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Application for a Rate Increase by

CITY  
GAS  
COMPANY  
*of Florida*

DOCKET NO. 940276-GU

Witness: Direct and Rebuttal Testimony of  
Cheryl R. Bulecza-Banks  
Appearing on Behalf of Commission Staff

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FPSC-RECORDS/REPORTING

DIRECT AND REBUTTAL TESTIMONY OF CHERYL R. BULECZA-BANKS

Q Please state your name, place of employment and job title.

A My name is Cheryl R. Bulecza-Banks. I am employed by the Florida Public Service Commission (FPSC or Commission), 101 East Gaines Street, Tallahassee, Florida 32399-0868, as Regulatory Analyst Supervisor, Bureau of Gas Regulation in the Division of Electric and Gas.

Q What is your educational background?

A I graduated from Florida State University with a Bachelor of Science in Finance in 1983. In 1987, I was licensed as a Certified Public Accountant in the state of Florida. I received a Master of Business Administration from Florida State University in 1991.

Q Please describe your professional work experience.

A From 1984 to 1985, I was employed as a Tax Auditor with the Florida Department of Revenue. In this position, I was responsible for conducting audits on Florida businesses with respect to sales and use tax, intangible tax, and motor and special fuel tax. In 1985, I was employed by the Florida Public Service Commission as a Regulatory Analyst in the Electric and Gas Accounting Section. In that capacity, I was involved with various accounting work pertaining to electric and gas utilities. In 1986, I was promoted to the newly created Bureau of Gas Regulation. As lead accounting analyst, I was responsible for all accounting policy for the investor-owned natural gas utilities. In 1990, I was promoted to the position of Economic Analyst. In this position, I was responsible for evaluating the conservation activities of the gas utilities and for developing and analyzing policy positions, focusing on guiding regulation and industry growth. I accepted my

1 | current position as Regulatory Analyst Supervisor in July 1993, responsible  
2 | for the direct supervision of employees involved in the analysis and  
3 | evaluation of economic, statistical, and accounting data as it relates to  
4 | purchased gas, conservation, territorial disputes, tariff filings, and  
5 | regulatory policy.

6 |       Q     Have you previously testified before or on behalf of the FPSC?

7 |       A     Yes. I have testified on accounting and policy issues before the  
8 | FPSC in Docket No. 870118-GU, Petition by Central Florida Gas to Increase its  
9 | Rates and Charges.

10 |       Q     What is the purpose of your testimony in this docket?

11 |       A     My testimony will address the following areas of City Gas  
12 | Company's (City Gas or the Company) rate increase filing: 1) Whether to grant  
13 | the requested amortization of the acquisition adjustment resulting from the  
14 | acquisition of City Gas by NUI Corporation, 2) Whether the Commission should  
15 | allow leased appliances in rate base and if so, should an imputation of  
16 | revenues be made and, 3) Whether appliances furnished to building contractors  
17 | free of cost should be included in the deferred piping account.

18 |       Q     What is the combined total impact on the revenue deficiency in the  
19 | projected test year of the three items addressed above?

20 |       A     If the Commission removes leased appliances from rate base, the  
21 | impact of the three adjustments has the effect of reducing the revenue  
22 | deficiency by \$3,162,133 from \$8,594,727 to \$5,432,594, not considering any  
23 | other adjustments. If the Commission allows the leased appliances in rate  
24 | base but continues to require the imputation of revenues, the impact of the  
25 | three adjustments would be \$2,393,619 (EXH CRBB-1).

ACQUISITION ADJUSTMENT

1  
2 Q Should the Commission allow the requested amortization of the  
3 acquisition adjustment?

4 A No.

5 Q Did the Company propose to include the amortization of the  
6 acquisition adjustment in the Company's last rate case?

7 A Yes. The Company petitioned for the inclusion of \$472,800  
8 representing a 30-year amortization of the total acquisition adjustment of  
9 \$14,165,513.

10 Q Did the Commission approve the Company's proposed amortization of  
11 the acquisition adjustment?

12 A No. The Commission denied recovery of the amortization.

13 Q Why was City Gas denied recovery of the amortization expense?

14 A As stated in Commission Order No. 24013,:

15 We find that City Gas Company has not demonstrated  
16 extraordinary circumstances and therefore no  
17 acquisition adjustment, or amortization thereof, has  
18 been justified.

19 Specifically, as stated by Commissioner Gunter during City Gas' last  
20 rate case hearing:

21 My problem is I see the same company, I see the same  
22 hardware, I see the same trucks, I see the same  
23 contracts between suppliers that supply gas and those  
24 that receive it. I see no change in the Company  
25 except for a change in ownership...

1 Q Has the Company requested rate base treatment of the acquisition  
2 adjustment?

3 A No, it has not. It has requested only that it be authorized to  
4 amortize the full amount of \$18,296,508 (MFR Schedule B-6), over thirty years,  
5 or \$985,092 per year.

6 Q You stated earlier that the amortization requested in City Gas'  
7 last rate case was \$472,800 representing a 30 year amortization of the total  
8 acquisition adjustment of \$14,165,513. Explain why the Company is now seeking  
9 approval of \$985,092 in amortization expense.

10 A Since the last rate case, the Company has booked an additional  
11 \$4,130,995 in the acquisition adjustment account primarily representing an  
12 antitrust settlement. This addition to the acquisition adjustment account  
13 results in an addition to the amortization expense of \$141,600. Adding the  
14 antitrust settlement amortization of \$141,600 to the original acquisition  
15 amortization of \$472,800, equals \$614,400. To arrive at the \$985,092 of  
16 amortization expense, the Company increased the \$614,400 by 60.33349 percent  
17 for the effect of implementing Statement of Financial Accounting Standards No.  
18 109 (SFAS 109). However, because SFAS 109 is required to be implemented  
19 revenue neutral, the Company increased the amount of deferred tax expense  
20 included in the capital structure. The amortization of these deferred taxes  
21 in the amount of \$370,692 makes the Net Operating Income effect revenue  
22 neutral. ( $\$985,092 - \$614,400 = \$370,692$ )

23 Q You stated earlier that the Company is only requesting that it be  
24 authorized to amortize the full amount of the acquisition adjustment of  
25 \$18,296,508 over a 30-year period as an expense without including the

1 | unamortized balance in rate base. Had the Company proposed rate base  
2 | inclusion, what additional revenues would be required to provide the Company  
3 | its proposed rate of return?

4 |       A     At the Company's requested overall rate of return of 7.94% (Murry  
5 | testimony, page 34, line 1), additional annual revenues of \$2,344,580 would  
6 | be required to provide the necessary return on \$18,296,508 of additional rate  
7 | base.  $((\$18,296,508 \times .0794) = \$1,452,742 \times 1.6139 = \$2,344,580)$

8 |       Q     Since the Company has proposed to include only the amortization  
9 | expense associated with the acquisition adjustment, should the Company be  
10 | authorized to recover this reduced amount?

11 |       A     No. The acquisition adjustment amortization is not justified.

12 |       Q     Should the Company be denied the amortization merely because it  
13 | chose not to petition for rate base treatment of the acquisition adjustment?

14 |       A     No. The Commission has never granted approval for the inclusion  
15 | of only the amortization expense related to an acquisition adjustment.  
16 | However, the fact that such approval has not been granted before does not  
17 | impact my opinion that the acquisition adjustment amortization proposed by  
18 | City Gas should be disallowed.

19 |       Q     What is the Commission's policy regarding acquisition adjustments?

20 |       A     The Commission's policy is as follows:

21 |             Our policy is that, absent extraordinary  
22 | circumstances, the purchase of a utility system at a  
23 | premium or discount shall not affect the rate base  
24 | calculation. (Commission Order No. 23376, Issued  
25 | 8/21/90, Investigation into Acquisition Adjustment

1 Policy)

2 Q Why did the Commission adopt such a policy?

3 A The Commission's current policy has evolved over many years.  
4 Initially, positive acquisition adjustments were not allowed. The basis for  
5 denying acquisition adjustments was to prevent utility companies from buying  
6 and selling property back and forth in an attempt to increase their rate  
7 bases. Later, the Commission began allowing some positive acquisition  
8 adjustments in an attempt to encourage larger, more stable utilities to  
9 purchase small, financially or operationally distressed utilities. The  
10 resulting increases in stability and financial well-being were considered  
11 extraordinary circumstances.

12 Q Has the Commission developed a formal list of circumstances that  
13 constitute extraordinary circumstances?

14 A No. The Commission has not developed a formal list of  
15 circumstances that would warrant a positive acquisition. The merits of  
16 acquisition adjustments have been evaluated on a case-by-case basis. In  
17 Docket No. 920177-WS, Atlantic Utilities of Jacksonville, Inc., General  
18 Waterworks Corporation, and Jacksonville Suburban Utilities submitted a  
19 memorandum entitled "Memorandum Regarding Acquisition Adjustments". In the  
20 memorandum, a list was provided that detailed the extraordinary circumstances  
21 which formed the basis of approving a docketed request for a positive  
22 acquisition adjustment. Cases where a positive acquisition adjustment has  
23 been authorized by the Commission have involved the following extraordinary  
24 circumstances:

25 1. Customers of acquired utility company benefit from the

- 1 acquisition.
- 2 2. Reduction in annual revenue requirement resulting from the
- 3 acquisition offsets the annual revenue requirement associated with
- 4 the acquisition adjustment.
- 5 3. Acquiring utility company has more professional and experienced
- 6 managerial, financial, technical, and operating personnel than the
- 7 acquired utility company.
- 8 4. Acquiring utility company has the financial, managerial, and
- 9 technical ability to attract capital and to meet the existing and
- 10 future needs of the acquired utility company's customers.
- 11 5. Acquiring utility company has the ability to qualify and operate
- 12 the acquired utility company's facilities as a regional facility
- 13 to the benefit of current and future customers.
- 14 6. Owners of the acquired utility company have no desire to remain
- 15 in the utility business.
- 16 7. Customers of acquired utility company will benefit from lower rate
- 17 and charges in both the short-term and the long-term.
- 18 8. Reduced risk to customers that unanticipated operating and
- 19 construction cost overruns will result in substantially higher
- 20 rates.
- 21 9. Operating efficiencies will result from the acquisition.
- 22 10. Personnel costs will be reduced by the acquiring utility company
- 23 due to more efficient utilization of personnel.
- 24 11. Acquired utility company has consistently operated at a loss.
- 25 12. Acquiring utility company has more ready access to capital markets

- 1 and can more easily attract capital because of its size,  
2 experience, and financial strength.
- 3 13. Availability of capital will relieve financial pressure  
4 experienced by acquired utility company, including threatened loss  
5 of utility systems by foreclosure or bankruptcy actions.
- 6 14. Elimination of substandard or marginal operating conditions due  
7 to lack of financial resources of acquired utility company.
- 8 15. Lower rates and charges will result to the customers of both the  
9 acquiring and acquired utility companies because of becoming a  
10 large, more stable utility company.
- 11 16. Adjacent service areas of utility companies promote  
12 interconnection.
- 13 17. Integration of the acquired utility company's utility system into  
14 the acquiring utility company's utility system is the lowest cost  
15 alternative for plant expansion.
- 16 18. Acquiring utility company will be able to utilize excess  
17 capacities in its existing facilities.
- 18 19. The acquisition must occur immediately or the projected benefits  
19 will be lost.
- 20 20. Correction of deficiencies in system of acquired utility company  
21 will be performed more quickly by acquiring utility company.
- 22 21. Integration of utility facilities will provide greater reliability  
23 of service.
- 24 22. Avoidance of duplication of utility facilities.
- 25 Q What extraordinary circumstances are being claimed by City Gas?

1           A     City Gas is claiming that the savings related to gas costs,  
2 liability insurance coverage, and cost of debt constitute extraordinary  
3 circumstances.

4           Q     Do you agree with City Gas that the savings related to gas costs,  
5 liability insurance coverage, and cost of debt constitute extraordinary  
6 circumstances?

7           A     In principle, yes. In this case, no. These types of savings  
8 could be considered extraordinary circumstances, and thus warrant the  
9 inclusion of an acquisition adjustment. However, in this case, the savings  
10 alleged by City Gas fail to constitute extraordinary circumstances.

11          Q     Why do you believe the savings fail to constitute extraordinary  
12 circumstances?

13          A     In each of the three examples provided by Mr. Wutzler, the cost  
14 savings are refutable or at best immaterial.

15          Q     The first example of savings illustrated by Mr. Wutzler relates  
16 to \$4.9 million in savings related to gas costs. Does this large amount of  
17 savings constitute extraordinary circumstances?

