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ORIGINAL

November 21, 2000

KAREN D. WALKER
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VIA HAND DELIVERY

Blanca S. Bayo
Director, Division of Records & Reporting
Florida Public Service Commission
Capital Circle Office Center
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

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00 NOV 21 PM 4:26
RECORDS AND REPORTING

001734-GU

Re: In re: Application of St. Joe Natural Gas Company, Inc. for Authority to Incur Long-Term Debt Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

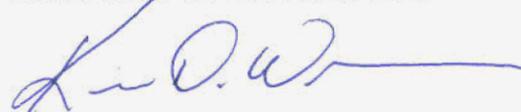
Dear Ms. Bayo:

Enclosed for filing on behalf of St. Joe Natural Gas Company, Inc. are the original and five (5) copies of its Application for Authority to Incur Long-Term Debt Pursuant to Section 366.04, Florida Statutes and Chapter 25-8, Florida Administrative Code ("Application") and exhibits thereto. A diskette containing the Application in Wordperfect format has been provided.

For our records, please acknowledge your receipt of this filing on the enclosed copy of this letter. Thank you for your consideration.

Sincerely,

HOLLAND & KNIGHT LLP



Karen D. Walker

KDW:kjg
Enclosure

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DOCUMENT NUMBER-DATE
15097 NOV 21 8

FPSC-RECORDS/REPORTING

Blanca S. Bayo
November 21, 2000
Page: 2

cc: Andrew Maurey, Public Utility Supervisor

TAL1 #226853 v1

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application of St. Joe Natural Gas Company, Inc. for Authority to Incur Long-Term Debt Pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code.

Docket No. 001734-60

Filed: November 21, 2000

**APPLICATION OF ST. JOE NATURAL GAS COMPANY, INC.
FOR AUTHORITY TO INCUR LONG-TERM DEBT PURSUANT
TO SECTION 366.04, FLORIDA STATUTES AND
CHAPTER 25-8, FLORIDA ADMINISTRATIVE CODE**

St. Joe Natural Gas Company, Inc. ("SJNG" or the "Company"), by and through undersigned counsel, pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, hereby files this application for authority to incur long-term debt in the maximum principal amount of \$400,000. In support of its application, SJNG states:

1. Applicant Information

The name and principal business address of the applicant are as follows:

St. Joe Natural Gas Company, Inc.
301 Long Avenue
Port St. Joe, Florida 32456

SJNG is a public utility engaged in the distribution of natural gas to the public. SJNG provides service to approximately 3,400 residential, commercial and industrial customers in the Florida cities of Port St. Joe, Mexico Beach and Wewahitchka, and in unincorporated areas of Gulf County, Florida. SJNG is regulated by the Florida Public Service Commission (the "Commission") as a public utility pursuant to Chapter 366, Florida Statutes.

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

2. **Incorporation**

SJNG is a corporation organized and existing under the laws of the State of Florida. SJNG was incorporated on April 1, 1959. SJNG only transacts business in Florida.

3. **Persons Authorized To Receive Notices and Communications**

The names and addresses of the persons authorized to receive notices and communications with respect to this application are as follows:

Stuart Shoaf
President
St. Joe Natural Gas Company, Inc.
Post Office Box 549
301 Long Avenue
Port St. Joe, Florida 32456
(850) 229-8216

D. Bruce May
Karen D. Walker
HOLLAND & KNIGHT LLP
P.O. Drawer 810
315 South Calhoun Street, Suite 600
Tallahassee, Florida 32302 (32301)
(850) 224-7000

4. **Capital Stock and Funded Debt**

Capital Stock

- (a) **Brief Description:** Common stock.
- (b) **Amount Authorized:** \$100 par value, one thousand shares authorized.
- (c) **Amount Outstanding:** 667 shares.

- (d) Amount Held As Reacquired Securities: None of the shares are held as reacquired securities. However, 333 shares were reacquired and cancelled.
- (e) Amount Pledged: None.
- (f) Amount Owned By Affiliated Corporations: None.
- (g) Amount Held In Funds: None.

