and luncheons	1,301
Employee Christmas parties	2,483
Flowers sent to hospitals and funerals	590
Birthday and wedding cakes	340
Flowers to decorate office buildings	319
Gifts to employees	960
Stop Smoking Program	117
Employee Relocation Costs	6,507
Total Adjustment	$17,575

(j) What is the appropriate amount of Collection Expense in the projected test year?

Collection expense was $24,383 in the historic base year, trended forward to $29,189 in the projected test year. The Company agrees that this is not a representative amount, and that a three-year average would be a more appropriate basis for trending. The Company testified that the average of fiscal years 1989 through 1991 is $14,533. The Company stated that, although the actual expense for the seven months ended January 30, 1992 is only $1,686, annualizing this amount would not be representative because it does not include the spring months when collection activities are greatest. For that reason, the Company believes that $15,423 for the twelve months ended January 30, 1992 would be a more correct 1992 estimate.

The Company's position reflects the test year expense trended forward to the projected test year based on customer growth and inflation.

We find that the three-year average of $14,533 shall be trended forward to the projected test year for inflation alone, rather than for inflation and customer growth. This results in an expense of $15,547, which requires a reduction in the projected test year of $13,642.

(k) What is the appropriate expense and method of treating the expense associated with West Florida Natural Gas' program to raise water heaters to 18 inches above floor level in garages?

We are convinced of the need for a program to raise water heaters to 18 inches above the floors in garages for safety reasons. The 18 inches increases the height of the pilot light above the level of the common household heavier than air flammable vapors. The Company estimates each retrofit will cost approximately $100, and it has budgeted 500 such installations a year for a total of $50,000 annually.

The Company has failed to persuade us that there would be any material load loss or stranded investment because of the burden of correcting customer installations to meet current codes. There has been no evidence quantifying the load loss or total stranded investment. We agree with the Company that electric energy expense along with the cost of the appliance may well cost each customer more than $50.00. In addition, it is unlikely that a large number of customers would make a decision not in their short or long term economic interest.

These installations are not located on the regulated part of the Company's system, normally covered in rate cases for expense. We are concerned about the fairness and benefits to each customer and to the general body of rate payers. The exact amount of benefits can not be assigned in dollars to each type of customer and installation. We find that 50% of the expense shall be recovered in this case as expense. Accordingly, Account 930 shall be reduced $25,000.

(l) Should projected test year O&M expense be reduced for non-utility business meals, sales commissions, salary allocations, and dues?

The Company made adjustments removing $38,448 in non-utility business meals, sales commissions, salary allocations, and dues which we accept. However, the Company has included $890 in expenses for builders meals.

The Company testified that as a natural gas company, it is required to market natural gas, and that s one of the company's goals. The Company stated that by providing meals to builders, it helps establish and build a relationship with builders to convince them to build new homes with natural gas availability. According to the Company, because there is considerable additional expense in making natural gas available, the Company needs to market natural gas to convince builders to install gas. The Company states that it is in its best interest to establish relationships with builders to find out where new subdivisions will be built.

The Company also testified that it currently has conservation cost recovery programs in effect which are associated with builders in its service area.

We agree that it is important for the Company to maintain a good working relationship with the builders in its service area. However, in our opinion, the purchase of meals is not a necessary expense for maintaining this relationship. Because the Company currently has cost recovery programs associated with builders in its service area, it would appear that maintaining this relationship can be maintained through the conservation programs, and not through base rates. Therefore, we find that expenses of $890 shall be reduced for the historical test year.

(m) The Company projected an increase in Education and Training, Account 921, from $6,600 in the historic base year to $18,207 in the projected test year. Is this reasonable?

The Company testified that it will be required to spend $6,000 per year for materials for two programs designed to teach employees teamwork and communication. The Company implemented Managing Personal Growth (MPG) in 1986, after evaluating several alternatives. This program can be administered at Company facilities, preventing the added cost of travel. All employees at every level of the organization participate in this training. Helping Others Succeed (HOS) is a follow-up program for supervisors and managers. The Company testified that it was able to retain a large supply of materials purchased prior to the sale of the LP affiliate's assets in September, 1989, deferring the need for additional purchases for several years. However, the supply has now been exhausted, and materials will need to be purchased annually.

The Company has also projected continuing professional education courses for its CPA and the Professional Engineer, as well as professional development courses for other staff positions. These continuing education expenses total $5,332.

The remaining $6,875 of the projected expense is for the education reimbursement program for employees taking courses at local community colleges and universities. Although there were very few participants in the historic base year, the program is open to the entire work force, and the projected expenses are for participants anticipated in the projected test year. The Company testified that the courses are job-related, and several participants are working toward degrees. Due to the increased employee participation, the Company has established a cap of $1,500 per year per employee for this program.

Based on the evidence in the record, we find that the Company's projected test year expense of $18,207 shall be allowed as a reasonable expense.

(n) <u>What is the proper amount of expenses associated with "Free Service" in Account 930?</u>

"Free Service" includes various expenses for which the customer is not charged, including such items as parts used in installations other than meters and regulators, labor charges over a flat labor charge, and charges to revisit customers who were not at home during the first visit. We agrees that these expenses are justified, and we understand the rationale behind the large percentage increase in these expenses over a two-year period. Accordingly, we find that no adjustment is required.

However, we find that Accounts 878 or 879 are probably more appropriate for recording these expenses than Account 930. Accordingly, within 30 days of the issuance of this Order, the Company shall submit it's determination of the proper account or accounts for these expenses in writing to us. Because there has been some confusion as to the proper expenses to be included in this account, the Company shall also submit a reasonably complete listing of expenses which will be charged to this category of expense in writing.

(o) <u>What is the appropriate amount of Rate Case Expense to be included in operating expense?</u>

The Company requested that $112,000 in rate case expenses be amortized over a two year period. However, this amount was subsequently revised to slightly more than $147,000. Having reviewed these expenses, we find that they appear to be reasonable. This amount is, however, $35,000 higher than initially requested in the MFRs. In the past, there have been instances where we did not allow any increase in rate case expense due to a revised estimate. However, in this case, there have been several rate base as well as other NOI issues in which the Company's original position has been modified by our Staff because of updated information. Often updated information works to the detriment of a company. Yet, for fairness and consistency, when appropriate, updated information should be used to help a company as well. Because invoices were introduced to support the expenses, we find most of the amounts listed are actual, and not projections. Thus, this eliminates any objection to estimated amounts.

Public Counsel takes exception with roughly 50% of the Company's claimed rate case expense. Public Counsel's main objection is that in many cases the Company is asking for reimbursement of unjustified expenses. For example, OPC maintains that Ms. Patti Smith receives a $400 a month car allowance, rate case or not, and these expenses should not be allowed. While it is true that a request for car allowance would have been disallowed, the Company did not in any instance include Ms. Smith's car allowance as rate case expense. A review of the rate case expense summary sheet clearly shows that the amounts for car allowance OPC argues should be disallowed have in fact not been included as rate case expense. Another example involving Ms. Smith are invoices requesting meal expense reimbursements, as part of larger employee reimbursements. OPC states that two expense reports show requests for inclusion in rate case expense of $885.69, of which only $2.00 on one report and $14.67 on the other, for a total of $16.67 should be allowed. Again, a review of the summary sheet shows a total request for rate case expense of $16.67 in February 1992 for this employee. There are similar examples involving legal expenses as well. At page 26 of OPC's brief there is a reference to the Company's lack of justification for expenses totaling $1,881.68 of a total of $7,904.68. OPC states that $6,023.00 in expenses were justified, and the additional $1,881.68 should be disallowed. The $1,881.68 was not explained because the Company has not requested reimbursement of this additional amount. Only the charge of $6,023.00 is listed on the summary sheet as rate case expense. There also are objections to travel expenses which are not specifically justified. Upon studying the dates on the expense reports, it appears that in most instances, the expenses relate to either the pre-pre hearing or the hearing itself.

Public Counsel has apparently overlooked the fact that the copies of the invoices provided as part of its requested Late-Filed Exhibit No. 20 are internal financial documents that were not originally prepared to exclusively justify rate case expense. As OPC discovered, many of the expenses listed on the invoices and requests for reimbursements are completely unrelated to this case. The Company has not at any time attempted to show, or claim, otherwise. But such an analysis misses the point. These documents are used by Company personnel as backup or justification for the payment of a wide variety of expenses, including rate case expense. It is not enough to review these invoices without an understanding of what amounts on these invoices the Company is actually including as rate case expense.

Public Counsel also believes that Mr. Cicchetti's fee of $25,000 for providing cost of capital "testimony and expertise" is excessive, even though OPC admits that his required duties for the Company are adequate. We find that this expense appears reasonable.