18          A     No. In Mr. Wutzler's testimony, he states that during the base  
19 year 1993, City Gas' customers enjoyed one of the lowest gas rates in the  
20 state. The savings, when compared to the standard pipeline rate, amounted to  
21 over \$4.9 million. He alleges that the savings are a direct result of the  
22 established, professional and highly experienced gas supply department that  
23 became available to City Gas as a result of the merger. (Wutzler, Direct,  
24 p.26, lines 13-19) (While Mr. Wutzler stated that the savings were \$4.9  
25 million, this reflected an estimated amount. In response to Staff

1 Interrogatory No. 79, the actual savings were calculated to be \$5,415,845.)

2 While it is difficult to ascertain what Mr. Wutzler considers "one of  
3 the lowest gas rates in the State", I have provided two exhibits, EXH CRBB-2  
4 and EXH CRBB-3 which illustrate that City Gas' purchased gas adjustment (PGA)  
5 factors are not considerably different from the other Florida local gas  
6 distributors.

7 Q Describe the information contained in your exhibits.

8 A Exhibit CRBB-2 shows the monthly PGA factors of the nine Florida  
9 local gas distributors during City Gas' historic base year. These factors  
10 represent what the end-use customers were paying each month for the natural  
11 gas commodity on a per therm basis. As shown, Chesapeake Utilities had a  
12 lower PGA than City Gas for 11 of the 12 months. Florida Public Utilities  
13 Company had a lower PGA than City Gas for the entire 12-month period. West  
14 Florida Natural Gas and St. Joe Natural Gas had lower PGAs for 6 of the 12  
15 months. Peoples Gas System, Inc. had 5 months lower than City Gas, and  
16 Indiantown Gas Company, the smallest Florida distributor, had 1 month lower  
17 than City Gas.

18 Exhibit CRBB-3 shows the monthly PGA factor without considering true-ups  
19 and taxes. This exhibit was developed to test whether prior true-ups impacted  
20 the base year results. While eliminating the prior true-ups did impact the  
21 results, City Gas was still surpassed by the other gas distributors. Peoples  
22 Gas had a lower current PGA for 10 of the 12 months. St. Joe had 8 months  
23 lower than City Gas. Both Chesapeake and Florida Public experienced 7 months  
24 of lower PGA costs. West Florida had 5 months lower, South Florida 4 months  
25 lower, and Indiantown had 2 months lower than City Gas.

1 Q Do the other gas distributors draw upon the expertise of an  
2 established, experienced gas supply department?

3 A No. In fact, the only utility that has a gas supply department  
4 is Peoples Gas. Within Peoples Gas, the equivalent of 4 full-time positions  
5 are used for purchasing, balancing, transportation, and capacity release.  
6 Chesapeake and Florida Public each use 2 existing employees to manage natural  
7 gas purchases. St. Joe and West Florida use 1 existing employee. Indiantown,  
8 Sebring, and South Florida, use an outside firm, Pennisula Energy Services  
9 Company, a division of Chesapeake Utilities, and a sister company of the  
10 Florida Division of Chesapeake Utilities.

11 Q Do the other utilities mentioned previously have an advantage of  
12 volume purchasing over City Gas because of their size?

13 A No. As shown on EXH CRBB-4, City Gas is the second largest Local  
14 Distribution Company (LDC) in the state with respect to rate base, revenues,  
15 and therms sold or transported. City Gas is surpassed only by Peoples Gas.

16 Q How is it that these substantially smaller companies are able to  
17 have a PGA factor less than City Gas?

18 A I cannot state unequivocally why the other utilities seem to be  
19 purchasing with efficiency equal to or greater than City Gas. Generally,  
20 efficient purchasing is a result of: negotiating skills, contracting skills,  
21 timing of purchases, load factors, receipt and delivery points, capacity  
22 release, and a positive relationship with their suppliers. The reasons for  
23 their success are not the pivotal question here. The question is whether City  
24 Gas benefitted from its acquisition by NUI to warrant amortization of the  
25 acquisition adjustment. My analysis supports the argument that City Gas,

1 | using NUI 's experienced gas buyers, did no better than prudently managed  
2 | independent Florida gas utilities, most of which are smaller than City Gas.

3 | Q Are you suggesting that City Gas' procurement practice should be  
4 | reviewed in this proceeding?

5 | A No. The point of my testimony is that the revised cost of gas  
6 | savings of \$5.4 million, should not form the basis for allowing the  
7 | amortization of the acquisition adjustment. The other LDCs are procuring  
8 | their own gas supplies and experiencing comparable savings. Using Mr.  
9 | Wutzler's methodology for calculating the savings results in comparable  
10 | savings for five of the other Florida local gas distributors. (See EXH CRBB-  
11 | 5)

12 | Q Mr. Wutzler provides an example where City Gas has saved over  
13 | \$100,000 in excess liability insurance expense and \$75,000 in short-term cost  
14 | of debt. Do these examples constitute extraordinary circumstances?

15 | A No. The \$175,000 claimed savings related to these two examples  
16 | are immaterial when compared to the total acquisition amortization requested.  
17 | Further, the \$100,000 in savings related to the excess liability insurance  
18 | premium reflects the current situation which could easily change to the  
19 | detriment of City Gas over time. Since NUI's excess liability policy is a  
20 | corporate policy covering other entities of NUI, claims experience outside  
21 | City Gas' control and beyond the Florida PSC's jurisdiction, may cause the  
22 | premium to increase. While City Gas' portion of this insurance included in  
23 | the projected test year incorporates the \$100,000 savings, it is unknown  
24 | whether these savings will continue over time.

25 | Q Are there any other points that have influenced your

1 | recommendation to deny City Gas' amortization of its acquisition adjustment?

2 |       A     Yes. To properly assess the merits of the requested amortization  
3 | expense, it is imperative to consider the expenses allocated to City Gas from  
4 | NUI.

5 |       Q     Has City Gas included any expenses in the projected test year  
6 | related to allocated expenses from NUI?

7 |       A     Yes. City Gas has included \$1,140,000 in the projected test year  
8 | expenses related to costs allocated to or directly assigned from NUI.

9 |       Q     What do these costs represent?

10 |      A     The costs allocated to City Gas include 22.99% of the expenses  
11 | related to: NUI executive salaries; legal fees; other outside services;  
12 | occupancy (corporate rents); offices expenses; shareholder relations;  
13 | corporate; other administrative expenses; and depreciation. In addition, City  
14 | Gas is directly assigned costs for: accounting and consolidated financial  
15 | reporting; internal audit fees; gas supply, planning and administration; risk  
16 | management; and tax compliance.

17 |      Q     How is the \$1,140,000 distributed among the cost categories?

18 |      A     I do not have a distribution of the \$1,140,000 included in the  
19 | projected test year expenses. However, in response to Staff interrogatory  
20 | Number 78, City Gas attached a copy of NUI's current cost allocation policy  
21 | and a computation of City Gas' portion of allocated costs projected for the  
22 | year ending September 30, 1994. NUI projects City Gas' portion of allocated  
23 | costs along with its directly assigned costs to be \$1,183,680. The  
24 | distribution of the costs are as follows:

25 |

1		
2	<u>Allocated Expenses:</u>	<u>City's Share</u>
3	NUI Executive Salaries	\$ 408,073
4	Legal	\$ 74,947
5	Other Outside Services	\$ 33,106
6	Occupancy (rents)	\$ 63,452
7	Office Expenses	\$ 11,035
8	Shareholder Relations	\$ 84,143
9	Corporate	\$ 8,276
10	Other Administrative	\$ 68,970
11	Depreciation	\$ 16,553
12		
13	Total	\$ 768,555*

14

15 \* NUI Rounded to \$768,000, for an allocation of \$64,000 per month.

16

17	<u>Directly Assigned Costs:</u>	<u>City Gas</u>
18	Accounting & Consolidated Financial	
19	Reporting	\$ 26,640
20	Internal Audit	\$ 43,440
21	Gas Supply, Planning & Administration	\$ 251,280
22	Risk Management	\$ 36,840
23	Tax Compliance	\$ 57,480
24	Total	\$ 415,680

25 The total of the allocated costs of \$768,000 and the directly assigned

1 | costs of \$415,680 equals \$1,183,680.

2 |       The difference between the \$1,140,000 City Gas included in the projected  
3 | test year ending September 1995 and the costs projected to be incurred for the  
4 | year ending September 1994 is \$43,480.

5 |       Q     Are you testifying that City Gas should be allowed to increase its  
6 | originally filed allocation amount of \$1,140,000 to \$1,183,680?

7 |       A     No. I am not testifying to the appropriate amount to be included  
8 | in the projected test year expenses. The previous charts were included to  
9 | provide the breakdown of expenses by cost category.

10 |       Q     Why is it important to analyze the costs allocated to City Gas by  
11 | NUI?

12 |       A     To ascertain whether an acquisition adjustment is appropriate, it  
13 | is imperative to look not only at potential savings, but also at additional  
14 | costs being passed on to City Gas' ratepayers. In City Gas' last rate case  
15 | (Docket No. 891175-GU), NUI only charged City Gas for nominal services  
16 | occasionally provided (TR 435). Approximately \$14,000 was included in City  
17 | Gas' projected test year representing directly assigned costs for internal  
18 | auditing, administrative fees, and gas procurement. At the time of the last  
19 | rate case, Mr. Wutzler testified that City Gas did not expect NUI's allocation  
20 | policy to change (TR 436).

21 |       Effective June 1, 1994, NUI's allocation policy was formally changed.  
22 | Corporate charges are now allocated among NUI's six different operating  
23 | utilities. As a result, City Gas' ratepayers are now responsible for over  
24 | \$768,000 annually for costs incurred by the corporate office.

25 |       During the last rate case, City Gas petitioned for recovery of

1 | amortization expense of \$472,000. Even though the company alleged savings of  
2 | \$880,000 and only included \$14,000 of directly assigned costs, the Commission  
3 | denied recovery of the amortization expense.

4 |       In this case, City Gas has petitioned for recovery of amortization  
5 | expense of \$985,092, has included over \$700,000 of allocated costs, and has  
6 | included over \$400,000 of directly assigned costs.

7 |       Q     Please summarize your position related to the inclusion of the  
8 | amortization of the acquisition adjustment in the cost to serve.

9 |       A     The amortization expense related to the acquisition adjustment  
10 | should be disallowed. The gas procurement savings are no more impressive  
11 | than those incurred by the other prudently managed Florida local gas  
12 | distributors. In addition, insurance and cost of debt savings of \$175,000 are  
13 | immaterial and do not come close to offsetting the \$1,140,000 in additional  
14 | costs allocated to City Gas from NUI. As in City Gas' last rate case, the  
15 | benefits presented by City Gas do not constitute extraordinary circumstances.  
16 | Therefore, the \$985,092 of amortization expense should not be included in the  
17 | determination of net operating income.

18 |                                   LEASED APPLIANCES

19 |       Q     Please explain the issue of imputed revenues as it relates to City  
20 | Gas' leased appliance operations.

21 |       A     As stated in Mr. Wutzler's testimony, the issue of including  
22 | leased appliances in rate base has been addressed by the Commission before.  
23 | (Wutzler, Direct Testimony, page 19) From the 1960s through 1981, City Gas  
24 | was allowed to include its investment in leased appliances in rate base. In  
25 | City Gas' 1981 rate case, leased appliances were removed in a stipulated

1 settlement. In January 1988, the Commission decided to allow City Gas to  
2 include its leased appliances in rate base for surveillance purposes only with  
3 no effect on rates (Docket No. 861595-GU). During City Gas' last rate case  
4 (Docket No. 891175-GU), the Commission panel that heard the Company's rate  
5 case again determined that City Gas should be allowed to include the leased  
6 appliance investment in rate base and the associated revenues and expenses in  
7 net operating income. The panel's approval, however, was not without  
8 qualification. During the processing of the last rate case, it was  
9 determined that the leased appliance rates being charged were not adequate to  
10 allow the company to earn a return on the leased appliance operations equal  
11 to the Commission approved weighted average cost of capital. To allow the  
12 company to continue charging the current rates would have resulted in an  
13 unjustified cross subsidy by City Gas' other ratepayers. On the other hand,  
14 raising the leased appliance rates to parity would have been unacceptable to  
15 City's existing leased appliance customers and would have hampered the growth  
16 in the number of customers in the program. To rectify the situation, the  
17 Commission ordered that the leased appliance rates be increased to move closer  
18 to parity, and the remaining cross subsidy be eliminated by imputing revenues  
19 for the difference between the revenues required to cover the cost to serve,  
20 and the revenues derived from the Commission approved leased appliance rates.  
21 The Commission also stated that in future rate cases it would continue to  
22 increase monthly lease rates to move the class' rate of return closer to the  
23 weighted average cost of capital.

24 Q Is an imputation of revenues still required to bring the leased  
25 appliance operations to parity?

1           A     Yes. The Company has proposed to increase all leased appliance  
2 rates by 50 cents per appliance, per month. Even with this proposed increase,  
3 the rates to be charged do not allow the company to earn a return on leased  
4 appliances equal to the company's proposed weighted average cost of capital.  
5 (See EXH CRBB-6) Therefore, the cross subsidy that was addressed in the  
6 Company's last rate case is still occurring and will continue if no imputation  
7 of revenues is imposed.