Funded Debt.

SJNG currently does not have any funded debt.

5. Proposed Transaction

SJNG seeks authority to incur long-term debt in a maximum principal amount of \$400,000. The long-term debt will be in the form of an unsecured promissory note or notes payable in equal monthly installments of principal and interest, over a 10 year term. The interest rate is expected to be at a fixed rate of approximately 10.5%.

SJNG will file a consummation report with the Commission in compliance with Rule 25-8.009, Florida Administrative Code, within 90 days after the end of any fiscal year in which SJNG incurs the long-term debt that is the subject of this Application.

6. Purpose For Which Long-Term Debt Will Be Incurred

The purpose of this issue is to fund the payment of SJNG's extraordinary tax liability incurred as a result of the bankruptcy of what was once SJNG's largest customer -- Florida Coast Paper Company, L.L.C. In addition, funds will be used

to: install new gas mains and services, primarily in the Wewahitchka area; pay property taxes; cover certain rate case expenses; and fund the Company's employee pension fund.

7. Lawful Object and Purpose

SJNG is authorized to issue the debt by its Articles of Incorporation and Florida law. The issue is consistent with the proper performance by SJNG of service as a public utility and is necessary and appropriate for such purpose and/or other corporate purposes.

8. Counsel Passing On Legality of the Issue

Counsel who will pass on the legality of the debt are:

D. Bruce May
Karen D. Walker
HOLLAND & KNIGHT LLP
P.O. Drawer 810
315 South Calhoun Street, Suite 600
Tallahassee, Florida 32302 (32301)
(850) 224-7000.

9. Filings With Other State or Federal Regulatory Bodies

No filings with other state or federal regulatory bodies are required in order for SJNG to incur the long-term debt that is the subject of this Application.

10. Control or Ownership

There is no measure of control or ownership exercised by or over SJNG by any other public utility.

11. Exhibits

Exhibit "A" and Composite Exhibit "B" are attached hereto as required by Rule 25-8.003, Florida Administrative Code. Exhibit "A" consists of SJNG's most recent audited financial statements which include SJNG's: (1) balance sheet; (2) summary of utility plant, amortization, and depletion; (3) income statement; (4) statement of retained earnings; and (5) statement of contingent liabilities.

Composite Exhibit "B" consists of SJNG's sources and uses of funds forecast and construction budget. Exhibit "C" is the Company's Articles of Incorporation.

WHEREFORE, SJNG respectfully requests that the Commission:

- (a) authorize SJNG to incur long-term debt in the maximum principal amount of \$400,000; and
- (b) grant such other relief as the Commission deems appropriate.

Respectfully submitted this 21st day of November, 2000.



D. Bruce May
Florida Bar No. 354473
Karen D. Walker
Florida Bar No. 0982921
HOLLAND & KNIGHT LLP
P.O. Drawer 810
315 South Calhoun Street, Suite 600
Tallahassee, Florida 32302 (32301)
(850) 224-7000

**Attorneys for St. Joe Natural Gas
Company, Inc.**

ST. JOE NATURAL GAS COMPANY, INC.

Financial Statements
December 31, 1999
(With Independent Auditor's Report)

ST. JOE NATURAL GAS COMPANY, INC.

Financial Statements

December 31, 1999

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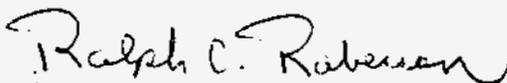
INDEPENDENT AUDITOR'S REPORT

Board of Directors
St. Joe Natural Gas Company, Inc.
Port St. Joe, Florida

I have audited the accompanying balance sheet of St. Joe Natural Gas Company, Inc. as of December 31, 1999 and 1998 and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on our audit.

I conducted the audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Joe Natural Gas Company, Inc. as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Port St. Joe, Florida

March 30, 2000

ST. JOE NATURAL GAS COMPANY, INC.