While we do not disagree with the Company on the amount of the expenses listed on Late Filed Exhibit No.20, we do disagree with the proper amortization period of these expenses. We find that these expenses should be amortized over the same period that the rates which were granted in the case are in effect. There is no reason to believe the Company will again be requesting rate relief within a two-year period. Conversely, Public Counsel believes that these expenses should be amortized over a four-year period. We believe that this period of time is too long. Panama City is a moderate growth area, and there will continue to be efforts to switch to cleaner fuels. Higher growth would result in increased expenses and a need for additions to rate base to accommodate this growth. Therefore, we find that a three-year amortization period is an appropriate period for amortization.

Accordingly, the proper amount of rate case expense is $147,000. This amount shall be amortized over three years, which results in an expense of $49,000 per year. The projected test year expense shall be decreased by $7,000.

(p) Should regulatory assessment fees be reclassified as Taxes Other?

The Company improperly included in Account 928, Regulatory Expenses, $25,500 for Regulatory Assessment Fees which should be classified as Taxes Other. Therefore, we find it would be proper to reduce operating expense $25,500 and to increase Taxes Other $25,500.

(q) What is the appropriate amount of projected test year O&M expense?

Based on the above adjustments in other issues, we find the appropriate Projected Test Year O&M expense to be $3,813,169.

(r) What is the appropriate amount of projected test year Depreciation and Amortization Expense?

Based on the resolution of all rate base issues and amortization-related net operating income issues, we find the appropriate amount of projected test year depreciation and amortization expense to be $1,259,533.

(s) Should Gross Receipts Tax be excluded from base rates?

The company proposed to recover the Gross Receipts Tax as a separate line item on the customers' bills pursuant to Florida Statutes. However, the company failed to remove from N.O.I. $333,493 for this expense and $100,893 in revenues related to the 1½% gross receipts tax and included in base non-fuel revenues. Therefore, we find that Taxes Other should be reduced $333,493 and revenues should be reduced $100,893.

(t) What is the appropriate provision for income taxes, including interest reconciliation, to be included in projected test year expenses?

Based upon the adjustments made by us, the appropriate amount of income tax expense to be included in the projected test year is $135,776. This amount includes the interest reconciliation adjustment of $93,311, which is the tax effect of the difference between the company's interest per books, and the interest inherent in the approved capital structure.

(u) What is the appropriate amount of projected test year Operating Expenses?

Based upon our resolution of all net operating income issues and depreciation or amortization-related rate base issues, we find that the appropriate amount of projected test year operating expenses is $5,553,390.

(v) What is the appropriate amount of projected test year Net Operating Income (NOI)?

Based upon the resolution of the previous issues, we find that the appropriate amount of projected test year NOI is as shown below:

NET OPERATING INCOME

For the Projected Test Year Ending 6/30/93

Operating Revenues	$6,805,538
Operating Expenses:	
O&M	3,813,169
Depreciation	1,259,533
Taxes - Other	344,912
Income Taxes	135,776
Total Oper. Exp.	5,553,390
Total NOI	$1,252,148

Accordingly, we find that the appropriate amount of projected test year Net Operating Income to be $1,252,148.

(w) What is the appropriate projected test year revenue expansion factor to be used in calculating the 1991 revenue deficiency?

The resolution of this issue depends on our determination in Issue (d) of this section. Because we accepted a bad debt factor of .504%, we find the correct revenue expansion factor for the projected test year to be 1.6176.

4. REVENUE DEFICIENCY - ATTACHMENT 5

(a) What is the appropriate projected test year deficiency?

Base upon the resolution of previous issues, we find the appropriate projected test year deficiency to be as shown below:

Calculation of Revenue Requirements
June 30, 1993 - Test Year

Rate Base	$18,104,126
Rate of Return	10.41%
Required N O.I.	$ 1,884,640
Achieved N.O.I.	$ 1,252,148
N.O.I. Deficiency	$ 632,492
Revenue Exp. Factor	1.6176
Revenue Increase	$ 1,023,118

Accordingly, we find the appropriate amount of the projected test year deficiency to be $1,026,668.

II. COST OF SERVICE AND RATE DESIGN

A. DISPUTED ISSUES

(a) What should the miscellaneous service charges be?

Based upon the data provided in the MFR's, we find that the proposed miscellaneous service charges reflect the cost in providing these services. The miscellaneous service charges shall be as listed below:

Initial Connection Residential	$20.00
Initial Connection Commercial	$25.00
Reconnection Residential	$25.00
Reconnection Commercial	$30.00
Change of Account	$15.00
Returned Check Charge	5% or $15.00

(b) What is the appropriate cost of service methodology to be used in allocating costs to the various rate classes?

The Commission Staff's cost of service study employs the use of the peak and average method and direct assignment of costs where possible or available. Using Staff's cost of service study, the Company erred in including gross receipts revenues and no increase in therm usage due to customer growth. Staff's cost of service study was modified to correct for these errors plus adjustments made to rate base, operations and maintenance expense, and net operating income, so that it reflects each customer class' contribution to the proposed overall rate of return of the Company. Accordingly, we find that Staff's cost of service study as modified to correct Company errors is the appropriate cost of service methodology to be used in allocating costs to the various rate classes.

(c) Should the Company's proposed revenue requirement allocation be approved?

The Company, in its initial filing, requested $1,930,801 in total rate relief, with a proposed overall rate of return of 11.14%, and a return on equity of 12.80%, with a projected test year rate base of $18,066,280. The Company adjusted its initial request to $1,426,913 in total rate relief, with an overall rate of return of 11.03% and a projected test year rate base of $18,116,913.

As we have indicated in numerous issues above, the revenue requirements were changed due to various adjustments to rate base, NOI, and cost-of-capital. Accordingly, the Company's proposed revenue requirement allocation should not be approved. Instead, we find that the revenue requirements should be allocated as shown in Attachment 6.

(d) What should the rates and charges be for West Florida Natural Gas Company?

We find that the rates and charges as shown in Attachment 6 were developed on the basis of the cost to serve, taking into consideration all the previously discussed adjustments. We find that the result yields the following rates:

Residential	
Customer Charge	$7.00
Energy Charge	32.525 cents/therm
Commercial	
Customer Charge	$10.00
Energy Charge	16.378 cents/therm
Commercial Large Volume	
Customer Charge	$50.00
Energy Charge	13.840 cents/therm
Industrial	
Customer Charge	$100.00
Energy Charge	4.877 cents/therm

Firm Transport
- Customer Charge $100.00
- Energy Charge 4.877 cents/therm

Interruptible
- Customer Charge $500.00
- Energy Charge 2.781 cents/therm

Special Contract
- Customer Charge $23,443.00
- Energy Charge 1.000 cents/therm over 9.2 Million therms/year

(e) How should the revenue increase, if any, be allocated between customer classes?

The general premise of allocating costs to those who create the cost (cost causality) is generally accepted by cost of service experts. We have issued several orders dealing with a regulated natural gas utility's ability to be competitive with alternative fuels. We have always considered value of service, consumption, load characteristics, rate shock, as well as rate history in designing rates. As much as possible, the revenue increase, if any, should be allocated between rate classes so that all classes will move toward equal rates of return.

We find that the revenue deficiency allocation has taken all of these considerations into account, and as reflected in Attachment 6, the proposed revenue deficiency is allocated as follows:

	Revenue Increase	Percent Increase	Rate of Return
Total	1,023,125	15.04	10.41%
Residential	772,782	19.46	9.49
Commercial	223,459	13.36	9.32
Commercial Large vol.	26,884	5.62	9.48
Industrial	0	0	25.51
Firm Transport	0	0	8.27
Interruptible	0	0	23.28
Special Contract	0	0	59.08

(f) What are the billing determinants to be used in the projected test year?

The billing determinants used in Attachment 6 were based on the Company's forecasted data and trend study as adjusted for customer growth usage for the projected test year. The billing determinants should be increased based on average use over the last three years, multiplied by the increase in customers in the projected test year. We find that this adjustment corrects for West Florida's use of 1991 therms, the lowest in the last ten years, to estimate therm sales in the projected test year.

Using linear regression analysis, we have determined that based on historical trends, the projected customer growth times the last three year average usage reveals a fairly accurate usage for the projected test year.

We find that the billing determinants to be used in the projected test year are those listed in Attachment 6.

(g) How much, if any, of the $853,689 interim increase granted by Order No. 25522 issued on December 23, 1991, should be refunded?

In Order No. 25522, issued December 23, 1991, we authorized interim rates for West Florida in the amount of $853,689 subject to refund with interest. The calculation for this interim increase was based upon a test year of the twelve (12) month period ending June 1991 (July 1990 - June 1991). We required the Company to file a corporate undertaking to guarantee any required refund. Any refund should be made pursuant to Rule 25-7.091, Florida Administrative Code.

Section 366.071(4), Florida Statutes, provides that any refund ordered by us must be based on the cost of equity prospectively established by our final vote in this rate case. However, the statute does not clearly state which data should be applied to the newly established cost of equity to determine the amount of refund, if any.