8           Q     Do you believe it is appropriate to include leased appliances in  
9 rate base?

10          A     No. Even though the Commission has previously voted to allow City  
11 Gas to include its leased appliance operations in rate base, I do not believe  
12 it is appropriate. A utility does not have to lease appliances to provide  
13 utility service. A consumer can obtain appliances from sources other than the  
14 utility.

15          Florida Statutes are silent regarding leased equipment, but Chapter  
16 366.05(2) is very specific with regard to appliances or other merchandise held  
17 for sale:

18               Every public utility, as defined in s. 366.02, which in addition  
19 to the production, transmission, delivery or furnishing of heat,  
20 light, or power also sells appliances or other merchandise shall  
21 keep separate and individual accounts for the sale and profit  
22 deriving from such sales. No profit or loss shall be taken into  
23 consideration by the Commission from the sale of such items in  
24 arriving at any rate to be charged for service by any public  
25 utility.

1       While one could distinguish between "sale" and "lease", it seems clear  
2 that the statutes were intended to segregate utility service from other sales  
3 operations. One of the primary reasons that sales of appliances and other  
4 merchandise are specifically excluded from the rate making process rests on  
5 some basic regulatory principles. Regulation is a surrogate for competition  
6 where a natural monopoly exists. In a monopolistic environment, customers are  
7 at the mercy of the company, in this case, a utility. Regulation is designed  
8 to protect the customer from excessive, unfair, or discriminatory rates and  
9 charges.

10       Sales of appliances are not monopolistic. There are numerous retail and  
11 wholesale businesses willing and able to sell appliances. When several  
12 entities exist that sell goods or services, the need for regulation is  
13 minimal or non-existent. Again, one could attempt to distinguish between  
14 leasing and selling, but the basic premise is the same. Customers can obtain  
15 appliances from entities other than City Gas Company. The leasing of  
16 appliances is analogous to the leasing of telephone equipment by the telephone  
17 companies. It is unnecessary to regulate the leasing of telephone equipment  
18 because the product is available through the open market.

19       In conclusion, leasing appliances is not essential to providing utility  
20 service and provides City Gas with an unfair advantage over other appliance  
21 dealers. The allowance of a subsidy by the Commission enhances the unfair  
22 advantage.

23       Q     Why do you believe that City Gas has an unfair advantage over  
24 other appliance dealers?

25       A     As stated previously, the revenues generated from the leased

1 | appliance rates do not provide a reasonable return to the company. However,  
2 | because the Commission ordered the imputation of the shortfall of revenues,  
3 | NUI shareholders have been absorbing those losses. Under the current policy,  
4 | City Gas' ratepayers are being made whole for the leasing losses. However,  
5 | if the policy was changed and the imputation of revenues was not required, the  
6 | ratepayers would be subsidizing the loss. Appliance dealers attempting to  
7 | compete with City Gas would be at a competitive disadvantage because City Gas  
8 | is providing appliances below cost. Q You stated earlier that the

9 | issue of including leased appliances in rate base has been argued previously  
10 | before the Commission. Why are you re-arguing points made in the last case?

11 | A The leased appliance operations have a substantial impact on the  
12 | existing ratepayers of City Gas. The impact increases with the increasing  
13 | number of appliances being leased. I believe the Commission should continue  
14 | to consider the magnitude and ramifications of its previous decision.

15 | Q Do you have any other concerns besides the jurisdictional issue?

16 | A Yes. I have concerns regarding the economic impact of the leasing  
17 | program on City Gas' existing ratepayers. Throughout the Company's last rate  
18 | case as well as the current case, Mr. Wutzler has argued that the Commission  
19 | has failed to recognize the benefits that enure to the existing ratepayers.  
20 | He and Mr. Householder both state that the contribution of non-gas energy  
21 | revenues help spread the fixed costs over a larger customer base. As stated  
22 | in Mr. Householder's testimony (page 20, lines 11-23), the leasing program  
23 | increases the number of customers, thereby, leading to additional system load.  
24 | This increased load enables City Gas to spread the fixed costs of the system  
25 | over a higher volume of sales. He further states that the program provides

1 a valuable customer retention benefit.

2 Q Do you agree with Mr. Householder's description of the benefits  
3 accruing to all City Gas' customers?

4 A No. In several leasing cases, City Gas' ratepayers are not  
5 receiving notable benefits and in fact, are being harmed as a result of the  
6 leasing program. Mr. Householder's statements are only accurate when: 1) the  
7 costs imposed by the new customers are less than the additional revenues  
8 derived from them and 2) the fixed costs of the system are not increasing.  
9 That is not the case.

10 Q Explain how City Gas' customers are harmed by the leasing program.

11 A As shown on EXH CRBB-6, on average, leasing appliances at either  
12 the current rates or the proposed rates do not cover the cost to serve. As  
13 detailed, the revenue shortfall that results from charging market based rates  
14 versus cost based rates is \$1,215,564. On average, for every appliance the  
15 company leases, it loses money.

16 The Company contends that the existing customers benefit because the  
17 additional non-gas energy charge revenues derived from the new customers help  
18 spread the fixed costs of the system over a larger customer base. While the  
19 new customers are contributing non-gas energy charge revenues, they are also  
20 burdening the system with the appliance cost, the service line cost, the meter  
21 and regulator cost, and the installation cost. To benefit the existing City  
22 Gas ratepayers, the new leasing customer must cover his full cost to serve,  
23 and make an additional contribution that would cover the loss resulting from  
24 leasing him appliances.

25 Q Did you conduct any analyses showing the impact of the revenue

1 contribution the leased appliance customer makes to the system?

2       A     Yes. To determine the impact on City Gas' existing ratepayers of  
3 adding an additional new leased appliance customer, I developed three models.  
4 The three models were developed to analyze potential leasing situations. The  
5 three types of leasing situations analyzed include: 1) Existing electric  
6 customer switches to natural gas and leases appliances; 2) An existing  
7 customer of City Gas begins to lease appliances; and 3) A new home is built  
8 and the person leases an appliance. (All situations are based on City Gas'  
9 criteria that a customer must have a water heater or lease a water heater to  
10 qualify to lease a dryer and/or range.) Within each situation, different  
11 leasing scenarios exists. With respect to leasing situation 1, a customer  
12 could lease a water heater only, a water heater and range, a water heater and  
13 dryer, or a water heater, dryer, and range. With respect to leasing situation  
14 2, nine different scenarios were analyzed. The scenarios involve the  
15 replacing of appliances, adding individual appliances, or adding a combination  
16 of appliances. Under new home construction, I limited the analysis to a dryer  
17 only.

18       Using data provided by City Gas, I calculated the projected revenues and  
19 costs associated with each of the three situations. (The supporting input  
20 data to the calculations are provided in EXH CRBB-10.)

21       Q     What does the analysis reveal?

22       A     As shown in the following table, electric customers that convert  
23 and lease always provide a cumulative loss to the Company and its ratepayers.

24       For example, taking the cumulative operations loss of \$25.83 for an  
25 electric customer converting to gas and leasing a water heater shown on page

1 1 of EXH CRBB-7, and adding the 10-year cumulative leasing operations loss of  
 2 \$68.68 shown on EXH CRBB-6, results in a cumulative 10-year loss of \$94.51.  
 3 The table shows cumulative losses from various combinations of leased  
 4 appliances.

5	LEASED APPLIANCE ANALYSIS			
6	SUMMARY OF RESULTS - 10-YEAR CUMULATIVE EFFECT			
7	ELECTRIC CUSTOMERS CONVERT AND LEASE APPLIANCES			
8		CUMULATIVE	CUMULATIVE	
9		OPERATIONS	LEASING	CUMULATIVE
10	<u>APPLIANCE SCENARIO</u>	<u>GAIN OR (LOSS)</u>	<u>GAIN OR (LOSS)</u>	<u>GAIN OR (LOSS)</u>
11	WATER HEATER ONLY	(\$25.83)	(\$ 68.68)	(\$ 94.51)
12	WATER HEATER & DRYER	\$188.95	(\$364.01)	(\$175.06)
13	WATER HEATER & RANGE	\$146.54	(\$343.01)	(\$196.47)
14	WH, DRYER, & RANGE	\$543.32	(\$638.34)	(\$ 95.02)

15 The second leasing situation analyzed is where an existing City Gas  
 16 customer begins to lease appliances. The results of these analyses are  
 17 premised on the assumption that the existing customer's home has the required  
 18 piping and venting already in place for the new appliances he chooses to add.  
 19 As shown on the following page, two of the nine scenarios result in a  
 20 cumulative loss after a 10-year period. These two scenarios are when an  
 21 existing customer replaces his owned water heater or dryer with a leased water  
 22 heater or dryer. Two other leasing scenarios only result in a combined  
 23 cumulative gain of \$25.87 after 10 years. The two scenarios are: 1) when a  
 24 customer replaces an owned range with a leased range and 2) when a customer  
 25 has a gas water heater and adds a leased dryer.

1	LEASED APPLIANCE ANALYSIS	
2	SUMMARY OF RESULTS - 10-YEAR EFFECT	
3	EXISTING CUSTOMERS BEGIN TO LEASE APPLIANCES	
4		CUMULATIVE
5	<u>APPLIANCE SCENARIO</u>	<u>GAIN OR (LOSS)</u>
6	REPLACE OWNED WH WITH LEASED WH	(\$ 88.27)
7	REPLACE OWNED DRYER WITH LEASED DRYER	(\$ 210.65)
8	REPLACE OWNED RANGE WITH LEASED RANGE	\$ 19.74*
9	OWNS A DRYER OR RANGE AND LEASES A WH	\$ 986.21*
10	OWNS A WATER HEATER AND LEASES A DRYER	\$ 6.13*
11	OWNS A WATER HEATER AND LEASES A RANGE	\$ 194.11*
12	OWNS A RANGE AND LEASES A WH & DRYER	\$ 986.37*
13	OWNS A DRYER AND LEASES A WH & RANGE	\$1,199.83*
14	OWNS A WH AND LEASES A DRYER & RANGE	\$ 228.67*
15	*As shown in the above chart, seven of the leasing scenarios produce a	
16	cumulative positive result for the 10-year period. However, these results are	
17	dependent upon the specific leasing combination shown and only with respect	
18	to existing customers. For example, while one leasing combination shows a	
19	cumulative positive result of \$1,199, less than two percent (942 customers as	
20	of September 15, 1994 as shown in the Company's response to Staff	
21	Interrogatory No. 134) of all City Gas' leasing customers have this leasing	
22	combination. Of those 942 customers with this leasing combination, some may	
23	have been obtained as new customers rather than existing customers. In those	
24	instances, a cumulative \$196 loss results, instead of the \$1,199 gain. City	
25	Gas' books and records are not maintained in a manner that one could readily	

1 review to determine new customers versus existing customers.

2           The New Home Construction analysis results in a similar loss  
3 pattern as the electric converting customer. For every dryer that is leased  
4 for new construction, the Company and its ratepayers suffer nine years of  
5 losses. Only in the tenth year does City Gas and its ratepayers achieve a  
6 positive cumulative gain, and this gain is only \$6.13. (Because this is new  
7 home construction, it is assumed for purposes of the analysis that a water  
8 heater and range would be installed by the builder. The only likely appliance  
9 that would be leased would be a dryer.)

10                           LEASED APPLIANCE ANALYSIS

11                           SUMMARY OF RESULTS - 10-YEAR CUMULATIVE EFFECT

12                           NEW CONSTRUCTION - LEASES DRYER ONLY

13	CUMULATIVE
14 <u>APPLIANCE SCENARIO</u>	<u>GAIN OR (LOSS)</u>
15 DRYER ONLY	\$ 6.13

16           Q     What conclusions can you draw from your analyses?

17           A     For every electric customer that converts to gas and leases  
18 appliances, City Gas is losing money and the existing ratepayers are having  
19 to subsidize that loss. The new customer is not covering his cost for the  
20 appliances he leases, and in some cases he is not even covering the costs  
21 required to provide him gas service.

22           For existing City Gas customers who begin to lease appliances, an  
23 additional burden is added to the overall system when they replace their  
24 customer-owned water heater or dryer with a leased appliance. In these  
25 situations, the existing ratepayers are subsidizing the losses. Other

1 | situations make a positive contribution beginning in year one.

2 |       For new home construction, the leasing of a dryer does not provide a  
3 | cumulative positive contribution until the tenth year. For nine years, City  
4 | Gas' existing ratepayers are subsidizing the shortfall.

5 |       The only time it is logical for City Gas to lease appliances is in  
6 | certain very limited cases involving existing customers. Where an existing  
7 | City Gas customer adds additional appliances, his contribution to the system  
8 | is increased. Again, this entire existing customer analysis is premised on  
9 | the assumption that the customer has all the piping and venting required to  
10 | place the appliance in service.