Balance Sheet

December 31, 1999 and 1998

Assets

	1999	1998
Property Plant and Equipment		
Natural Gas Plant	\$ 5,420,478	\$ 5,364,715
Construction Work in Progress	12,443	13,540
Vehicles	152,845	123,385
Buildings and Land	193,416	193,576
Other Equipment	294,561	290,773
	<u>6,073,743</u>	<u>5,985,989</u>
Less: Accumulated Depreciation	(2,053,454)	(1,844,370)
Net Property, Plant and Equipment	<u>4,020,289</u>	<u>4,141,619</u>
Current Assets		
Cash	272,830	468,156
Accounts Receivable	459,133	250,178
Less: Allowance for Doubtful Accounts	(248,998)	(51,579)
Inventories	24,877	19,924
Prepaid Income Taxes	26,597	-
Other Prepaid Expenses	24,392	22,181
Total Current Assets	<u>558,831</u>	<u>708,860</u>
Other Assets		
Deferred Charges	40,000	-
TOTAL ASSETS	<u>\$ 4,619,120</u>	<u>\$ 4,850,479</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

(Continued)

ST. JOE NATURAL GAS COMPANY, INC.

Balance Sheet

December 31, 1999 and 1998

LIABILITIES AND STOCKHOLDERS EQUITY

	1999	1998
Current Liabilities		
Accounts Payable	\$ 92,569	\$ 78,209
Customer Deposits	25,707	26,084
Accrued Pension Contribution	-	41,976
Accrued Interest	4,288	4,288
Current Portion - Notes Payable	150,000	150,000
Accrued Taxes Payable	12,297	25,386
Unrecovered Purchased Gas Costs	128,951	220,946
Other Current Liabilities	40,000	-
Total Current Liabilities	<u>453,812</u>	<u>546,889</u>
Other Liabilities		
Deferred Credits	1,605,997	1,595,572
Deferred Income Taxes	293,773	287,331
	<u>1,899,770</u>	<u>1,882,903</u>
Total Liabilities	<u>2,353,582</u>	<u>2,429,792</u>
Stockholders' Equity		
Common Stock, \$100 par value		
Authorized: 1,000 shares		
Issued and Outstanding: 667 shares	66,700	66,700
Additional Paid in Capital	234,694	234,694
Retained Earnings	1,964,144	2,119,293
Total Stockholder's Equity	<u>2,265,538</u>	<u>2,420,687</u>
TOTAL LIABILITIES and STOCKHOLDER'S EQUITY	<u>\$ 4,619,120</u>	<u>\$ 4,850,479</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

ST. JOE NATURAL GAS COMPANY, INC.

Statements of Income

Year Ended December 31, 1999 and 1998

	1999	1998
Operating Revenues		
Interruptible Gas Sales	\$ 670,023	\$ 963,869
Firm Gas Sales	925,901	1,129,982
Customer Charges	46,496	13,823
Service Charges	7,950	8,492
Total Operating Revenue	<u>1,650,371</u>	<u>2,116,166</u>
Operating Costs and Expenses		
Cost of Gas Sold	438,456	807,574
Depreciation	231,093	228,304
Taxes Other Than Income Taxes	139,534	151,027
Other Operating Expenses	853,794	729,006
Total Operating Expenses	<u>1,662,877</u>	<u>1,915,911</u>
Operating Income	<u>(12,506)</u>	<u>200,255</u>
Other Income (Expense)		
Merchandising and Jobbing (Net)	5,961	(4,015)
Interest Expense	(17,059)	(61,634)
Interest Income	17,810	23,094
Donations	(2,285)	(673)
Other Nonoperating Income	3,005	4,037
Total Other Income (Expense)	<u>7,432</u>	<u>(39,191)</u>
Income Before Income Taxes	(5,075)	161,064
Income Tax Expense	-	48,336
Net Income	<u>\$ (5,075)</u>	<u>\$ 112,728</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

ST. JOE NATURAL GAS COMPANY, INC.
Statements of Changes in Stockholder's Equity
Year Ended December 31, 1999 and 1998