In Order No. 12221, issued July 13, 1983, in the Southern Bell rate case, we stated that we have three options from which to choose when we calculate an interim refund. Our options are as follows:

1. We can use actual data for the period interim rates were in effect. (In this case, interim rates went into effect January 2, 1992.)

2. We can use data from the projected test year used in the full rate case. (In this case, the fiscal year ending June 30, 1993.)

3. We can use data from the test year used in granting interim rates. (In this case, the fiscal year ending June 30, 1991.)

Interim rates were in effect for the last six months of the Company's historic base year plus one (January 1992 - June 1992). Because actual, audited data from the period the interim rates were in effect is not available, we find the use of this period to calculate a refund is impractical. Thus, we will not use the first option.

The interim test year coincided with the Company's historic base year used in determining permanent rates. However, we find that the use of data from the interim test year to calculate a refund would ignore additions to rate base and increases in revenues and expenses that occurred between the end of the historic base year, and the time interim rates went into effect (approximately seven months). Thus, we will not use the third option.

Instead, we shall use the second option with modifications. Because the Company filed data in its MFR's for July 1991 through June 1992, and the historic base year plus one and interim rates were in effect the last six months of that period (January 1992 - June 1992), we find it would be appropriate to adjust the projected test year to fit the historic base year plus one. We have analyzed the projected test year rate base and NOI adjustments to determine whether they applied to the historic base year plus one. Those that were applicable were recalculated to add or remove the appropriate amounts from the historic base year plus one. If the revenue requirement calculated using the above method yields a lower amount than the interim relief granted, a refund should be required. We applied this method in the past in Order No. 12221, and more recently in Order No. 24925, issued August 19, 1991.

The Company originally requested an interim increase of $570,567. However, we approved $853,689 in interim relief. This difference was the result of Company errors in the income tax calculation.

Based on our decisions in prior issues, we find that a refund of $38,059 on an annual basis, plus interest, is required. Our calculation of the interim refund is shown below:

CALCULATION OF INTERIM REFUND
BASE YEAR + 1
06/30/92

RATE BASE (AVERAGE)	$17,074,739
RATE OF RETURN	X 10.52%
REQUIRED NOI	$1,796,263
Operating Revenues	$ 6,597,376
Operating Expenses:	
Operation & Maintenance	3,544,116
Depreciation & Amortization	1,013,850
Taxes Other Than Income Taxes	488,574
Income Taxes	252,516
Total Operating Expenses	5,299,056
ACHIEVED NOI	$ 1,298,320
NET REVENUE DEFICIENCY	497,943
REVENUE TAX FACTOR	1.638
TOTAL REVENUE DEFICIENCY	$ 815,630
INTERIM GRANTED	$ 853,689
RECOMMENDED INTERIM	815,630
REFUND	$ 38,059

Any refund in excess of $100 shall be directly refunded to West Florida's customers. The remaining dollar amount shall flow through the PGA clause as a credit to fuel expense. We are deviating from Rule 25-7.091(3), Florida Administrative Code, because the administrative and billing costs incurred by the Company could easily exceed the amount of the refund.

We find that the Company shall refund these monies within 90 days of our Order. In addition, we find that the Company shall file, within 30 days of the refund, a report which shall specify the following:

(a) The amount of the refund and how that amount was computed, indicating the amount of interest and taxes.

(b) The amount to be credited to the PGA clause.

(h) Should West Florida Natural Gas be required to file, within 30 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records which will be required as a result of the Commission's findings in this rate case?

As a result of the findings in this rate case, various adjustments will be made to the records of West Florida Natural Gas. Accordingly, West Florida shall be required to fully describe all entries to the accounting records which are affected by changes made by us in the body of this Order. In some cases, these changes will be reflected in information filed with the Commission in the future. We find that for Staff must be informed of the changes the Company has made to adequately evaluate the financial integrity and records of the Company. Accordingly, the Company is required to fully describe the entries and adjustments which will be either recorded or used in preparing reports submitted to the Commission.

Finally, we find that if no motion for reconsideration or notice of appeal is timely filed, this docket shall be closed.

The panel met on June 8, 1992, at a Special Agenda Conference, to make its final vote on the issues addressed in this Order.

Based on 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. It is further

ORDERED that the Petition of West Florida Natural Gas Company for authority to increase its rates and charges is granted to the extent delineated herein. It is further

ORDERED that West Florida Natural Gas Company shall file revised tariffs reflecting the rates and charges approved in this Order. The Company shall include with the revised tariffs all calculations and workpapers used in deriving the revised rates and charges. It is further

ORDERED that the rate increase authorized in this Order shall be effective for billings rendered for all meter readings taken on or after July 8, 1992. It is further

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

ORDERED that within 30 days of the issuance of this Order, the Company shall file the "Free Service Report" as discussed in the body of this Order. It is further

ORDERED that within 30 days of the issuance of this Order, the Company is required to fully describe all entries to the accounting records which are affected by changes made by us in the body of this Order. It is further

ORDERED that this docket shall be closed.

By ORDER of the Florida Public Service Commission, this 29th day of June, 1992.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MAB:bmi

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 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 Civil Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
COMPARATIVE AVERAGE RATE BASES
PTY 6/30/93

ATTACHMENT 1
JUNE 29, 1992

ADJ NO		COMPANY AS FILED: TOTAL PER BOOKS	COMPANY AS FILED: JURIS. ADJUST.	COMPANY AS FILED: COMPANY ADJUSTED	COMMISSION VOTE: JURIS. ADJUST.	COMMISSION VOTE: ADJ. JURIS.	COMPANY PER BRIEF	PUBLIC COUNSEL PER BRIEF
	PLANT IN SERVICE							
	UTILITY PLANT	27,475,896	(2,008,490)					
1	ACQUISITION ADJUSTMENT	3,412,595	(3,412,595)		465,716		465,716	
2	OKALOOSA CO. EXTENSION				246,154		0	
3	GULF ASPHALT EXTENSION				292,308		(5,000)	
4	378 MAINS - INVENTORY ADJUSTMENT				(175,307)		(175,307)	
5	ADDITION & RETIREMENT OF COPIERS				(258)		(258)	INFO NOT
6	RETIREMENT OF VEHICLES & EQUIP.				(26,347)		(26,347)	PROVIDED
7	TOOLS NOT USED OR USEFUL				(60,478)		(60,478)	SEE
8	MISSING POWER EQUIPMENT				(65,531)		(65,531)	INDIVIDUAL
9	POWER EQUIPMENT SOLD TO AMERIGAS				(8,423)		(8,423)	ISSUES
10	COMMUN. EQUIP. NOT USED OR USEFUL				(18,429)		(18,429)	
11	CORRECTIONS TO TEST YR. DATA				(996,867)		(361,356)	
15	PROPANE AIR FACILITY - PC				(129,140)		(129,140)	
	RETIREMENT RATES						143,028	
2/3	CONSTRUCTION WORK IN PROGRESS	0			215,077			
	TOTAL PLANT	30,888,491	(5,421,085)	25,467,406	(261,525)	25,205,881	25,205,881	
	ACCUM. DEPREC. & AMORT.							
	ACCUM DEPR - UTILITY PLANT	9,987,225	(1,357,686)					
1	ACQUISITION ADJUSTMENT	983,750	(983,750)		398,756		398,756	
2	OKALOOSA CO. EXTENSION				2,650		(4,426)	
3	GULF ASPHALT EXTENSION				3,699		(6,202)	
4	378 MAINS - INVENTORY ADJUSTMENT				(180,610)		(180,610)	INFO NOT
5	ADDITION & RETIREMENT OF COPIERS				(337)		(337)	PROVIDED
6	RETIREMENT OF VEHICLES & EQUIP.				(34,837)		(31,862)	SEE
7	TOOLS NOT USED OR USEFUL				(68,188)		(68,182)	INDIVIDUAL
8	MISSING POWER EQUIPMENT				(79,051)		(79,05	ISSUES
9	POWER EQUIPMENT SOLD TO AMERIGAS				(9,953)		(9,953)	
10	COMMUN. EQUIP. NOT USED OR USEFUL				(24,999)		(24,999)	
11	CORRECTIONS TO TEST YR. DATA				(405,591)		(390,950)	
14	SALE OF LP TO AMERIGAS				7,318		7,318	
15	PROPANE AIR FACILITY - PC				(85,316)		(85,316)	
18	CUSTOMER ADV. IN AID OF CONST.				999		0	
	RETIREMENT RATES						2,338	
	TOTAL ACCUM. DEPRECIATION & AMORT.	10,970,975	(2,341,436)	8,629,539	(475,460)	8,154,079	8,156,057	
	NET UTILITY PLANT	19,917,516	(3,079,649)	16,837,867	213,935	17,051,802	17,049,824	
	WORKING CAPITAL	(1,225,821)	2,454,234	$1,228,413	(176,089)	1,052,324	1,195,771	
	TOTAL RATE BASE	$18,691,695	($625,415)	$18,066,280	$37,846	$18,104,126	$18,245,595	

WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
COMPARATIVE WORKING CAPITAL COMPONENTS
PTY 6/30/93

ATTACHMENT 1A
JUNE 29, 1992

ADJ NO		COMPANY AS FILED TOTAL PER BOOKS	COMPANY AS FILED JURIS. ADJUST.	COMPANY AS FILED COMPANY ADJUSTED	COMMISSION VOTE JURIS. ADJUST.	COMMISSION VOTE ADJ. JURIS.	COMPANY PER BRIEF	PUBLIC COUNSEL PER BRIEF
	WORKING CAPITAL	(1,225,821)	2,629,096					
14	SALE OF LP TO AMERIGAS				0		0	
18	CUSTOMER ADV. IN AID OF CONST.				999		0	INFO NOT
19	CASH				50,000		76,850	PROVIDED
20/26	ENVIRONMENTAL CLEAN-UP				(219,313)		(159,588)	SEE
21	ACCTS REC - MDS, JOBBING, OTHER		(174,862)		(21,871)		(21,871)	INDIVIDUAL
22	ACCTS. RECEIVABLE GAS - NET				(23,529)		(23,529)	ISSUES
23	NOTES RECEIVABLE				(4,375)		(4,375)	
24	UNAMORTIZED RATE CASE				(4,308)		99,871	
25	SALE OF OCALA LAND				46,308			
	TOTALS	($1,225,821)	$2,454,234	$1,228,413	($176,089)	$1,052,324	$1,195,771	

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WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
COST OF CAPTIAL - 13 MONTH AVERAGE

TEST YEAR ENDING 6/30/93

ATTACHMENT 2

		ADJUSTMENTS				%	%
CAPITAL COMPONENT	COMPANY FILING	STAFF	PRO RATA	ADJUSTED	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	9,975,713	(449,150)	(1,697,749)	7,828,814	0.4324	12.00%	5.1892%
LONG-TERM DEBT	9,131,224	(666,639)	(1,506,492)	6,958,093	0.3842	12.42%	4.7721%
SHORT-TERM DEBT	610,310	0	(108,765)	501,545	0.0277	7.00%	0.1939%
CUSTOMER DEPOSITS	712,858	0	(127,040)	585,818	0.0324	7.90%	0.2558%
DEFERRED TAXES	1,573,426	15,734	0	1,589,160	0.0878	0.00%	0.0000%
TAX CREDITS	682,266	(39,571)	0	642,695	0.0355	0.00%	0.0000%
TOTAL	22,685,797	(1,139,626)	(3,442,045)	18,104,126	1.0000		10.4106%

10.41%

EQUITY RATIO 51.21%

(calculated using investor sources)

WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
COMPARATIVE NOIs
PTY 6/30/93

ATTACHMENT 3
JUNE 29, 1992

ADJ NO		COMPANY AS FILED PER BOOKS	ADJUST.	COMPANY ADJUSTED	COMMISSION VOTE ADJUST.	ADJUSTED JURIS.	COMPANY PER BRIEF	PUBLIC COUNSEL PER BRIEF
	OPERATING REVENUES	$14,709,585						
	FUEL REVENUES		(8,033,036)					INFO NOT
	CONSERVATION REVENUES		(231,924)					PROVIDED
36	SALES TAX DISCOUNTS		2,460		(2,460)		(2,460)	SEE
37	RETURNED CHECK FEES				8,427		8,427	INDIVIDUAL
38	FLEX RATE				(52,387)		(52,387)	ISSUES
72	GROSS RECEIPTS				(100,893)		(100,893)	
41	REVENUES DUE TO GROWTH	112,344			393,422		393,422	
	TOTALS	14,821,929	(8,262,500)	6,559,429	246,109	6,805,538	6,805,538	
	OPERATING EXPENSES:	12,529,164	(8,167,063)					
39	CONSERVATION EXPENSE		(231,924)		4,596		4,596	
44	TREND FACTOR CHANGES				(112,030)		(27,204)	
47	BAD DEBT EXPENSE				4,800		4,800	
48	POSTAGE RATES				(12,379)		(12,379)	INFO NOT
49	NEW EMPLOYEE IN OCALA				2,262		2,262	PROVIDED
50	PROPERTY & LIABILITY INS.				(26,814)		(9,222)	SEE
51	ACCT. 921, OFFICE SUPPLIES				(5,555)		(5,555)	INDIVIDUAL
52	ACCT. 923, OUTSIDE SERVICES				(56,206)		(56,205)	ISSUES
53	FERC REPRESENTATION				(11,102)		0	
54	MAINTENANCE CONTRACTS				(2,041)		(2,041)	
55	MAINT. LEASED WATER HEATERS				(11,277)		(11,277)	
56	ACCT. 926,OTHER EMP. BENEFITS				(17,574)		(4,958)	
57	CASH SHORT				(2,278)		(2,278)	
58	COLLECTION EXPENSE				(13,642)		(11,819)	
59	PROG.TO RAISE WATER HTRS.				(25,000)		0	
60	NON-UTILITY SALES COMM.,MEALS,ETC.				(1,009)		0	
61	COMMUNICATIONS SYSTEM				(2,049)		(2,049)	
63	EDUCATION & TRAINING EXP.				0		0	
65	FREE SERVICE				0		0	
66	RATE CASE EXPENSE				(7,000)		17,538	
67	ACCT. 887, MAINTENANCE OF MAINS				2,790		2,790	
68	RECLASS. REG. ASSESS. FEE				(25,500)		(25,500)	
	TOTALS	12,529,164	(8,398,987)	4,130,177	(317,008)	3,813,169	3,991,676	
	DEPRECIATION & AMORTIZATION	1,219,953	(185,562)					
1	ACQUISITION ADJUSTMENT				31,061		31,061	
2	OKALOOSA CO. EXTENSION				8,076		(4,320,	
3	GULF ASPHALT EXTENSION				9,136		(3,410)	
4	ACCT.376,MAINS-INVENTORY ADJ.				(5,303)		(5,303)	
5	ADDITION & RETIREMENT OF COPIERS				(36)		(36)	
6	RETIREMENT OF VEHICLES & EQUIP.				(3,396)		(3,396)	INFO NOT
7	TOOLS NOT USED & USEFUL				(3,084)		(3,084)	PROVIDED
8	MISSING POWER EQUIPMENT				(4,718)		(4,718)	SEE
9	POWER EQUIP. SOLD TO AMERIGAS				(612)		(612)	INDIVIDUAL
10	COMM. EQUIP. NOT USED/USEFUL				(2,628)		(2,628)	ISSUES
11	CORRECTIONS TO TEST YR. DATA				7,009		27,083	
15	PROPANE AIR FACILITY-PC				(4,808)		(4,808)	
26	CLEANUP OF OCALA PLANT SITE				(11,436)		(11,444)	
70	PROPANE AIR FACILITY-OCALA				(3,871)		(3,871)	
	RETIREMENT RATES						4,868	
	AMORTIZATION-OTHER	209,752						
	TOTALS	1,429,705	(185,562)	1,244,143	15,390	1,259,533	1,259,525	

	TAXES OTHER THAN INCOME	687,343	(37,898)					
39	CONSERVATION EXPENSE EFFECT		(75)		75		0	
	TAXES OTHER THAN INCOME-GROW	2,528						
40	EFFECT OF REV. ADJ.				932		932	
68	RECLASS. REG ASSESS FEE				25,500		25,500	
72	GROSS RECEIPTS TAX				(333,493)		(333,493)	
	TOTALS	689,871	(37,973)	651,898	(306,986)	344,912	344,837	
14	GAIN ON SALE TO AMERIGAS				0	0	0	
	INCOME TAX EXPENSE	(384,602)						
73	TAX EFFECT OF ABOVE		117,522		321,629		254,488	
	ADJUST. TO ACTUAL		(89,348)					
73	INCOME TAXES-GROWTH	41,324			(41,324)			INFO NOT PROVIDED SEE INDIVIDUAL ISSUES
	DEFERRED INCOME TAXES	0	95,211					
	AMORTIZATION OF FASB 96	0	(17,947)					
73	INTEREST RECONCILIATION				93,311	0	89,700	
74	INVESTMENT TAX CREDITS	(44,731)			44,731	0	44,731	
	TOTALS	(388,009)	105,438	(282,571)	418,347	135,776	106,348	
	TOTAL OPERATING EXPENSES	14,260,731	(8,517,084)	5,743,647	(190,257)	5,553,390	5,702,388	
	NET OPERATING INCOME	$561,198	$254,584	$815,782	$436,366	$1,252,148	$1,103,152	