11 |       Q     Based on your analysis, what recommendation would you make to the  
12 | Commission?

13 |       A     The Commission should reverse its prior decision and order City  
14 | Gas to remove its leased appliance operations from rate base. The leasing of  
15 | appliances is not a natural monopoly and in many cases is not economical to  
16 | the Company or its customers.

17 |       If the Commission determines that the leased operations should remain  
18 | in the rate base, then, at a minimum, I strongly recommend that the Commission  
19 | protect ratepayers from harm by imputing revenues for the difference between  
20 | cost based rates and market based rates. Without the imputation of revenues,  
21 | the ratepayers are harmed, a cross subsidy exists between the leasing  
22 | customers and City Gas' other customers, and the Commission sanctions below  
23 | cost operations by City Gas, against which appliance dealers are unable to  
24 | compete effectively.

25 |       Q     If the Commission decides to adhere to its prior decision and

1 | allow the leased appliances in rate base, how much revenue should the  
2 | Commission impute for the revenue shortfall resulting from the leased  
3 | appliance operations?

4 |       The Commission should impute revenues of \$1,215,564. This reflects the  
5 | difference between the revenue derived from the proposed leased rates to be  
6 | charged, and the revenues required to cover the cost to provide the leased  
7 | appliance operations considering all necessary plant and expense allocations.

8 |       The \$1,215,564 imputation amount is based on a revised projection of  
9 | leased appliance revenues. As filed, the Company had projected the amount of  
10 | leased appliance revenues to be derived in the projected test year to be  
11 | \$2,562,768. Based on these revenues, \$1,643,778 would have been the required  
12 | imputed revenue amount. Subsequent to filing the Minimum Filing Requirements  
13 | (MFRs), the Company determined that the appropriate projected leased appliance  
14 | revenues should be \$2,944,176. Based on this revised number, I have  
15 | calculated the total revenue shortfall to be \$1,215,564.

16 |                               FREE APPLIANCES TO BUILDERS

17 |       Q     Explain City Gas' current policy of providing appliances to  
18 | builders free of cost.

19 |       A     City Gas' residential marketing program includes supplying a gas  
20 | appliance for a new residence at no cost to the building contractor. These  
21 | appliances are provided to building contractors as an inducement to include  
22 | gas in their projects. City Gas claims that without a major marketing driver  
23 | such as home heating, builders in its territory have no interest in incurring  
24 | the additional cost of including natural gas in their homes. During fiscal  
25 | year 1993, City Gas provided 1,261 water heaters, 137 gas grills, 464 gas

1 | lights, and one set of gas logs to builders free of cost. The costs paid by  
2 | City Gas for these appliances are booked into the deferred piping account and  
3 | amortized over 12 years.

4 |       Each builder is entitled only to one free appliance. In most cases, the  
5 | builder is provided with a water heater. In cases where the builder has  
6 | already installed or agreed to install a water heater at his cost, City Gas  
7 | will provide a gas grill or gas lights.

8 |       Q     In City Gas' last rate case (Docket No. 891175-GU), did the  
9 | Commission remove the costs of the appliances from rate base that City Gas  
10 | furnished to builders free of cost?

11 |       A     Yes. The Commission removed the costs of appliances furnished  
12 | free of cost to building contractors along with the associated amortization  
13 | expense. As stated in Commission Order No. 24013:

14 |               We adopt Staff's recommendation to disallow the full  
15 |               amount of "Deferred Piping Allowances" in rate base  
16 |               because conservation related expense should have been  
17 |               reviewed in association with the Company's energy  
18 |               conservation programs and because free appliances are  
19 |               not appropriate utility expenses. (FPSC Order No.  
20 |               6500, Docket No. 73586-GU)

21 |       Subsequent to the issuance of Commission Order No. 24013, the Company  
22 | filed a Motion for Reconsideration. In its Motion, the Company appealed to  
23 | the Commission to reconsider its vote on the deferred piping account. In  
24 | response to the Company's petition, the Commission voted to reduce Staff's  
25 | adjustment to the deferred piping account from \$1,154,842 to \$818,388. (FPSC

1 | Order No. 24925) The Order on Reconsideration does not present the rationale  
2 | for the \$336,454 reduction to the original adjustment of \$1,154,842.

3 | Q Should the Commission continue to remove all of the costs of  
4 | appliances provided to builders free of cost?

5 | A Yes. The Commission should remove all costs included in the  
6 | projected test year related to appliances furnished free to building  
7 | contractors.

8 | Q What is the magnitude of the free appliance activity?

9 | A During the historic base year, City Gas provided \$268,950 of free  
10 | appliances to building contractors. This amount represents 1 set of gas logs,  
11 | 137 gas grills, 464 gas lights, and 1,261 water heaters. Water heaters  
12 | represent over 75% of the total costs of \$269,950, or \$204,515. The 13-month  
13 | average of all free appliances included in the projected test year rate base  
14 | is \$748,547. The associated amortization expenses included in the projected  
15 | test year is \$89,928.

16 | Q Explain why the Commission should adhere to its prior decision to  
17 | remove the costs of appliances furnished free building contractors

18 | A City Gas alleges that providing free appliances to contractors is  
19 | necessary to entice them to use gas in their construction projects. The  
20 | Company holds that without such an incentive, builders would have no interest  
21 | in paying the additional costs required to pipe and vent a home for gas  
22 | service.

23 | While I do not contest that offering free appliances to builders entices  
24 | them to use gas in their construction projects, the costs of these appliances  
25 | should not be included in base rates. To require existing ratepayers to bear

1 | the cost of appliances provided to builders free of cost creates an improper  
2 | cross subsidy.

3 |       Allowing City Gas to provide free appliances to building contractors is  
4 | detrimental to the Company and its ratepayers. Economically, the Company and  
5 | its existing customers will lose if the builder is provided a free water  
6 | heater and no other appliances are installed in the new home. As shown on EXH  
7 | CRBB-11, for every water heater provided free of cost to the building  
8 | contractor, the Company and its ratepayers suffer a cumulative 10-year loss  
9 | of \$443.02. Similarly, if a builder installs a water heater at his cost and  
10 | City Gas provides a free gas grill, the cumulative 10-year loss is \$370.07.  
11 | Of the three appliance types provided free of cost, only the gas lights  
12 | provide a 10-year cumulative positive return of \$786.16.

13 |       As mentioned earlier, water heaters are provided free of cost more than  
14 | any other appliance. Seventy-five percent of all free appliance costs  
15 | generated in the historic base year are attributable to water heaters. Since  
16 | providing a free water heater costs the Company and its ratepayers a  
17 | cumulative loss of \$467.74, it is not prudent or logical for City Gas to  
18 | continue this practice.

19 |       Q     What other reason do you have for recommending that the free  
20 | appliance costs be removed from rate base?

21 |       A     Besides being uneconomical, a cross subsidy arises between the  
22 | building contractor and City Gas' customers. Cross subsidies are generally  
23 | not allowed in setting base rates. Cross subsidies are allowed through the  
24 | Energy Conservation Cost Recovery (ECCR) clause when a program is shown to be  
25 | cost beneficial and has met additional criteria. Giving free appliances to

1 | building contractors creates an uneven playing field for wholesale appliance  
2 | dealers. If City Gas is giving building contractors appliances for free, the  
3 | ability of local wholesale appliance dealers to sell their inventories is  
4 | substantially reduced.

5 |       Moreover, no other electric or gas utility has received the Commission's  
6 | approval to provide free appliances to building contractors. Allowing one  
7 | utility to offer free appliances provides them an unfair advantage over other  
8 | competing utilities and providers of alternative fuels.

9 |       Q     What adjustments should be made to the projected test year to  
10 | remove the costs of appliances furnished to builders free of cost?

11 |       A     The deferred piping and venting account should be reduced by  
12 | \$748,547 and the associated amortization expense should be reduced by \$89,928.

13 |       Q     Does this conclude your testimony?

14 |       A     Yes it does.

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## TABLE OF EXHIBITS

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**REVENUE IMPACT OF EACH ADJUSTMENT**

Removal of Acquisition Adjustment	\$ 991,580
Removal of Leased Appliance Operations**	\$ 1,984,078
Removal of Free Appliances	\$ <u>186,475</u>
Total Reduction to the Revenues Deficiency	\$ <u>3,162,133</u>

\*\*If the Commission decides to keep leased appliances in rate base and impute the revenue shortfall, the revenue impact of the imputation would be \$1,215,497. The total revenue deficiency impact of removing the acquisition adjustment, imputing revenues for the revenue shortfall from leased appliances, and the removal of the free appliances would be \$2,393,619.

**COST OF GAS COMPARISONS  
BILLED PGA RATE TO CUSTOMER  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1993**

MONTH	CHSPKE UTILITIES	CITY GAS	FLORIDA PUBLIC	INDIAN - TOWN	PEOPLES GAS	SEBRING GAS	ST. JOE	SOUTH FLORIDA	WEST FLORIDA
OCT 1992	28.103	29.157	25.430	30.102	24.223	33.328	34.653	29.462	23.047
NOV 1992	28.103	29.157	25.430	30.102	25.799	33.328	34.653	29.462	23.047
DEC 1992	28.103	29.157	25.430	30.102	25.799	33.328	34.653	29.462	23.047
JAN 1993	28.103	29.157	25.430	30.102	25.799	33.328	29.423	29.462	23.047
FEB 1993	28.103	29.157	25.430	30.102	36.000	33.328	24.535	29.462	23.047
MAR 1993	28.103	29.157	25.430	30.102	36.000	33.328	26.151	29.462	23.047
APR 1993	27.382	30.569	29.374	34.868	35.566	49.100	29.800	36.733	37.798
MAY 1993	27.382	36.674	29.374	34.868	35.566	49.100	19.187	36.733	37.798
JUN 1993	27.382	32.823	29.374	34.868	35.566	49.100	28.234	36.733	37.798
JUL 1993	27.382	29.277	22.279	34.868	35.566	49.100	26.844	36.733	37.798
AUG 1993	27.382	25.840	19.9009	34.868	31.903	49.100	28.345	36.733	37.798
SEP 1993	27.382	29.163	22.848	34.868	31.903	49.100	30.184	36.733	37.798

SHADING INDICATES THOSE UTILITIES WHOSE MONTHLY PGA FACTOR WAS LESS THAN CITY GAS.

COST OF GAS COMPARISONS  
PGA RATES DEVOID OF TRUE-UP AND TAX  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1993

MONTH	CHSPKE UTILITIES	CITY GAS	FLORIDA PUBLIC	INDIAN- TOWN	PEOPLES GAS	SEBRING GAS	ST. JOE	SOUTH FLORIDA	WEST FLORIDA
OCT 1992	27.047	27.778	28.386	50.226	27.011	34.169	32.143	29.226	25.829
NOV 1992	28.928	29.543	33.869	33.088	26.841	31.198	34.131	32.678	27.129
DEC 1992	33.262	31.578	32.683	103.576	32.340	42.399	32.533	30.281	33.891
JAN 1993	31.021	30.666	27.284	147.715	29.919	42.211	29.791	28.081	30.910
FEB 1993	29.794	31.040	25.567	85.825	31.242	41.783	24.818	28.799	29.310
MAR 1993	28.435	30.794	26.023	151.268	30.993	41.746	25.947	29.435	29.162
APR 1993	26.664	28.783	27.667	2.220	27.579	41.735	28.371	37.020	30.714
MAY 1993	24.118	34.866	28.484	3.383	29.381	42.635	22.094	36.219	30.393
JUN 1993	30.525	31.029	30.624	78.947	30.047	39.500	28.435	39.695	37.332
JUL 1993	32.051	30.859	30.277	38.462	26.849	42.848	26.865	38.626	38.123
AUG 1993	31.338	27.503	34.978	38.462	27.536	42.850	27.327	39.436	38.279
SEP 1993	31.392	30.896	35.914	38.462	27.536	41.948	41.049	39.436	32.051

SHADING INDICATES THOSE UTILITIES WHOSE MONTHLY PGA FACTOR WAS LESS THAN CITY GAS.

**FLORIDA'S LOCAL GAS DISTRIBUTORS  
COMPARISONS OF NET PLANT, REVENUES, AND THERMS SOLD  
FOR THE CALENDAR YEAR ENDING 12/31/93**

<u>Local Gas Distributor *</u>	<u>Net Plant In Service **</u>	<u>Revenues **</u>	<u>Therms Sold **</u>
Indiantown Gas Company	563,712.00	1,913,273.00	4,892,737.00
Sebring Gas System, Inc.	883,701.00	354,707.00	417,920.00
South Florida Natural Gas Company	1,170,491.00	2,003,035.00	2,104,733.00
St. Joe Natural Gas Company	3,577,075.00	9,787,945.00	25,646,600.00
Chesapeake Utilities Corporation	14,197,712.00	17,243,927.00	32,724,585.00
West Florida Natural Gas Company	21,671,704.00	17,554,831.00	27,598,610.00
Florida Public Utilities Company	25,103,281.00	22,413,676.00	58,662,240.00
City Gas Company of Florida	107,060,263.00	55,343,110.00	100,610,199.00
Peoples Gas System, Inc.	218,979,238.00	239,436,684.00	368,942,248.00

\* Order based on dollars of net plant.