	Common Stock	Additional Paid - in Capital	Retained Earnings	Total Stockholder's equity
December 31, 1997	\$ 66,700	\$ 234,694	\$ 2,156,640	\$ 2,458,034
Net Income			112,728	112,728
Dividends			(150,075)	(150,075)
December 31, 1998	\$ 66,700	\$ 234,694	\$ 2,119,293	\$ 2,420,687
Net Loss			\$ (5,075)	\$ (5,075)
Dividends			\$ (150,075)	\$ (150,075)
December 31, 1999	<u>\$ 66,700</u>	<u>\$ 234,694</u>	<u>\$ 1,964,143</u>	<u>\$ 2,265,537</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

ST. JOE NATURAL GAS COMPANY, INC.

Statements of Cash Flows

Year Ended December 31, 1998 and 1999

	1999	1998
Cash Flows From Operating Activities		
Net Income/(Loss)	\$ (5,075)	\$ 112,728
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	231,093	228,304
(Increase) Decrease in Accounts Receivable	(208,955)	68,293
Increase (Decrease) in Allowance for Doubtful Accounts	197,419	51,579
(Increase) Decrease in Inventories	(4,953)	2,498
(Increase) Decrease in Prepaid Income Taxes	(26,597)	107,875
(Increase) Decrease in Other Prepaid Expenses	(2,211)	9,500
(Increase) Decrease in Other Assets	(40,000)	-
Increase (Decrease) in Accounts Payable	14,360	(186,080)
Increase (Decrease) in Customer Deposits	(377)	(260)
Increase (Decrease) in Accrued Interest	-	(3,352)
Increase (Decrease) in Accrued Taxes Payable	(13,089)	2,646
Increase (Decrease) in Deferred Income Taxes	6,442	32,981
Increase (Decrease) in Deferred Credits	10,425	383,643
Increase (Decrease) in Accrued Pension Contribution	(41,976)	(15,612)
Increase (Decrease) in Other Liabilities	(51,995)	199,534
Net Cash Provided by Operating Activities	<u>64,511</u>	<u>994,277</u>
Cash Flows From Investing Activities		
Additions to Natural Gas Plant	(120,965)	(107,550)
Construction in Process Placed in Service	1,097	40,805
Salvage	12,000	5,568
Cost of Removal	(1,894)	(5,124)
Net Cash Used in Investing Activities	<u>(109,762)</u>	<u>(66,301)</u>
Cash Flows from Financing Activities		
Principal Payments		(904,564)
Dividends Paid	(150,075)	(150,075)
Net Cash Used in Financing Activities	<u>(150,075)</u>	<u>(1,054,639)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(195,326)	(126,663)
Cash and Cash Equivalents - Beginning of Year	<u>468,156</u>	<u>594,819</u>
Cash and Cash Equivalents - End of Year	<u>\$ 272,830</u>	<u>\$ 468,156</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

ST. JOE NATURAL GAS COMPANY, INC.

Notes to Financial Statement

Note 1 Summary of Significant Accounting Policies

Property Plant and Equipment

The natural gas utility plant is recorded at cost, and includes an allocation of administrative and general costs, payroll costs, and construction-related costs. Maintenance and repairs of plant and replacements considered to be minor are charged direct to operating expenses.

Depreciation is computed in accordance with rates approved by the Florida Public Service Commission on a straight-line basis. Depreciation rates in effect for 1999 are as follows:

Natural Gas Plant	3.0% - 4.4%
Building	2.5%
Vehicles	11.5%
Other Equipment	4.6% - 13.6%

Accounts Receivable

Receivables are stated at their gross value, with an allowance for doubtful accounts at December 31, 1999 reported at \$248,997.80, reflecting the anticipated bad debt as a result of the closure of Florida Coast Paper Company, LLC and the subsequent bankruptcy filing.

Inventories

Supply and merchandise for resale inventories are stated at cost using the first-in, first-out valuation method.

Income Taxes

Deferred income taxes are provided for the effects of differences for financial and income tax reporting purposes. Accelerated depreciation methods are used for tax purposes resulting in the primary difference between financial and tax income reported.