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93
# 1	PAYROLL ONLY	5.00%	5.00%
# 2	CUST GRWTH X PAY	10.99%	10.99%
# 3	CUST GRWTH X INFL	9.51%	9.14%
# 4	INFLATION ONLY	3.60%	3.25%
	CUSTOMER GROWTH	5.7000%	5.7000%) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
DISTRIBUTION EXPENSE					
870	Payroll-trended	51,884	54,478	57,202	1
	Other trended	87,539	90,690	93,638	4
	Other trended	0	0	0	
	Total	139,423	145,169	150,840	
871	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
874	Payroll-trended	111,465	123,715	137,311	2
	Other trended	43,403	47,531	51,875	3
	Other trended	34,573	35,818	36,982	4
	Other trended	0	0	0	
	Total	189,441	207,063	226,168	
875	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
876	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	SUB-TOTAL	$328,864	$352,232	$377,008	

DISTRIBUTION EXPENSE

877	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
878	Payroll-trended	50,807	53,137	55,794	1
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	50,807	53,137	55,794	

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93
# 1	PAYROLL ONLY	5.00%	5.00%
# 2	CUST GRWTH X PAY	10.99%	10.99%
# 3	CUST GRWTH X INFL	9.51%	9.14%
# 4	INFLATION ONLY	3.60%	3.25%
	CUSTOMER GROWTH	5.7000%	5.7000%) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
879	Payroll-trended	48,371	53,687	59,587	2
	Other trended	16,651	18,235	19,901	3
	Other trended	4,681	4,850	5,007	4
	Other trended				
	Total	69,703	76,771	84,495	
880	Payroll-trended	3,535	3,712	3,897	1
	Other Trended	0	0	0	
	Other not trended	0	0	0	
	Total	3,535	3,712	3,897	
881	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	TOTAL DISTR EXP	$452,709	$485,852	$521,195	

MAINTENANCE EXPENSE

885	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
886	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
887	Payroll-trended	0	0	0	
	Other trended	20,903	22,891	24,983	3
	Other not trended	0	0	2,790	
	Total	20,903	22,891	27,773	
889	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93	
# 1	PAYROLL ONLY	5.00%	5.00%	
# 2	CUST GRWTH X PAY	10.99%	10.99%	
# 3	CUST GRWTH X INFL	9.51%	9.14%	
# 4	INFLATION ONLY	3.60%	3.25%	
	CUSTOMER GROWTH	5.7000%	5.7000%	) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
890	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	SUB-TOTAL	$20,903	$22,891	$27,773	

MAINTENANCE EXPENSE

891	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
892	Payroll-trended	0	0	0	
	Other trended	6,474	7,090	7,738	3
	Other not trended	0	0	0	
	Total	6,474	7,090	7,738	
893	Payroll-trended	13,099	14,539	16,136	2
	Other trended	104,376	114,302	124,749	3
	Other not trended	0	0	0	
	Total	117,475	128,841	140,886	
894	Payroll-trended	6,254	6,479	6,690	4
	Other trended	346	358	370	4
	Other trended				
	Total	6,600	6,838	7,060	
	TOTAL MAINT EXP	$151,452	$165,659	$183,456	

ORDER NO. PSC-92-0580-FOF-GU
DOCKET NO. 910778-GU
PAGE 61

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93	
# 1	PAYROLL ONLY	5.00%	5.00%	
# 2	CUST GRWTH X PAY	10.99%	10.99%	
# 3	CUST GRWTH X INFL	9.51%	9.14%	
# 4	INFLATION ONLY	3.80%	3.25%	
	CUSTOMER GROWTH	5.7000%	5.7000%	) FOR INFORMATIONAL PURPOSES

ACCOUNT
CUSTOMER ACCT. & COLLEC.

		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
901	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
902	Payroll-trended	82,663	91,748	101,831	2
	Other trended	51,371	56,256	61,398	3
	Other not trended	0	0	0	
	Total	134,034	148,004	163,229	
903	Payroll-trended	227,473	238,847	250,789	1
	Other trended	21,714	22,496	23,227	4
	Other trended	41	42	44	4
	Other not trended	220,457	225,620	238,481	$18,801.69/MONTH HBY+1
	Other not Lended				CUSTOMER GROWTH PTY
	Other not trended	0	0	(13,642)	
	Total	469,685	487,005	498,898	
904	Payroll-trended	0	0	0	
	Other not trended	62,235	65,782	69,532	CUSTOMER GROWTH ONLY
	Other not trended	0	0	4,800	
	Total	62,235	65,782	74,332	
905	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
909	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	TOTAL CUST SERV EXP	$665,954	$700,792	$736,459	

SALES PROMOTION EXPENSE

911	Payroll-trended	0	0	0
	Other trended	0	0	0
	Other not trended	0	0	0
	Total	0	0	0

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93	
# 1	PAYROLL ONLY	5.00%	5.00%	
# 2	CUST GRWTH X PAY	10.99%	10.99%	
# 3	CUST GRWTH X INFL	9.51%	9.14%	
# 4	INFLATION ONLY	3.60%	3.25%	
	CUSTOMER GROWTH	5.7000%	5.7000%	) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
912	Payroll-trended	46,597	48,927	51,373	1
	Other trended	10,030	10,984	11,968	3
	Other not trended	6,132	6,482	6,851	CUSTOMER GROWTH ONLY
	Other not trended	0	21,678	22,762	
	Other not trended		0	4,596	
	Other not trended	0	0	0	
	Total	62,759	88,070	97,570	
913	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
916	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	TOTAL SELLING EXP	$62,759	$88,070	$97,570	

ADMINISTRATIVE & GENERAL

920	Payroll-trended	581,501	610,576	641,105	1
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	581,501	610,576	641,105	
921	Payroll-trended	0	0	0	
	Other trended	179,914	197,024	215,032	3
	Other trended	108,028	111,917	115,554	4
	Other not trended	0	78	104	GARBAGE TIPPING FEE INCREA
	Other not trended	81,837	100,659	100,627	% OF PAYROLL & OTHER FACT
	Other not trended	88,123	112,307	114,843	
	Other not trended	0	0	0	
	Other trended	0	0	0	
	Other trended	0	0	0	
	Other trended	0	0	0	
	Total	457,902	521,985	546,160	

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93	
# 1	PAYROLL ONLY	5.00%	5.00%	
# 2	CUST GRWTH X PAY	10.99%	10.99%	
# 3	CUST GRWTH X INFL	9.51%	9.14%	
# 4	INFLATION ONLY	3.60%	3.25%	
	CUSTOMER GROWTH	5.7000%	5.7000%	) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
922	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	(70,640)	(71,955)	(76,127)	6.48% OF ADMINISTRATIVE E
	Total	(70,640)	(71,955)	(76,127)	
923	Payroll-trended	0	0	0	
	Other trended	125,055	129,557	133,768	4
	Other not trended	0	16,049	5,525	ADDITIONAL LEGAL EXPENS
	Other not trended			(10,490)	
	Other trended	0	0	0	*
	Total	125,055	145,606	128,803	
924	Payroll-trended	0	0	0	
	Other not trended	24,845	27,815	33,954	% OF PAYROLL
	Other not trended	283,611	305,841	338,750	
	Other not trended		0	0	
	Total	308,456	333,656	372,704	
925	Payroll-trended	0	0	0	
	Other trended	0	0	0	
	Other not trended	0	0	0	
	Total	0	0	0	
	SUB-TOTAL	$1,402,274	$1,539,868	$1,612,645	

ADMINISTRATIVE & GENERAL

926	Payroll-trended	0	0	0	
	Other not trended	210,518	240,362	241,594	% OF PAYROLL & OTHER FA
	Other trended	0	0	(18,638)	
	Total	210,518	240,362	222,956	
928	Payroll-trended	0	0	0	
	Other not trended	42,471	123,062	146,296	
	Other not trended			0	
	Total	42,471	123,062	146,296	

WEST FLORIDA NATURAL GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 3A
JUNE 29, 1992

	COMMISSION VOTE TREND RATES:	BASE YEAR + 1 06/30/92	PROJECTED TEST YEAR 06/30/93	
# 1	PAYROLL ONLY	5.00%	5.00%	
# 2	CUST GRWTH X PAY	10.99%	10.99%	
# 3	CUST GRWTH X INFL	9.51%	9.14%	
# 4	INFLATION ONLY	3.60%	3.25%	
	CUSTOMER GROWTH	5.7000%	5.7000%	) FOR INFORMATIONAL PURPOSES

ACCOUNT		TOTAL COMBINED BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
930	Payroll-trended	0	0	0	
	Other trended	62,940	65,206	67,325	4
	Other not trended	49,739	107,601	107,601	NEW OVERHEAD ALLOCATIO
	Other not trended	0	4,167	25,000	WATER HEATER PROGRAM
	Other not trended			0	
	Other trended	0	0	0	
	Total	112,679	176,974	199,926	
931	Payroll-trended	0	0	0	
	Other not trended	37,328	38,672	39,929	• 4
	Other not trended	0	0	0	
	Total	37,328	38,672	39,929	
935	Payroll-trended	0	0	0	
	Other trended	49,302	51,077	52,737	4
	Other trended	0	0	0	
	Total	49,302	51,077	52,737	
	TOTAL A & G EXP	1,[illegible]54,572	2,170,014	2,274,488	
	TOTAL O&M EXPENSES	$3,187,446	$3,610,387	$3,813,169	

WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
NET OPERATING INCOME MULTIPLIER
PTY 06/30/93

ATTACHMENT 4
JUNE 29, 1992

DESCRIPTION	COMPANY AS FILED	COMMISSION VOTE	COMPANY PER BRIEF	PUBLIC COUNSEL
REVENUE REQUIREMENT	100.0000%	100.0000%	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%	0.0000%	0.0000%
REGULATORY ASSESSMENT FEE	0.3750%	0.3750%	0.3750%	0.3750%
BAD DEBT RATE	0.2417%	0.5040%	0.5040%	0.1000%
NET BEFORE INCOME TAXES	99.3833%	99.1210%	99.1210%	99.5250%
STATE INCOME TAX RATE	5.5000%	5.5000%	5.5000%	5.5000%
STATE INCOME TAX	5.4661%	5.4517%	5.4517%	5.4739%
NET BEFORE FEDERAL INCOME TAXES	93.9172%	93.6693%	93.6693%	94.0511%
FEDERAL INCOME TAX RATE	34.0000%	34.0000%	34.0000%	34.0000%
FEDERAL INCOME TAXES	31.9319%	31.8476%	31.8476%	31.9774%
REVENUE EXPANSION FACTOR	61.9854%	61.8218%	61.8218%	62.0737%
NET OPERATING INCOME MULTIPLIER	1.6133%	1.6176%	1.6176%	1.6095%

WEST FLORIDA NATURAL GAS COMPANY
DOCKET NO. 910778-GU
COMPARATIVE DEFICIENCY CALCULATIONS
PTY 6/30/93

ATTACHMENT 5
JUNE 29, 1992

	COMPANY AS FILED	COMMISSION VOTE	COMPANY PER BRIEF	PUBLIC COUNSEL
RATE BASE (AVERAGE)	$18,066,280	$18,104,126	$18,245,596	
RATE OF RETURN	X 11.14%	X 10.41%	X 10.99%	
REQUIRED NOI	$2,012,584	$1,884,640	$2,005,191	
Operating Revenues	$6,559,429	$6,805,538	6,805,538	INFO NOT PROVIDED
Operating Expenses:				
Operation & Maintenance	4,130,177	3,813,169	3,991,676	
Depreciation & Amortization	1,244,143	1,259,533	1,259,525	
Taxes Other Than Income Taxes	651,898	344,912	344,837	
Current Income Taxes	(282,571)	135,776	106,348	
Gain on Sale to Amerigas		0	0	
Total Operating Expenses	5,743,647	5,553,390	5,702,386	
ACHIEVED NOI	$815,782	$1,252,148	$1,103,152	
NET REVENUE DEFICIENCY	1,196,802	632,492	902,039	
REVENUE TAX FACTOR	X 1.613	X 1.6176	X 1.6176	
TOTAL REVENUE DEFICIENCY	$1,930,800	$1,023,118	$1,459,094	

COST OF SERVICE SUMMARY
CALCULATION OF PROPOSED RATES

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
PROPOSED TOTAL TARGET REVENUES	7,826,193	4,744,216	1,896,051	505,247	107,124	213,916	75,088	284,552
LESS:OTHER OPERATING REVENUE	201,190	120,714	80,476	0	0	0	0	0
LESS:CUSTOMER CHARGE REVENUES								
PROPOSED CUSTOMER CHARGES		$7.00	$10.00	$50.00	$100.00	$100.00	$500.00	$23,443.00
TIMES:NUMBER OF BILLS	315,204	290,304	24,732	96	24	12	24	12
EQUALS:CUSTOMER CHARGE REVENUE	2,569,164	2,032,128	247,320	4,800	2,400	1,200	0	281,316
LESS:OTHER NON-THERM-RATE REVENUES								
EQUALS:PER-THERM TARGET REVENUES	5,055,839	2,591,374	1,568,255	500,447	104,724	212,716	75,088	3,236
DIVIDED BY:NUMBER OF THERMS	41,012,879	7,967,383	9,575,588	3,615,943	2,156,416	4,352,181	2,700,381	10,644,987
EQUALS:PER-THERM RATES(UNRNDED)		0.325248	0.163776	0.138400	0.048564	0.048876	0.027806	0.000304
PER-THERM RATES(RNDED)		0.32525	0.16378	0.13840	0.04856	0.04888	0.02781	0.00030
PER-THERM-RATE REVENUES(RNDED RA	5,055,869	2,591,391	1,568,200	500,447	104,716	212,735	75,098	3,193
SUMMARY:PROPOSED TARIFF RATES								
CUSTOMER CHARGES		$7.00	$10.00	$50.00	$100.00	$100.00	$500.00	$23,443.00
ENERGY CHARGES								
NON-GAS (CENTS PER THERM)		32.525	16.378	13.840	4.856	4.888	2.781	1.000 *
PURCHASED GAS ADJUSTMENT		32.044	32.044	32.044	32.044	32.044	32.044	32.044
TOTAL (INCLUDING PGA)		64.569	48.422	45.884	36.900	36.932	34.825	32.044
SUMMARY:PRESENT TARIFF RATES								
CUSTOMER CHARGES		$6.00	$15.00	$15.00	$50.00	$50.00	$612.00	$23,800.00
ENERGY CHARGES								
NON-GAS (CENTS PER THERM)		26.484	12.928	12.928	4.990	4.990	2.551	1.000 *
PURCHASED GAS ADJUSTMENT		32.044	32.044	32.044	32.044	32.044	32.044	32.044
TOTAL (INCLUDING PGA)		58.528	44.972	44.972	37.034	37.034	34.595	32.044

* IN EXCESS OF 9.2 MILLION THERMS

SUMMARY:OTHER OPERATING REVENUE	PRESENT CHARGE	PRESENT REVENUE	PROPOSED CHARGE	PROPOSED REVENUE
INITIAL CONNECTION RESIDENTIAL	$20.00	$124,385	$20.00	$138,960
INITIAL CONNECTION COMMERCIAL	$20.00	$5,180	$25.00	$7,225
RECONNECTION RESIDENTIAL	$20.00	$23,790	$25.00	$33,250
RECONNECTION COMMERCIAL	$20.00	$400	$30.00	$770
CHANGE OF ACCOUNT	$20.00	$15,600	$15.00	$11,700
RETURNED CHECK CHARGE	$15.00	$8,427	$15.00	$9,265
TOTAL		$177,782		$201,190

COST OF SERVICE SUMMARY

PROPOSED RATE DESIGN

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA

DOCKET NO. 910778-GU

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
PRESENT RATES (projected test year)								
GAS SALES (due to growth)	6,625,286	3,864,765	1,601,479	478,363	107,124	213,916	75,088	284,552
OTHER OPERATING REVENUE	177,782	106,669	71,113	0	0	0	0	0
TOTAL	6,803,068	3,971,434	1,672,592	478,363	107,124	213,916	75,088	284,552
RATE OF RETURN	6.88%	3.81%	6.24%	9.55%	31.76%	9.78%	28.92%	74.54%
INDEX	1.00	0.55	0.91	1.39	4.61	1.42	4.20	10.83
PROPOSED RATES								
GAS SALES	7,625,003	4,623,502	1,815,575	505,247	107,124	213,916	75,088	284,552
OTHER OPERATING REVENUE	201,190	120,714	80,476	0	0	0	0	0
TOTAL	7,826,193	4,744,216	1,896,051	505,247	107,124	213,916	75,088	284,552
TOTAL REVENUE INCREASE	1,023,125	772,782	223,459	26,884	0	0	0	0
PERCENT INCREASE	15.04%	19.46%	13.36%	5.62%	0.00%	0.00%	0.00%	0.00%
RATE OF RETURN	10.41%	9.40%	9.32%	9.48%	25.51%	8.27%	23.28%	59.08%
INDEX	1.00	0.91	0.89	0.91	2.45	0.79	2.24	5.68

SCHEDULE - A (COST OF SERVICE)
CLASSIFICATION OF RATE BASE
(Page 1 of 2:PLANT)