\*\* Numbers extracted from the FERC Form 2 for Calendar Year 1993

FLORIDA'S LOCAL GAS DISTRIBUTORS  
COMPARISONS OF GAS PROCUREMENT SAVINGS  
FOR THE FISCAL YEAR ENDING 9/30/93

<u>Local Gas Distributor *</u>	<u>Therms Purchased</u>	<u>Gas Savings</u>	<u>Gas Savings to Therms Purch.</u>
St. Joe Natural Gas Company	25,199,924.00	1,545,767.00	0.0613
West Florida Natural Gas Company	29,466,934.00	1,528,411.00	0.0519
Chesapeake Utilities Corporation	36,443,610.00	2,129,672.00	0.0584
Florida Public Utilities Company	43,051,078.00	2,884,703.00	0.0670
City Gas Company of Florida	87,616,714.00	5,415,845.00	0.0618
Peoples Gas System, Inc.	355,496,300.00	19,913,964.00	0.0560

\* Order based on number of therms purchased

CITY GAS OF FLORIDA  
LEASED APPLIANCE ANALYSIS  
REVENUE SHORTFALL BASED ON PROPOSED RATES

	WATER HEATER	DRYER	RANGE
COST OF APPLIANCE + INSTALLATION	223.60	435.46	449.75
ACCUMULATED DEPRECIATION	(83.65)	(163.03)	(27.42)
COMMON PLANT ALLOCATION	2.45	2.45	2.45
TOTAL INVESTMENT	\$142.40	\$274.87	\$424.78
RATE OF RETURN	7.94%	7.94%	7.94%
RETURN BEFORE EXPANSION	11.31	21.83	33.73
REV. EXPANSION FACTOR	1.6139	1.6139	1.6139
REQUIRED RETURN	18.25	35.22	54.43
DEPRECIATION EXPENSE	18.14	35.32	36.48
MAINTENANCE EXPENSE	1.91	5.55	1.08
ADVERTISING EXPENSE	0.13	0.00	0.00
OVERHEAD EXPENSE	1.44	1.44	1.44
TOTAL EXPENSES	21.62	42.31	39.00
TOTAL REVENUE REQUIREMENT	39.87	77.53	93.43
WH - 2.75 MONTHLY RATE x 12	33.00		
DR - 4.00 MONTHLY RATE x 12		48.00	
RG - 5.50 MONTHLY RATE x 12			66.00
REVENUE SHORTFALL PER APPLIANCE	(6.87)	(29.53)	(27.43)
TOTAL REVENUE SHORTFALL:			
SHORTFALL PER APPLIANCE	(6.87)	(29.53)	(27.43)
PROJ. NUMBER OF APPLIANCES	38,844	26,907	5,618
TOTAL REVENUE SHORTFALL PER APPLIANCE	(266,789)	(794,657)	(154,118)
TOTAL SHORTFALL		(1,215,564)	
YEARLY REVENUE SHORTFALL PER APPLIANCE	(6.87)	(29.53)	(27.43)
TIMES TEN YEARS	10	10	10
	(68.68)	(295.33)	(274.33)

CITY GAS OF FLORIDA  
LEASED APPLIANCE ANALYSIS  
REVENUE SHORTFALL BASED ON CURRENT RATES

	<u>WATER HEATER</u>	<u>DRYER</u>	<u>RANGE</u>
COST OF APPLIANCE + INSTALLATION	223.60	435.46	449.75
ACCUMULATED DEPRECIATION	(83.65)	(163.03)	(27.42)
COMMON PLANT ALLOCATION	<u>2.45</u>	<u>2.45</u>	<u>2.45</u>
TOTAL INVESTMENT	\$142.40	\$274.87	\$424.78
RATE OF RETURN	<u>7.94%</u>	<u>7.94%</u>	<u>7.94%</u>
RETURN BEFORE EXPANSION	11.31	21.83	33.73
REV. EXPANSION FACTOR	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>
REQUIRED RETURN	<u>18.25</u>	<u>35.22</u>	<u>54.43</u>
DEPRECIATION EXPENSE	18.14	35.32	36.48
MAINTENANCE EXPENSE	1.91	5.55	1.08
ADVERTISING EXPENSE	0.13	0.00	0.00
OVERHEAD EXPENSE	<u>1.44</u>	<u>1.44</u>	<u>1.44</u>
TOTAL EXPENSES	<u>21.62</u>	<u>42.31</u>	<u>39</u>
TOTAL REVENUE REQUIREMENT	39.87	77.53	93.43
TOTAL REVENUES GENERATED:			
WH - 2.25 MONTHLY RATE x 12	27.00		
DR - 3.50 MONTHLY RATE x 12		42.00	
RG - 5.00 MONTHLY RATE x 12			60.00
REVENUE SHORTFALL PER APPLIANCE	<u>(12.87)</u>	<u>(35.53)</u>	<u>(33.43)</u>
TOTAL REVENUE SHORTFALL:			
SHORTFALL PER APPLIANCE	(12.87)	(35.53)	(33.43)
PROJ. NUMBER OF APPLIANCES	38,844	26,907	5,618
TOTAL REVENUE SHORTFALL PER APPLIANCE	(499,853)	(956,099)	(187,826)
TOTAL SHORTFALL		(1,643,778)	

LEASED APPLIANCE ANALYSIS  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER ONLY

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 THERMS)	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45
	<u>\$235.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>	<u>\$215.45</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>182.64</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>

INVESTMENT:

PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>626.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON AVERAGE INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>78.75</u>	<u>75.57</u>	<u>72.39</u>	<u>69.22</u>	<u>66.04</u>	<u>62.86</u>	<u>59.69</u>	<u>56.51</u>	<u>53.33</u>	<u>50.15</u>

EXPENSE AND RETURN

	<u>\$261.39</u>	<u>\$228.37</u>	<u>\$225.19</u>	<u>\$222.01</u>	<u>\$218.83</u>	<u>\$215.66</u>	<u>\$212.48</u>	<u>\$209.30</u>	<u>\$206.12</u>	<u>\$202.95</u>
CONTRIBUTION OF REVENUES	(25.95)	(12.92)	(9.74)	(6.56)	(3.39)	(0.21)	2.97	6.15	9.32	12.50
CUMULATIVE EFFECT	(25.95)	(38.86)	(48.60)	(55.17)	(58.55)	(58.76)	(55.79)	(49.65)	(40.33)	(27.83)

CALCULATION OF RETURN ON INVESTMENT  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES  
NEW CUSTOMER - WATER HEATER ONLY

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gross Inv.	626.93	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Depreciation Exp **	10.33	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Total Net Investment	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18	391.39
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$48.79	\$46.83	\$44.86	\$42.89	\$40.92	\$38.95	\$36.98	\$35.01	\$33.04	\$31.08

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER & DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228+46 THERMS)	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13
	<u>\$257.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>	<u>\$237.13</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>182.64</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>626.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94	48.79	46.83	44.86	42.89	40.92	38.95	36.98	35.01	33.04	31.08
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>78.75</u>	<u>75.57</u>	<u>72.39</u>	<u>69.22</u>	<u>66.04</u>	<u>62.86</u>	<u>59.69</u>	<u>56.51</u>	<u>53.33</u>	<u>50.15</u>
EXPENSE AND RETURN	<u>\$261.39</u>	<u>\$228.37</u>	<u>\$225.19</u>	<u>\$222.01</u>	<u>\$218.83</u>	<u>\$215.66</u>	<u>\$212.48</u>	<u>\$209.30</u>	<u>\$206.12</u>	<u>\$202.95</u>
CONTRIBUTION OF REVENUES	(4.27)	8.76	11.94	15.11	18.29	21.47	24.65	27.82	31.00	34.18
CUMULATIVE EFFECT	(4.27)	4.49	16.43	31.54	49.84	71.31	95.95	123.77	154.77	188.95

CALCULATION OF RETURN ON INVESTMENT  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES  
NEW CUSTOMER - WATER HEATER & DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gross Inv.	626.93	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Depreciation Exp**	10.33	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Total Net Investment	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18	391.39
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$48.79	\$46.83	\$44.86	\$42.89	\$40.92	\$38.95	\$36.98	\$35.01	\$33.04	\$31.08

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 + 37 THERMS)	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88
	<u>\$252.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>	<u>\$232.88</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>182.64</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>626.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>78.75</u>	<u>75.57</u>	<u>72.39</u>	<u>69.22</u>	<u>66.04</u>	<u>62.86</u>	<u>59.68</u>	<u>56.51</u>	<u>53.33</u>	<u>50.15</u>
EXPENSE AND RETURN	<u>\$261.39</u>	<u>\$228.37</u>	<u>\$225.19</u>	<u>\$222.01</u>	<u>\$218.83</u>	<u>\$215.65</u>	<u>\$212.48</u>	<u>\$209.30</u>	<u>\$206.12</u>	<u>\$202.95</u>
CONTRIBUTION OF REVENUES	(8.51)	4.52	7.70	10.87	14.05	17.23	20.40	23.58	26.76	29.94
CUMULATIVE EFFECT	(8.51)	(3.99)	3.71	14.58	28.63	45.86	66.26	89.84	116.60	146.54

CALCULATION OF RETURN ON INVESTMENT  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES  
NEW CUSTOMER - WATER HEATER & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gross Inv.	626.93	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Depreciation Exp**	10.33	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Total Net Investment	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18	391.39
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$48.79	\$46.83	\$44.86	\$42.89	\$40.92	\$38.95	\$36.98	\$35.01	\$33.04	\$31.08

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER, DRYER, & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 311 THERMS)	146.56	146.56	146.56	146.56	146.56	146.56	146.56	146.56	146.56	146.56
	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>	<u>\$274.56</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>182.64</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>	<u>152.79</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>626.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%	48.79	46.83	44.86	42.89	40.92	38.95	36.98	35.01	33.04	31.08
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>78.75</u>	<u>75.57</u>	<u>72.39</u>	<u>69.22</u>	<u>66.04</u>	<u>62.86</u>	<u>59.69</u>	<u>56.51</u>	<u>53.33</u>	<u>50.15</u>
EXPENSE AND RETURN	<u>\$261.39</u>	<u>\$226.37</u>	<u>\$225.19</u>	<u>\$222.01</u>	<u>\$218.83</u>	<u>\$215.66</u>	<u>\$212.48</u>	<u>\$209.30</u>	<u>\$206.12</u>	<u>\$202.95</u>
CONTRIBUTION OF REVENUES	13.17	46.20	49.37	52.55	55.73	58.91	62.08	65.26	68.44	71.61
CUMULATIVE EFFECT	13.17	59.37	108.74	161.29	217.02	275.92	338.01	403.27	471.70	543.32

CALCULATION OF RETURN ON INVESTMENT  
ELECTRIC CUSTOMER CONVERTS TO GAS AND LEASES APPLIANCES  
NEW CUSTOMER - WH, DRYER, AND RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gross Inv.	626.93	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Depreciation Exp**	10.33	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66	20.66
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Total Net Investment	614.53	589.74	564.95	540.15	515.36	490.56	465.77	440.98	416.18	391.39
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$48.79	\$46.83	\$44.86	\$42.89	\$40.92	\$38.95	\$36.98	\$35.01	\$33.04	\$31.08

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS EXISTING GAS WH WITH LEASED WH

REVENUES DERIVED FROM AN EXISTING CUSTOMER - LEASES A WH

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 0 THERMS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LEASING REVENUES (2.75 x 12 MONTHS)	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00
	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>	<u>33.00</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
MAINTENANCE EXPENSE	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91
TOTAL EXPENSE	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>

INVESTMENT:

PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER HEATER COST & INSTALLATION	254.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>254.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON AVERAGE INVESTMENT @ 7.94%	19.39	17.78	16.16	14.55	12.93	11.31	9.70	8.08	6.46	4.85
REVENUES EXPANSION FACTOR	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>
RETURN REQUIREMENT	<u>31.30</u>	<u>28.69</u>	<u>26.08</u>	<u>23.47</u>	<u>20.87</u>	<u>18.26</u>	<u>15.65</u>	<u>13.04</u>	<u>10.43</u>	<u>7.82</u>
EXPENSE AND RETURN	<u>\$53.56</u>	<u>\$50.96</u>	<u>\$48.35</u>	<u>\$45.74</u>	<u>\$43.13</u>	<u>\$40.52</u>	<u>\$37.91</u>	<u>\$35.31</u>	<u>\$32.70</u>	<u>\$30.09</u>
CONTRIBUTION OF REVENUES	(20.56)	(17.96)	(15.35)	(12.74)	(10.13)	(7.52)	(4.91)	(2.31)	0.30	2.91
CUMULATIVE EFFECT	(20.56)	(38.52)	(53.87)	(66.61)	(76.74)	(84.26)	(89.17)	(91.48)	(91.18)	(88.27)

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS EXISTING GAS WH WITH LEASED WH

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	254.43	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42
Gross Inv.	254.43	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	10.18	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
Depreciation Exp**	10.18	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42	61.06
Total Net Investment	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42	61.06
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$19.39	\$17.78	\$16.16	\$14.55	\$12.93	\$11.31	\$9.70	\$8.08	\$6.46	\$4.85

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS EXISTING GAS DRYER

REVENUES DERIVED FROM AN EXISTING CUSTOMER - LEASES A DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 0 THERMS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LEASING REVENUES (4.00 x 12 MONTHS)	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00
	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>	<u>\$48.00</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE -- ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
MAINTENANCE EXPENSE	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55
TOTAL EXPENSE	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>

INVESTMENT:

PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DRYER AND INSTALLATION	403.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>403.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON AVERAGE INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	30.69	28.06	25.44	22.81	20.19	17.57	14.94	12.32	9.70	7.07
RETURN REQUIREMENT	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>
	49.52	45.29	41.06	36.82	32.58	28.35	24.12	19.88	15.55	11.41

EXPENSE AND RETURN

	<u>\$88.12</u>	<u>\$83.89</u>	<u>\$79.65</u>	<u>\$75.42</u>	<u>\$71.18</u>	<u>\$66.95</u>	<u>\$62.71</u>	<u>\$58.48</u>	<u>\$54.24</u>	<u>\$50.01</u>
CONTRIBUTION OF REVENUES	(40.12)	(35.89)	(31.65)	(27.42)	(23.18)	(18.95)	(14.71)	(10.48)	(6.24)	(2.01)
CUMULATIVE EFFECT	(40.12)	(76.01)	(107.66)	(135.07)	(158.26)	(177.20)	(191.92)	(202.39)	(208.64)	(210.65)

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS DRYER WITH A LEASED DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
Gross Inv.	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
Depreciation Exp**	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Total Net Investment	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$30.69	\$28.06	\$25.44	\$22.81	\$20.19	\$17.57	\$14.94	\$12.32	\$9.70	\$7.07

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS RANGE WITH A LEASED RANGE

REVENUES DERIVED FROM AN EXISTING CUSTOMER -- LEASES A RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 0 THERMS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LEASING REVENUES (5.50 x 12 MONTHS)	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00
	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>	<u>\$66.00</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE -- ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
MAINTENANCE EXPENSE	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08
TOTAL EXPENSE	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RANGE AND INSTALLATION	394.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>394.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94	29.91	27.15	24.40	21.65	18.90	16.14	13.39	10.64	7.88	5.13
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>48.27</u>	<u>43.82</u>	<u>39.38</u>	<u>34.94</u>	<u>30.50</u>	<u>26.05</u>	<u>21.61</u>	<u>17.17</u>	<u>12.72</u>	<u>8.28</u>
EXPENSE AND RETURN	<u>\$84.02</u>	<u>\$79.58</u>	<u>\$75.13</u>	<u>\$70.69</u>	<u>\$66.25</u>	<u>\$61.80</u>	<u>\$57.36</u>	<u>\$52.92</u>	<u>\$48.48</u>	<u>\$44.03</u>
CONTRIBUTION OF REVENUES	(18.02)	(13.58)	(9.13)	(4.69)	(0.25)	4.20	8.84	13.08	17.52	21.97
CUMULATIVE EFFECT	(18.02)	(31.60)	(40.73)	(45.42)	(45.67)	(41.47)	(32.83)	(19.75)	(2.22)	19.74

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER REPLACES HIS RANGE WITH A LEASED RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	394.00	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29
Gross Inv.	394.00	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	17.34	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
Depreciation Exp	17.34	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29	64.62
Total Net Investment	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29	64.62
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$29.91	\$27.15	\$24.40	\$21.65	\$18.90	\$16.14	\$13.39	\$10.64	\$7.88	\$5.13

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER HAS A DRYER OR RANGE AND LEASES A WATER HEATER

REVENUES DERIVED FROM AN EXISTING CUSTOMER - LEASES A WH

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 THERMS)	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45	107.45
LEASING REVENUES (2.75 x 12 MONTHS)	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00
	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>	<u>\$140.45</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
MAINTENANCE EXPENSE	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91	1.91
TOTAL EXPENSE	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>	<u>22.26</u>

INVESTMENT:

PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER HEATER & INSTALLATION	254.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>254.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON AVERAGE INVESTMENT @ 7.94%	19.39	17.78	16.16	14.55	12.93	11.31	9.70	8.08	6.46	4.85
REVENUES EXPANSION FACTOR	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>	<u>1.6139</u>
RETURN REQUIREMENT	<u>31.30</u>	<u>28.69</u>	<u>26.08</u>	<u>23.47</u>	<u>20.87</u>	<u>18.26</u>	<u>15.65</u>	<u>13.04</u>	<u>10.43</u>	<u>7.82</u>
EXPENSE AND RETURN	<u>\$53.56</u>	<u>\$50.96</u>	<u>\$48.35</u>	<u>\$45.74</u>	<u>\$43.13</u>	<u>\$40.52</u>	<u>\$37.91</u>	<u>\$35.31</u>	<u>\$32.70</u>	<u>\$30.09</u>
CONTRIBUTION OF REVENUES	86.88	89.49	92.10	94.71	97.32	99.92	102.53	105.14	107.75	110.36
CUMULATIVE EFFECT	86.88	176.38	268.48	363.18	460.50	560.42	662.96	768.10	875.85	986.21

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER HAS A DRYER OR RANGE AND LEASES A WATER HEATER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	254.43	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42
Gross Inv.	254.43	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	10.18	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
Depreciation Exp**	10.18	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35	20.35
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Water Heater & Install.	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42	61.06
Total Net Investment	244.25	223.90	203.54	183.19	162.84	142.48	122.13	101.77	81.42	61.06
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$19.39	\$17.78	\$16.16	\$14.55	\$12.93	\$11.31	\$9.70	\$8.08	\$6.46	\$4.85

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER OWNS A GAS WH AND LEASES A DRYER

REVENUES DERIVED FROM AN EXISTING CUSTOMER - ADDS DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 46 THERMS)	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68
LEASING REVENUES (4.00 x 12 MONTHS)	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00
	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
MAINTENANCE EXPENSE	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55
TOTAL EXPENSE	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DRYER & INSTALLATION	403.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>403.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94	30.69	26.06	25.44	22.81	20.19	17.57	14.94	12.32	9.70	7.07
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>49.52</u>	<u>45.29</u>	<u>41.06</u>	<u>36.82</u>	<u>32.59</u>	<u>28.35</u>	<u>24.12</u>	<u>19.88</u>	<u>15.65</u>	<u>11.41</u>
EXPENSE AND RETURN	<u>\$88.12</u>	<u>\$83.89</u>	<u>\$79.65</u>	<u>\$75.42</u>	<u>\$71.18</u>	<u>\$66.95</u>	<u>\$62.71</u>	<u>\$58.48</u>	<u>\$54.24</u>	<u>\$50.01</u>
CONTRIBUTION OF REVENUES	(18.44)	(14.21)	(9.97)	(5.74)	(1.50)	2.73	6.97	11.20	15.43	19.67
CUMULATIVE EFFECT	(18.44)	(32.65)	(42.62)	(48.36)	(49.87)	(47.14)	(40.17)	(28.97)	(13.54)	6.13

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING WH CUSTOMER LEASES A DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
Gross Inv.	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
Depreciation Exp	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Total Net Investment	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$30.69	\$28.06	\$25.44	\$22.81	\$20.19	\$17.57	\$14.94	\$12.32	\$9.70	\$7.07

\*\* To Calculate a 13--Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING CUSTOMER OWNS A WH AND LEASES A RANGE

REVENUES DERIVED FROM AN EXISTING CUSTOMER - ADDS RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 37 THERMS)	17.44	17.44	17.44	17.44	17.44	17.44	17.44	17.44	17.44	17.44
LEASING REVENUES (5.50 x 12 MONTHS)	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00	66.00
	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>	<u>\$83.44</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
MAINTENANCE EXPENSE	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08
TOTAL EXPENSE	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>	<u>35.75</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RANGE & INSTALLATION	394.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>394.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>48.27</u>	<u>43.82</u>	<u>39.38</u>	<u>34.94</u>	<u>30.50</u>	<u>26.05</u>	<u>21.61</u>	<u>17.17</u>	<u>12.72</u>	<u>8.28</u>
EXPENSE AND RETURN	<u>\$84.02</u>	<u>\$79.58</u>	<u>\$75.13</u>	<u>\$70.69</u>	<u>\$66.25</u>	<u>\$61.80</u>	<u>\$57.36</u>	<u>\$52.92</u>	<u>\$48.48</u>	<u>\$44.03</u>
CONTRIBUTION OF REVENUES	(0.58)	3.86	8.30	12.75	17.19	21.63	26.08	30.52	34.96	39.40
CUMULATIVE EFFECT	(0.58)	3.28	11.58	24.33	41.52	63.15	89.23	119.74	154.71	194.11

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING WH CUSTOMER LEASES A RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	394.00	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29
Gross Inv.	394.00	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	17.34	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
Depreciation Exp	17.34	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67	34.67
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Range & Installation	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29	64.62
Total Net Investment	376.66	341.99	307.32	272.65	237.98	203.30	168.63	133.96	99.29	64.62
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$29.91	\$27.15	\$24.40	\$21.65	\$18.90	\$16.14	\$13.39	\$10.64	\$7.88	\$5.13

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING CUSTOMER HAS A RANGE AND LEASES A WH AND DRYER

REVENUES DERIVED FROM AN EXISTING CUSTOMER - WATER HEATER AND DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 + 46 THERMS)	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13	129.13
LEASING REVENUES (2.75 + 4.00 x 12 MONTHS)	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00	81.00
	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>	<u>\$210.13</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06
MAINTENANCE EXPENSE	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46	7.46
TOTAL EXPENSE	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>	<u>62.52</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER HEATER, DRYER, & INSTALL	657.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>657.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94	50.01	45.64	41.27	36.90	32.53	28.15	23.78	19.41	15.04	10.67
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>80.72</u>	<u>73.66</u>	<u>66.61</u>	<u>59.55</u>	<u>52.49</u>	<u>45.44</u>	<u>38.38</u>	<u>31.33</u>	<u>24.27</u>	<u>17.21</u>
EXPENSE AND RETURN	<u>\$143.24</u>	<u>\$136.18</u>	<u>\$129.13</u>	<u>\$122.07</u>	<u>\$115.02</u>	<u>\$107.96</u>	<u>\$100.90</u>	<u>\$93.85</u>	<u>\$86.79</u>	<u>\$79.74</u>
CONTRIBUTION OF REVENUES	66.88	73.94	81.00	88.05	95.11	102.16	109.22	116.28	123.33	130.39
CUMULATIVE EFFECT	66.88	140.83	221.82	309.87	404.98	507.15	616.37	732.64	855.96	986.37

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING CUSTOMER HAS A RANGE AND LEASES A WH AND DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Dryer, & Install	657.43	629.90	574.84	519.77	464.71	409.65	354.58	299.52	244.46	189.39
Gross Inv.	657.43	629.90	574.84	519.77	464.71	409.65	354.58	299.52	244.46	189.39
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Dryer, & Install	27.53	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06
Depreciation Exp	27.53	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06	55.06
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Dryer, & Install	629.90	574.84	519.77	464.71	409.65	354.58	299.52	244.46	189.39	134.33
Total Net Investment	629.90	574.84	519.77	464.71	409.65	354.58	299.52	244.46	189.39	134.33
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$50.01	\$45.64	\$41.27	\$36.90	\$32.53	\$28.15	\$23.78	\$19.41	\$15.04	\$10.67

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER HAS DRYER AND LEASES A WATER HEATER & RANGE

REVENUES DERIVED FROM AN EXISTING CUSTOMER -- ADDS WATER HEATER & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE .47126 (228 + 37 THERMS)	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88	124.88
LEASING REVENUES (2.75 + 5.50 x 12 MONTHS)	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00
	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$243.88</u>	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$223.88</u>	<u>\$223.88</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE -- ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16
MAINTENANCE EXPENSE	2.99	2.99	2.99	2.99	2.99	2.99	2.99	2.99	2.99	2.99
TOTAL EXPENSE	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>	<u>58.15</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER HEATER, RANGE, & INSTALLATION	648.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>648.43</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>79.26</u>	<u>72.49</u>	<u>65.42</u>	<u>58.35</u>	<u>51.28</u>	<u>44.21</u>	<u>37.14</u>	<u>30.08</u>	<u>23.01</u>	<u>15.94</u>
EXPENSE AND RETURN	<u>\$131.71</u>	<u>\$130.64</u>	<u>\$123.57</u>	<u>\$116.50</u>	<u>\$109.44</u>	<u>\$102.37</u>	<u>\$95.30</u>	<u>\$88.23</u>	<u>\$81.16</u>	<u>\$74.09</u>
CONTRIBUTION OF REVENUES	86.17	93.24	100.31	107.38	134.45	121.52	128.59	135.65	142.72	149.79
CUMULATIVE EFFECT	86.17	179.41	279.73	387.10	521.55	643.07	771.66	907.31	1,050.03	1,199.83