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT	0		0		100% capacity
					-
INTANGIBLE PLANT:	37124		37124		-
PRODUCTION PLANT	0		0		
DISTRIBUTION PLANT:					
374 Land and Land Rights	159520		159520		-
375 Structures and Improvements	488		488		-
376 Mains	12507057		12507057		-
377 Comp.Sta.Eq.	0		0		-
378 Meas.& Reg.Sta.Eq.-Gen	220421		220421		-
379 Meas.& Reg.Sta.Eq.-CG	328678		328678		-
380 Services	4459268	4459268			100% customer
381-382 Meters	2929216	2929216			-
383-384 House Regulators	1438735	1438735			-
385 Industrial Meas.& Reg.Eq.	0		0		100% capacity
386 Property on Customer Premises	0	0	0	0	ac 374-385
387 Other Equipment	0	0	0	0	ac 374-386
Total Distribution Plant	22043383	8827219	13216164	0	22043383
GENERAL PLANT:	2444581	1222291	1222291		50% customer,50%, capacity
PLANT ACQUISITIONS:	465716		465716		100% capacity
GAS PLANT FOR FUTURE USE:	0		0		-
CWIP:	215077	86127	128950	0	dist.plant
TOTAL PLANT	25205881	10135637	15070244	0	25205881 checksum

SCHEDULE - A (COST OF SERVICE)
CLASSIFICATION OF RATE BASE
(Page 2 of 2:ACCUMULATED DEPRECIATION)

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	related plant
INTANGIBLE PLANT:	0	0	0	0	rel.plant account
PRODUCTION PLANT	0		0		-
DISTRIBUTION PLANT:					
375 Structures and Improvements	23	0	23	0	-
376 Mains	4433643	0	4433643	0	-
377 Compressor Sta. Eq.	0	0	0	0	-
378 Meas.& Reg.Sta. Eq.-Gen	13395	0	13395	0	-
379 Meas.& Reg.Sta. Eq.-CG	53946	0	53946	0	-
380 Services	1101022	1101022	0	0	-
381-382 Meters	1012791	1012791	0	0	-
383-384 House Regulators	440131	440131	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	7054951	2553944	4501007	0	7054951 checksum
GENERAL PLANT:	663316	331658	331658	0	general plant
PLANT ACQUISITIONS:	434813	0	434813	0	plant acquisitions
RETIREMENT WORK IN PROGRESS:	0	0	0	0	distribution plant
TOTAL ACCUMULATED DEPRECIATION	8153080	2885602	5267478	0	8153080 checksum
NET PLANT (Plant less Accum.Dep.)	17052801	7250035	9802766	0	17052801 checksum
less:CUSTOMER ADVANCES	-999	-500	-500		50% cust 50% cap
plus:Environmental Clean-up	169386	84693	84693		50% cust 50% cap
plus:WORKING CAPITAL	682938	644300	19467[illegible]	43966	oper. and maint. exp.
equals:TOTAL RATE BASE	18104126	7978528	10081632	43966	18104126 checksum

SCHEDULE - B (COST OF SERVICE)
CLASSIFICATION OF EXPENSES
(Page 1 of 2)

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

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.	150840	61648	89192	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		100% commodity
874 Mains and Services	226168	59444	166724	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.	55794	55794	0	0		ac381+ac383
879 Customer Instal.	0	0	0	0		ac 386
880 Other Expenses	88392	47542	40850	0		ac 387
881 Rents	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	27773	0	27773	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	7738	7738	0	0		ac 380
893 Maint. of Meters and House Reg.	140886	140886	0	0		ac381-383
894 Maint. of Other Equipment	7060	5948	1112	0		ac387
Total Distribution Expenses	704651	379001	325650	0		704651 che
CUSTOMER ACCOUNTS:						
901 Supervision	0	0				100% customer
902 Meter-Reading Expense	163229	163229				-
903 Records and Collection Exp.	498898	498898				-
904 Uncollectible Accounts	79503			79503		100% commodity
905 Misc. Expenses	0	0				100% customer
Total Customer Accounts	741630	662127	0	79503		
(907-910) CUSTOMER SERV.& INFO. EXP.	0	0				-
(911-916) SALES EXPENSE	97570	97570				-
(932) MAINT. OF GEN. PLANT	52737	26369	26369	0		general plant
(920-931) ADMINISTRATION AND GENERAL	2221752	1621263	489856	110633	0	O&M excl. A&G
TOTAL O&M EXPENSE	3818340	2786329	841875	190136		3818340 che

SCHEDULE - B (COST OF SERVICE)
CLASSIFICATION OF EXPENSES
(Page 2 of 2)

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

DEPRECIATION AND AMORTIZATION EXPENSE:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	CLASSIFIER
Depreciation Expense	1030160	437975	592185	0		net plant
Amort. of Other Gas Plant	0		0			100% capacity
Amort. of Property Loss	0		0			100% capacity
Amort. of Envirornmnetal Clean-up	198312	99156	99156	0		50% cust. 50% c
Amort. of Acquisition Adj.	31061	12728	18333	0		intan/dist/gen
Amort. of Conversion Costs	0			0		100% commodity
Total Deprec. and Amort. Expense	1259533	549858	709675	0	0	1259533 che
TAXES OTHER THAN INCOME TAXES:						
Revenue Related	29337				29337	100% revenue
Other	316952	134753	182199	0		net plant
Total Taxes other than Income Taxes	346289	134753	182199	0	29337	
REV.CRDT TO COS(NEG.OF OTHR OPR.REV)	-201190	-201190				100% customer
RETURN (REQUIRED NOI)	1884640	830565	1049498	4577		rate base
INCOME TAXES	517391	228015	288119	1256	0	return(noi)
TOTAL OVERALL COST OF SERVICE	7625003	4328330	• 3071366	195970	29337	7625003 che

SCHEDULE - C (COST OF SERVICE)
DEVELOPMENT OF ALLOCATION FACTORS

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

CUSTOMER COSTS	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
No. of Customers	26267	24192	2061	8	2	1	2	1
Weighting	NA	1	3	24	24	35	35	35
Weighted No. of Customers	30755	24192	6183	192	48	35	70	35
Allocation Factors	1	0.786603804	0.20104048	0.006242887	0.00156072	0.001138	0.002276	0.0011380
CAPACITY COSTS								
Peak & Avg. Month Sales Vol.(therms)	15631955	1690134	1678330	705795	253353	8898804	622117	1783422
Allocation Factors	1	0.108120449	0.10736532	0.045150782	0.01620737	0.569270	0.039797	0.1140882
Miles of Main Allocation	682	297	248	116	12	3	3	3
Allocation Factors	1	0.435483871	0.36363636	0.170087976	0.01759530	0.004398	0.004398	0.0043988
Annual Sales Vol.(therms)	41012879	7967383	9575588	3615943	2156416	4352181	2700381	10644987
Allocation Factors	1	0.194265391	0.23347758	0.088166036	0.05257899	0.106117	0.065842	0.2595522
REVENUE-RELATED COSTS								
Tax on Cust,Cap,& Commod.	28484	17723	7020	1955	265	921	191	409
Allocation Factors	1	0.622203976	0.24646542	0.068631636	0.00930093	0.032334	0.006700	0.0143638

SCHEDULE - D (COST OF SERVICE)

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA

ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

DOCKET NO. 910778-GU

RATE BASE BY CUSTOMER CLASS	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
DIRECT AND SPECIAL ASSIGNMENTS:								
Customer								
Meters	1916425	1507467	385279	11964	2991	2181	4362	2181
House Regulators	998604	998604	0	0	0	0	0	0
Services	3358246	2641609	675143	20965	5241	3322	7644	3822
All Other	1705253	1341358	342825	10646	2661	1941	3881	1941
Total	7978528	6489039	1403247	43575	10894	7943	15887	7943
Capacity								
Industrial Meas.& Reg. Sta. Eq.	25033	0	0	0	0	12517	12517	0
Meas.&Reg.Sta.Eq.-Gen.	181993	19677	19540	8217	2950	103603	7243	20763
Mains	8073414	3515842	2935787	1373191	142054	35514	35514	35514
All Other	1801192	194746	193386	81325	29193	1025365	71683	205495
Total	10081632	3730264	3148712	1462733	174196	1176998	126956	261772
Commodity								
Account #	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0
All Other	43966	8541	10265	3876	2312	4666	2895	11412
Total	43966	8541	10265	3876	2312	4666	2895	11412
TOTAL	18104126	10227844	4562225	1510184	187402	1189607	145738	281126

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SCHEDULE - E (COST OF SERVICE) ATTACHMENT 6
ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES
(Page 1 of 2)