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER HAS DRYER AND LEASES A WATER HEATER & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Range, & Install.	648.43	620.85	565.69	510.52	455.36	400.20	345.03	289.87	234.71	179.54
Gross Inv.	648.43	620.85	565.69	510.52	455.36	400.20	345.03	289.87	234.71	179.54
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Range, & Install.	27.58	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16
Depreciation Exp	27.58	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16	55.16
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00				
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WH, Range, & Install.	620.85	565.69	510.52	455.36	400.20	345.03	289.87	234.71	179.54	124.38
Total Net Investment	620.85	565.69	510.52	455.36	400.20	345.03	289.87	234.71	179.54	124.38
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$49.30	\$44.92	\$40.54	\$36.16	\$31.78	\$27.40	\$23.02	\$18.64	\$14.26	\$9.88

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
EXISTING CUSTOMER LEASES AN APPLIANCE  
CUSTOMER OWNS A GAS WH AND LEASES A DRYER AND RANGE

REVENUES DERIVED FROM AN EXISTING CUSTOMER -- ADDS DRYER & RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	20.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE .47126 ( 46 + 37 THERMS)	39.11	39.11	39.11	39.11	39.11	39.11	39.11	39.11	39.11	39.11
LEASING REVENUES (4.00 + 5.50 x 12 MONTHS)	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00
	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$173.11</u>	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$153.11</u>	<u>\$153.11</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE -- ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37
MAINTENANCE EXPENSE	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63	6.63
TOTAL EXPENSE	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>	<u>72.00</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DRYER, RANGE, & INSTALLATION	797.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>797.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>97.94</u>	<u>89.56</u>	<u>81.19</u>	<u>72.81</u>	<u>64.43</u>	<u>56.06</u>	<u>47.68</u>	<u>39.30</u>	<u>30.93</u>	<u>22.55</u>

EXPENSE AND RETURN

	<u>\$169.94</u>	<u>\$161.57</u>	<u>\$153.19</u>	<u>\$144.81</u>	<u>\$136.44</u>	<u>\$128.06</u>	<u>\$119.68</u>	<u>\$111.30</u>	<u>\$102.93</u>	<u>\$94.55</u>
CONTRIBUTION OF REVENUES	(16.83)	(8.45)	(0.08)	8.30	36.68	25.06	33.43	41.81	50.19	58.56
CUMULATIVE EFFECT	(16.83)	(25.28)	(25.36)	(17.06)	19.62	44.68	78.11	119.92	170.11	228.67

CALCULATION OF RETURN ON INVESTMENT  
EXISTING CUSTOMER LEASES AN APPLIANCE  
EXISTING WH CUSTOMER LEASES A DRYER AND RANGE

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer, Range, & Install.	797.00	764.31	698.94	633.57	568.20	502.83	437.45	372.08	306.71	241.34
Gross Inv.	797.00	764.31	698.94	633.57	568.20	502.83	437.45	372.08	306.71	241.34
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer, Range, & Install.	32.69	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37
Depreciation Exp	32.69	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37	65.37
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer, Range, & Install.	764.31	698.94	633.57	568.20	502.83	437.45	372.08	306.71	241.34	175.97
Total Net Investment	764.31	698.94	633.57	568.20	502.83	437.45	372.08	306.71	241.34	175.97
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$60.69	\$55.50	\$50.31	\$45.11	\$39.92	\$34.73	\$29.54	\$24.35	\$19.16	\$13.97

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

LEASED APPLIANCE ANALYSIS  
NEW HOME CONSTRUCTION  
CUSTOMER'S HOME ALREADY HAS A WH, LEASES A DRYER

REVENUES DERIVED FROM NEW HOME CONSTRUCTION  
CUSTOMER HAS A WH AND LEASES A DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$8 x 12 MONTHS)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
INITIAL CONNECT FEE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 46 THERMS)	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68	21.68
LEASING REVENUES (4.00 x 12 MONTHS)	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00	48.00
	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>	<u>\$69.68</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPR. EXP ON CUSTOMER RELATED COSTS	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
MAINTENANCE EXPENSE	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55	5.55
TOTAL EXPENSE	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>	<u>38.60</u>

INVESTMENT:

PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DRYER AND INSTALLATION	403.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>403.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>49.52</u>	<u>45.29</u>	<u>41.06</u>	<u>36.82</u>	<u>32.59</u>	<u>28.35</u>	<u>24.12</u>	<u>19.88</u>	<u>15.65</u>	<u>11.41</u>

EXPENSE AND RETURN

	<u>\$68.12</u>	<u>\$83.89</u>	<u>\$79.65</u>	<u>\$75.42</u>	<u>\$71.18</u>	<u>\$66.95</u>	<u>\$62.71</u>	<u>\$58.48</u>	<u>\$54.24</u>	<u>\$50.01</u>
CONTRIBUTION OF REVENUES	(18.44)	(14.21)	(9.97)	(5.74)	(1.50)	2.73	6.97	11.20	15.43	19.67
CUMULATIVE EFFECT	(18.44)	(32.65)	(42.62)	(48.36)	(49.87)	(47.14)	(40.17)	(28.97)	(13.54)	6.13

CALCULATION OF RETURN ON INVESTMENT  
NEW HOME CONSTRUCTION  
CUSTOMER HAS A WH AND LEASES A DRYER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
Gross Inv.	403.00	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11
<u>Depreciation</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
Depreciation Exp	16.52	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05	33.05
<u>Ending Net Investment</u>										
Additional Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Regulator	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Meter & Reg Installation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dryer & Installation	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Total Net Investment	386.48	353.43	320.39	287.34	254.29	221.25	188.20	155.16	122.11	89.06
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$30.69	\$28.06	\$25.44	\$22.81	\$20.19	\$17.57	\$14.94	\$12.32	\$9.70	\$7.07

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

NOTES TO THE LEASED AND FREE APPLIANCE ANALYSES

1. The Customer Charge, Initial Connect, and Non-Gas Energy Charge rates are based on the cost to serve City Gas' customers without considering the leased appliance program.

Customer Charge	\$ 9.00
Initial Connect	\$ 20.00
Non-Gas Energy Charge	\$ .47126

(Company Deposition Exhibit No. 24)

2. Leased Appliance Rates used are the rates as proposed by the Company.

Water Heaters	\$2.75 per month
Dryers	\$4.00 per month
Range	\$5.50 per month

3. Depreciation Rates are based on the remaining life rates approved in City Gas' Depreciation Study, Docket No. 940161-GU, as follows:

Services (plastic) -	3.8%
Meters -	4.4%
Regulators -	3.7%
Meter & Regulator Installations -	3.1%*
Water Heaters -	8.0%
Dryers -	8.2%
Ranges -	8.8%

\*The depreciation rates approved in the deprecation study for meter and regulator installations are 3.0 and 3.4, respectively. Because the labor and materials amount shown in the Company's response to Staff Interrogatory No. 85 are provided as a single amount of \$49.26, I have assumed this represents meter and house regulator installations. To arrive at a depreciation rate for meter and regulator installations, I weighted the 13-month average gross plant amounts by the depreciation rates approved in the depreciation study.

Meters	\$2,477,497
Regulators	<u>\$ 967,791</u>
	\$3,445,288

Meters represent approximately 72% of the total of the two plant categories, with the regulators representing 28%.

Meter rate of 3% times 72% = 2.16%  
Regulator rate of 3.4% times 28% = .952%  
Weighted Average = 3.1

4. City Gas customers located in the Brevard Division represent 33 percent of the total. The remaining 67 percent reside in the Miami Division.
5. The residential growth rate in the Brevard Division is 4 percent, while the residential growth rate in the Miami Division is 6 percent. (Householder Testimony, page 6, lines 9-15)
6. The service line, meter, regulator, and installation costs were taken from the Company's response to Staff Interrogatory No. 85.

Meter	\$57.00
Regulator	\$13.00
Labor & Materials	\$49.26 (Assumed to be installations costs)

7. Because the costs to install a service line in the Brevard Division differs from the cost to install a service line in the Miami Division, the following calculation was made to arrive at the average cost to install a new customer:

Average Cost :	Miami	\$398.20	Brevard	\$478.24
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Customer Growth Rate times Percent of Customers in Division:

Miami	-	67 percent x 1.04 =	.6968
Brevard	-	33 percent x 1.06 =	<u>.3498</u>
			1.0466

Adjusted Percent of Customers

Miami	-	.6968 / 1.0466 =	66.58 percent
Brevard	-	.3498 / 1.0466 =	33.42 percent
Percent of Customers times Average Service Line Cost			

Miami	-	66.58% x 398.20 =	\$265.10
Brevard	-	33.42% x 478.24 =	<u>\$159.84</u>

Average Cost Per Customer	\$424.94
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8. The cost to pipe and vent new homes was taken from the Company's response to Staff Interrogatory Nos. 81 and 83.

Miami - Standard Piping and Venting	\$615.00 per home
Brevard - Less than 5 drops 2 vents	\$500.00 per home

9. The average per unit cost City Gas pays for appliances used in the leasing program is as follows:

Water Heater -	\$141.75
Dryer -	\$331.00
Range -	\$339.00

(Company Response to Staff Interrogatory No. 157)

10. The average installation costs of appliances are as follows:

	Miami	Brevard
Water Heater -	\$110.00	\$118.00
Dryer -	\$ 74.00	\$ 68.00
Range -	\$ 55.00	\$ 55.00
Gas Lights -	\$ 55.00	\$ 55.00
Gas Grill -	\$ 50.00	\$ 50.00

Because the costs differ between Miami and Brevard (for water heaters and dryers), the same methodology applied in number 7 of these notes was used to calculate and average installation cost. The abbreviated calculation is as follows:

Water Heater

Miami -	66.58% x 110.00 = \$ 73.24
Brevard -	33.42% x 118.00 = <u>\$ 39.44</u>

Average Cost Per Customer      \$112.68

Dryer

Miami -	66.58% x 74.00 = \$ 49.27
Brevard -	33.42% x 68.00 = <u>\$ 22.73</u>

Average Cost Per Customer      \$ 72.00

11. The average per unit cost City Gas pays for gas lights and gas grill was calculated based on the costs shown on the Company's response to Staff Interrogatory No. 69.

Grills - \$25,700 divided by 137 units = \$187.59 average per unit cost.

Gas Lights - \$39,361 divided by 464 units = \$84.82 average per unit cost.

12. Return on Investment is based on the Average Net Investment Times City Gas' proposed overall rate of return of 7.94 percent.
13. New customers are assumed to add plant and O&M costs in proportion to the current average per customer cost.
14. To arrive at the average additional costs a new leasing customer (void of appliance costs) adds to the overall system, the following calculation was made:

A.

	<u>Plant Investment</u>	<u>Accumulated</u>
Land and Land Rights	219,194	0
Structures and Improvements	1,218,400	361,558
Other Equipment	156,174	124,817
General Plant	6,813,367	2,433,553
CWIP/RWIP	3,828,072	(142,046)
Working Capital	<u>6,627,093</u>	<u>0</u>
Total	\$18,862,300	\$2,797,882

18,862,300 - 2,797,882

Net Investment: \$16,064,418

Of the total rate base in the cost of service of \$106,204,953, the residential class was allocated \$49,861,088 or 47 percent. Taking 47 percent of the net investment results in an additional investment of \$7,550,276. Dividing this total by the number of projected customers of 91,261 leads to an average additional investment per customer of \$82.73.

B.

To determine the amount of depreciation expense on a per customer basis, a calculation was made to determine the amount of depreciation expense associated with the total net plant.

Depreciation Expense

(Total Depreciation Expense of \$6,082,544, less depreciation expense attributable to leased appliances of \$1,859,778 = \$4,222,766)

Depreciation Expense less Leased Depr.	4,222,766
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Total Distribution	116,416,604
Total General Plant	6,813,367
CWIP	<u>3,828,072</u>
Total Plant	\$127,058,043

Accumulated Depr. on Distr.	40,142,165
Total Accum. Depr. on General Plant	2,433,553
RWIP	<u>(142,046)</u>
Total Accumulated Depreciation	\$42,433,672
Net Plant	\$84,624,371

Depreciation Expense to Net Plant:

$$\$4,222,766 / \$84,624,371 = 4.99 \text{ Percent}$$

To develop the per unit depreciation expense for additional plant investment, the additional net investment of \$7,550,276 was multiplied by the calculated expense percentage of 4.99.

$$\$7,550,276 \times 4.99 \text{ percent} = \$376,758$$

Dividing the result by the number of customers results in a per unit depreciation expense of:

$$\$376,758 / 91,261 = \$4.13 \text{ per customer}$$

C.

To develop the amount of operating expenses on a per residential customer basis, the total expenses allocated to residential customers of \$11,710,847 was divided by the number of residential customers:

$$\$11,710,847 / 91,261 = \$128 \text{ per customer.}$$

The service line and meter costs have been excluded in this calculation because they are separately stated in the analyses.

The cost of additional mains and regulator stations has not been included since the customer is assumed to be on-main.

The plant, accumulated depreciation, and depreciation expense numbers have been taken from the Cost of Service Study detailed in MFR Schedules "H".

15. Maintenance Expense is Based on the costs shown in the Company's leased appliance cost of service calculation.

Water Heaters - \$1.91 per year  
Dryers - \$5.55 per year  
Ranges - \$1.08 per year

(Company Deposition Exhibit No. 25)

16. The therm consumption of water heaters, dryers, and ranges is based on the Company's response to Staff Interrogatory No. 131.

Water Heater = 228 therms annually  
Dryer = 45 therms annually  
Range = 37 therms annually

17. The therm usage rate for gas lights and gas grills was taken from the Company's Deposition Exhibit No. 23.

Gas Lights = 216 therms annually  
Gas Grill = 10 therms annually

18. Appliances provided free to builders are amortized over a 10-year period.

19. The cost to connect a new residential customer was taken from MFR Schedule E-3, page 1. The cost as shown is \$29.85.

FREE APPLIANCE ANALYSIS  
NEW CONSTRUCTION - BUILDER PROVIDED A FREE WH

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER ONLY

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (47126 x 228 THERMS)	107.67	107.67	107.67	107.67	107.67	107.67	107.67	107.67	107.67	107.67
	<u>\$235.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>	<u>\$215.67</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	46.11	46.11	46.11	46.11	46.11	46.11	46.11	46.11	46.11	46.11
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>208.09</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>	<u>178.24</u>

INVESTMENT:

PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WATER HEATER AND INSTALLATION	254.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>881.36</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON AVERAGE INVESTMENT @ 7.94%

REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>109.72</u>	<u>103.28</u>	<u>96.85</u>	<u>90.41</u>	<u>83.97</u>	<u>77.53</u>	<u>71.10</u>	<u>64.66</u>	<u>58.22</u>	<u>51.78</u>

EXPENSE AND RETURN

	<u>\$317.81</u>	<u>\$281.52</u>	<u>\$275.08</u>	<u>\$268.65</u>	<u>\$262.21</u>	<u>\$255.77</u>	<u>\$249.33</u>	<u>\$242.90</u>	<u>\$236.46</u>	<u>\$230.02</u>
CONTRIBUTION OF REVENUES	(82.14)	(85.85)	(59.41)	(52.97)	(46.54)	(40.10)	(33.66)	(27.22)	(20.79)	(14.35)
CUMULATIVE EFFECT	(82.14)	(147.98)	(207.39)	(260.37)	(306.90)	(347.00)	(380.66)	(407.88)	(428.67)	(443.02)

CALCULATION OF RETURN ON INVESTMENT  
NEW CONSTRUCTION - BUILDER PROVIDED A FREE WH  
NEW CUSTOMER - WATER HEATER ONLY

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Water Heater & Install.	254.43	241.71	216.27	190.82	165.38	139.94	114.49	89.05	63.61	38.16
Gross Inv.	861.36	856.24	806.00	755.77	705.53	655.29	605.06	554.82	504.58	454.35
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Water Heater & Install.	12.72	25.44	25.44	25.44	25.44	25.44	25.44	25.44	25.44	25.44
Depreciation Exp **	23.05	46.11	46.11	46.11	46.11	46.11	46.11	46.11	46.11	46.11
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Water Heater & Install.	241.71	216.27	190.82	165.38	139.94	114.49	89.05	63.61	38.16	12.72
Total Net Investment	856.24	806.00	755.77	705.53	655.29	605.06	554.82	504.58	454.35	404.11
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$67.99	\$64.00	\$60.01	\$56.02	\$52.03	\$48.04	\$44.05	\$40.06	\$36.08	\$32.09

\*\* To Calculate a 13--Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

FREE APPLIANCE ANALYSIS  
NEW CONSTRUCTION - BUILDER PROVIDED A FREE GAS GRILL

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER & GAS GRILL  
BUILDER PROVIDED A FREE GAS GRILL  
BUILDER HAS ALREADY INCLUDED A WATER HEATER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 + 10 THERMS)	112.16	112.16	112.16	112.16	112.16	112.16	112.16	112.16	112.16	112.16
	<u>\$240.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>	<u>\$220.16</u>
COSTS TO OBTAIN A NEW CUSTOMER										
	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	44.42	44.42	44.42	44.42	44.42	44.42	44.42	44.42	44.42	44.42
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>206.40</u>	<u>176.55</u>	<u>176.55</u>	<u>176.55</u>	<u>176.55</u>	<u>176.55</u>	<u>176.55</u>	<u>176.55</u>	<u>176.27</u>	<u>176.27</u>
INVESTMENT:										
PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GAS GRILL & INSTALLATION	237.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>864.52</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
RETURN ON INVESTMENT @ 7.94	66.72	62.86	59.01	55.15	51.29	47.44	43.58	39.73	35.90	32.06
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>107.67</u>	<u>101.45</u>	<u>95.23</u>	<u>89.01</u>	<u>82.78</u>	<u>76.56</u>	<u>70.34</u>	<u>64.12</u>	<u>57.93</u>	<u>51.75</u>
EXPENSE AND RETURN	<u>\$314.07</u>	<u>\$278.00</u>	<u>\$271.78</u>	<u>\$265.56</u>	<u>\$259.34</u>	<u>\$253.12</u>	<u>\$246.89</u>	<u>\$240.67</u>	<u>\$234.21</u>	<u>\$228.02</u>
CONTRIBUTION OF REVENUES	(73.91)	(57.84)	(51.62)	(45.40)	(39.18)	(32.96)	(26.73)	(20.51)	(14.05)	(7.86)
CUMULATIVE EFFECT	(73.91)	(131.76)	(183.38)	(228.78)	(267.96)	(300.91)	(327.65)	(348.16)	(362.21)	(370.07)

CALCULATION OF RETURN ON INVESTMENT  
NEW CONSTRUCTION - BUILDER PROVIDED A FREE GAS GRILL  
NEW CUSTOMER - WATER HEATER & GRILL

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.91
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.96
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gas Grill & Install.	237.59	225.71	201.95	178.19	154.43	130.67	106.92	83.16	59.40	35.64
Gross Inv.	864.52	840.24	791.69	743.14	694.59	646.03	597.48	548.93	500.37	452.10
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.28	2.28
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.43	0.43
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Gas Grill & Install.	11.88	23.76	23.76	23.76	23.76	23.76	23.76	23.76	23.76	23.76
Depreciation Exp**	22.21	44.42	44.42	44.42	44.42	44.42	44.42	44.42	44.14	44.14
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63	43.50
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.91	33.63
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.96	8.53
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Gas Grill & Install.	225.71	201.95	178.19	154.43	130.67	106.92	83.16	59.40	35.64	11.88
Total Net Investment	840.24	791.69	743.14	694.59	646.03	597.48	548.93	500.37	452.10	403.83
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$66.72	\$62.86	\$59.01	\$55.15	\$51.29	\$47.44	\$43.58	\$39.73	\$35.90	\$32.06

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.

FREE APPLIANCE ANALYSIS  
NEW CONSTRUCTION - BUILDER PROVIDED FREE GAS LIGHTS

REVENUES DERIVED FROM A NEW CUSTOMER - WATER HEATER & GAS LIGHTS  
BUILDER PROVIDED GAS LIGHTS FREE OF COST  
BUILDER HAS ALREADY INCLUDED A GAS WATER HEATER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
CUSTOMER CHARGE (\$9 x 12 MONTHS)	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00	108.00
INITIAL CONNECT FEE	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NON-GAS ENERGY CHARGE (.47126 x 228 + 216 THERMS)	209.24	209.24	209.24	209.24	209.24	209.24	209.24	209.24	209.24	209.24
	<u>\$337.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>	<u>\$317.24</u>

COSTS TO OBTAIN A NEW CUSTOMER

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
INITIAL CONNECT	29.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DEPRECIATION EXPENSE - ON GENERAL PLANT	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
DEPR. EXP ON CUSTOMER RELATED COSTS	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65
GENERAL EXPENSE	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00	128.00
TOTAL EXPENSE	<u>196.63</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>	<u>166.78</u>

INVESTMENT:										
PIPING AND VENTING	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PER CUSTOMER COST OF GENERAL PLANT	82.73	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SERVICE LINE	424.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER	57.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
REGULATOR	13.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
METER AND REGULATOR INSTALLATION	49.26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GAS LIGHTS & INSTALLATION	139.82	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL INVESTMENT	<u>766.78</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>

RETURN ON INVESTMENT @ 7.94%	59.34	58.26	53.18	50.10	47.03	43.95	36.43	33.68	30.93	28.18
REVENUES EXPANSION FACTOR	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139	1.6139
RETURN REQUIREMENT	<u>95.77</u>	<u>90.80</u>	<u>85.83</u>	<u>80.86</u>	<u>75.89</u>	<u>70.93</u>	<u>58.80</u>	<u>54.36</u>	<u>49.92</u>	<u>45.48</u>
EXPENSE AND RETURN	<u>\$292.40</u>	<u>\$257.58</u>	<u>\$252.61</u>	<u>\$247.64</u>	<u>\$242.67</u>	<u>\$237.70</u>	<u>\$225.57</u>	<u>\$221.13</u>	<u>\$216.69</u>	<u>\$212.25</u>
CONTRIBUTION OF REVENUES	44.84	59.66	64.63	69.60	74.57	79.54	91.67	96.11	100.55	104.99
CUMULATIVE EFFECT	44.84	104.51	169.14	238.74	313.31	392.85	484.52	580.62	681.17	786.16

CALCULATION OF RETURN ON INVESTMENT  
NEW CONSTRUCTION - BUILDER PROVIDED FREE GAS LIGHTS  
NEW CUSTOMER - WATER HEATER & GAS LIGHTS

	FIRST YEAR	SECOND YEAR	THIRD YEAR	FOURTH YEAR	FIFTH YEAR	SIXTH YEAR	SEVENTH YEAR	EIGHTH YEAR	NINTH YEAR	TENTH YEAR
<u>Beginning Net Investment</u>										
Additional Plant	82.73	80.67	76.54	72.41	68.28	64.15	60.02	55.89	51.76	47.63
Piping & Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	424.94	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68
Meter	57.00	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68
Regulator	13.00	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91
Meter & Reg Installation	49.26	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28
Gas Lights & Install.	139.62	132.83	118.85	104.87	90.88	76.90	62.92	48.94	34.96	20.97
Gross Inv.	684.02	666.70	632.05	597.41	562.76	528.11	493.47	458.82	424.18	389.53
<u>Depreciation</u>										
Additional Plant **	2.07	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13	4.13
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	8.07	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15	16.15
Meter	1.25	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51	2.51
Regulator	0.24	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48	0.48
Meter & Reg Installation	0.76	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53	1.53
Gas Lights & Install.	6.99	13.98	13.98	13.98	13.98	13.98	13.98	13.98	13.98	13.98
Depreciation Exp**	17.32	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65	34.65
<u>Ending Net Investment</u>										
Additional Plant	80.67	76.54	72.41	68.28	64.15	60.02	0.00	0.00	0.00	0.00
Piping and Venting	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Service Line	416.87	400.72	384.57	368.42	352.28	336.13	319.98	303.83	287.68	271.54
Meter	55.75	53.24	50.73	48.22	45.71	43.21	40.70	38.19	35.68	33.17
Regulator	12.76	12.28	11.80	11.32	10.84	10.35	9.87	9.39	8.91	8.43
Meter & Reg Installation	48.50	46.97	45.44	43.92	42.39	40.86	39.33	37.81	36.28	34.75
Gas Lights & Install.	132.83	118.85	104.87	90.88	76.90	62.92	48.94	34.96	20.97	6.99
Total Net Investment	747.36	708.59	669.81	631.03	592.28	553.48	458.82	424.18	389.53	354.89
Overall Rate of Return	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794	0.0794
Required Return on Inv.	\$59.34	\$56.26	\$53.18	\$50.10	\$47.03	\$43.95	\$36.43	\$33.68	\$30.93	\$28.18

\*\* To Calculate a 13-Month Average Investment, 1/2 of the Depreciation is Applied in the First Year.  
The Total Depreciation Expense Amount is Considered in Calculating the Yearly Expense.