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
Customer	0	0	0	0	0	0	0	0
Capacity	0	0	0	0	0	0	0	0
Commodity	0	0	0	0	0	0	0	0
Revenue	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0
OPERATIONS AND MAINTENANCE EXPENSE:								
DIRECT AND SPECIAL ASSIGNMENTS:								
Customer								
878 Meters and House Regulators	55794	43888	11217	348	87	63	127	63
893 Maint. of Meters & House Reg.	140886	110821	28324	880	220	160	321	160
874 Mains & Services	59444	46759	11951	371	93	68	135	68
892 Maint. of Services	7738	6087	1556	48	12	9	18	9
All Other	2522467	1984182	507118	15747	3937	2871	5741	2871
Total	2786329	2191737	560165	17395	4349	3171	6342	3171
Capacity								
876 Measuring & Reg. Sta. Eq.- I	0	0	0	0	0	0	0	0
890 Maint. of Meas.& Reg.Sta.Eq.-I	0	0	0	0	0	0	0	0
874 Mains and Services	166724	72606	60627	28358	2934	733	733	733
887 Maint. of Mains	27773	12095	10099	4724	489	122	122	122
All Other	647378	281923	235410	110111	11391	2848	2848	2848
Total	841875	366623	306136	143193	14813	3703	3703	3703
Commodity								
Account #	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0
All Other	190136	36937	44393	16764	9997	20177	12519	49350
Total	190136	36937	44393	16764	9997	20177	12519	49350
TOTAL O&M	3818340	2595297	910694	177351	29159	27051	22564	56225
DEPRECIATION EXPENSE:								
Customer	437975	344513	88051	2734	684	498	997	498
Capacity	592185	257887	215340	100724	10420	2605	2605	2605

Total	1030160	602400	303391	103458	11103	3103	3602	3103
AMORT. OF GAS PLANT:								
Capacity	0	0	0	0	0	0	0	0
AMORT. OF PROPERTY LOSS:								
Capacity	0	0	0	0	0	0	0	0
AMORT OF ENVIRONMENTAL CLEANUP								
Capacity	99156	10721	10646	4477	1607	56447	3946	11313
Customer	99156	77996	19934	619	155	113	226	113
AMORT. OF ACQUISITION ADJ.:								
Customer	12728	10012	2559	79	20	14	29	14
Capacity	18333	7984	6667	3118	323	81	81	81
Total	31061	17996	9225	3198	342	95	110	95
AMORT. OF CONVERSION COSTS:								
Commodity	0	0	0	0	0	0	0	0

SCHEDULE - E (COST OF SERVICE) ATTACHMENT 6

COMPANY NAME: WEST FLORIDA

ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES

DOCKET NO. 910778-GU

(Page 2 of 2)

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	S.:CIAL CONTRACT
TAXES OTHER THAN INCOME TAXES:								
Customer	134753	105997	27091	841	210	153	307	153
Capacity	182199	79345	66254	30990	3206	801	801	801
Subtotal	316952	185342	93345	31831	3416	955	1108	955
Revenue	29337	18254	7231	2013	273	949	197	421
Total	346289	203595	100576	33845	3689	1903	1305	1376
RETURN (NOI)								
Customer	830565	675509	146078	4536	1134	827	1654	827
Capacity	1049498	388321	327781	152271	18134	122526	13216	27250
Commodity	4577	889	1069	404	241	486	301	1188
Total	1884640	1064719	474928	157210	19509	123838	15171	29265
INCOME TAXES								
Customer	228015	185448	40103	1245	311	227	454	227
Capacity	288119	106606	89986	41803	4978	33637	3628	7481
Commodity	1256	244	293	111	66	133	83	326
Total	517391	292298	130382	43159	5356	33997	4165	8034
REVENUE CREDITED TO COS:								
Customer	-201190	-120714	-80476	0	0	0	0	0
TOTAL COST OF SERVICE:								
Customer	4328330	3470497	803504	27450	6863	5004	10008	5004
Capacity	3071366	1217486	1022810	476575	53480	219799	27981	53234
Commodity	195970	38070	45755	17278	10304	20796	12903	50864
Subtotal	7595666	4726054	1872069	521303	70647	245599	50892	109103
Revenue	29337	18254	7231	2013	273	949	197	421
Total	7625003	4744307	1879300	523316	70920	246548	51088	109524

SCHEDULE - F (COST OF SERVICE)
DERIVATION OF REVENUE DEFICIENCY

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

COST OF SERVICE BY CUSTOMER CLASS	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
CUSTOMER COSTS	4,328,330	3,470,497	803,504	27,450	6,863	5,004	10,008	5,004
CAPACITY COSTS	3,071,366	1,217,486	1,022,810	476,575	53,480	219,799	27,981	53,234
COMMODITY COSTS	195,970	38,070	45,755	17,278	10,304	20,796	12,901	50,864
REVENUE COSTS	29,337	18,254	7,231	2,013	273	949	197	421
TOTAL	7,625,003	4,744,307	1,879,300	523,316	70,920	246,548	51,088	109,524
	100,893	58854	24388	7285	1631	3258	1143	4333
less:REVENUE AT PRESENT RATES	6,625,286	3,864,765	1,601,479	478,363	107,124	213,916	75,088	284,552
(in the attrition year)						217174	76231	288885
equals: GAS SALES REVENUE DEFICIENCY	999,717	879,542	277,821	44,953	(36,204)	32,631	(23,999)	(175,028)
plus:DEFICIENCY IN OTHER OPERATING REV.	23,408	14,045	9,363	0	0	0	0	0
equals:TOTAL BASE-REVENUE DEFICIENCY	1,023,125	893,587	287,184	44,953	(36,204)	32,631	(23,999)	(175,028)
UNIT COSTS:								
Customer	13.731838	11.954701	32.488452	285.938992	285.938992	416.994363	416.994363	416.994363
Capacity	0.196480	0.720349	0.609421	.0.675231	0.211090	0.024700	0.044977	0.029850
Commodity	0.004778	0.004778	0.004778	0.004778	0.004778	0.004778	0.004778	0.004778

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

ATTACHMENT 6

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
REVENUES: (projected test year)								
Gas Sales (due to growth)	6,625,286	3,864,765	1,601,479	478,363	107,124	213,916	75,088	284,552
Other Operating Revenue	177,782	106,669	71,113	0	0	0	0	0
Total	6,803,068	3,971,434	1,672,592	478,363	107,124	213,916	75,088	284,552
EXPENSES:								
Purchased Gas Cost	0	0	0	0	0	0	0	0
O&M Expenses	3,818,340	2,595,297	910,694	177,351	29,159	27,051	22,564	56,225
Depreciation Expenses	1,030,160	602,400	303,391	103,458	11,103	3,103	3,602	3,103
Amortization Expenses	229,373	106,713	39,806	8,294	2,104	56,655	4,281	11,521
Taxes Other Than Income--Fixed	316,952	185,342	93,345	31,831	3,416	955	1,108	955
Taxes Other Than Income--Revenue	25,512	14,893	6,272	1,794	402	802	282	1,067
Total Expses excl. Income Taxes	5,420,337	3,504,644	1,353,507	322,728	46,184	88,566	31,837	72,870
INCOME TAXES:	136,427	77,074	34,379	11,380	1,412	8,965	1,098	2,118
NET OPERATING INCOME:	1,246,305	389,716	284,705	144,255	59,527	116,386	42,152	209,563
RATE BASE:	18,104,126	10,227,844	4,562,225	1,510,184	187,402	1,189,607	145,738	281,126
RATE OF RETURN	0.068841	0.038103	0.062405	0.095522	0.317645	0.097836	0.289233	0.745440

ATTACHMENT 6

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

COMPANY NAME: WEST FLORIDA
DOCKET NO. 910778-GU

	TOTAL	RESIDENTIAL	COMMERCIAL	COMMERCIAL LARGE VOL.	INDUSTRIAL	FIRM TRANSPORT	INTERRUPT	SPECIAL CONTRACT
REVENUES:		-157495	-63725	-18069				
Gas Sales	7,625,003	4.623,502	1,815,575	505,247	107,124	213,916	7.,088	284,552
Other Operating Revenue	201,190	120,714	80,476	0	0	0	0	0
Total	7,826,193	4,744,216	1,896,051	505,247	107,124	213,916	75,088	284,552
EXPENSES:								
Purchased Gas Cost	0	0	0	0	0	0	0	0
O&M Expenses	3,818,340	2,595,297	910,694	177,351	29,159	27,051	22,564	56,225
Depreciation Expenses	1,030,160	602,400	303,391	103,458	11,103	3,103	3,602	3,103
Amortization Expenses	229,373	106,713	39,806	8,294	2,104	56,655	4,281	11,521
Taxes Other Than Income--Fixed	316,952	185,342	93,345	31,831	3,416	955	1,108	955
Taxes Other Than Income--Revenue	29,337	17,791	7,110	1,895	402	802	282	1,067
Total Expses excl. Income Taxes	5,424,162	3,507,542	1,354,345	322,828	46,184	88,566	31,837	72,870
PRE TAX NOI:	2,402,031	1,236,674	541,706	182,419	60,939	125,351	43,250	211,681
INCOME TAXES:	517,391	266,376	116,682	39,293	13,126	27,000	9,316	45,596
NET OPERATING INCOME:	1,884,640	970,298	425,024	143,126	47,813	98,350	33,934	166,086
RATE BASE:	18,104,126	10,227,844	4,562,225	1,510,184	187,402	1,189,607	145,738	281,126
RATE OF RETURN	0.104100	0.094868	0.093161	0.094774	0.255137	0.082675	0.232845	0.590787