Cash

All highly liquid debt instrument purchases with a maturity of ninety days or less are considered to be cash equivalents.

Use of Estimates

Financial statements prepared in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 Major Gas Customers

Natural gas sales to industrial customers, comprising the company's major gas customers, have declined consistently over the past three years. These sales comprised approximately 11.5% of total operating revenues in 1999 compared to 46% in 1998 and 64% in 1997. The decreases are largely due to the temporary, then permanent closure of Florida Coast Paper Company, LLC.

Note 3 Inventories

Inventories consist of the following as of December 31, 1999:

Plant materials and supplies	\$ 4,279
Merchandise for resale	7,302
Materials and supplies	<u>13,295</u>
Total Inventories	<u>24,876</u>

Note 4 Contingencies

The company's current operating margin is contingent upon a favorable allocation of interruptible gas from its suppliers.

In 1991 St. Joe Natural Gas Company, Inc. (SJNG) signed a note to borrow funds to build a pipeline to service St. Joe Forest Products Company. Subsequently, on May 30, 1996, St. Joe Forest Products Company was purchased by a joint partnership and operates under the name of Florida coast Paper Company, LLC (FCPC). The loan was collateralized by the assignment of revenues between SJNG and FCPC, and the note was unconditionally guaranteed by FCPC. As part of the agreement FCPC agreed to pay for a minimum of 792,820 decatherms annually, regardless of the amount of gas actually transported. FCPC also agreed to make the monthly note payments of \$39,396 directly to the lender, offsetting gas payments to SJNG for the term of the note regardless of actual therms used. Note payment amounts exceeding the cost of gas used will be applied to prepaid gas to be offset by future sales after the final note payment. Access to the prepaid gas account by FCPC is limited by the terms contained in the September 8, 1997 settlement agreement between SJNG and FCPC. The balance of the prepaid gas at December 31, 1999 is \$1,578,595.

Florida Coast Paper Company, LLC filed for bankruptcy in April 1999. A plan was presented to the bankruptcy court to permanently discontinue operations of the mill, and for the assets to be purchased by the Smurfit-Stone Corporation. Approval of this plan was pending at December 31, 1999. Subsequently the plan was approved by the bankruptcy court in April 2000.

Subsequently it has been determined that the mill will no longer operate, or consume natural gas as a result of the approval of the bankruptcy plan. It is the opinion of the management of the St. Joe Natural Gas company Inc., in accordance with the terms of the agreement between SJNG and FCPC dated September 8, 1997, that the prepaid gas account can no longer be accessed by FCPC. The resulting balance of the prepaid gas account will revert to income to SJNG over the next four

tax years beginning in the year 2000 under Internal Revenue Code section 481, adjustment for change in accounting method. The result will be an increase in taxable income of \$394,649 for each of the four years, with a corresponding estimated increase in tax liability of \$175,618 for each of the four years.

The impact of this adjustment on the rate base, the rate of return and future rate earnings as regulated by the Florida Public Service commission has not yet been determined.

During 1999 A and L Underground Inc. entered a lawsuit against St. Joe Natural Gas company Inc. regarding payments for the installation of an underground pipeline. The plaintiff prevailed, however a final judgement had not been issued at December 31, 1999. The management of SJNG estimated the liability to be approximately \$40,000, and accrued this amount at year end. Subsequently, the final judgement was issued on April 11, 2000 in the amount of \$38,127.86

Note 5 Retirement Plan

The Company adopted a defined contribution plan based on 15% of salaries and bonuses effective January 1, 1988. All employees 21 years of age or older and have completed six months of service are eligible to participate in the plan. The company elected not to make a contribution to the plan for 1999.

Note 6

Deferred income taxes resulted from the use of accelerated depreciation for income tax purposes as explained in Note 1. The difference in accumulated depreciation for financial reporting and tax reporting results in a valuation allowance recognized for tax deferred assets of \$1,183,054. Income taxes for the year ended December 31, 1999 and 1998, are summarized as follows:

	1999	1998
Current Payable (Receivable)	\$(26,597)	\$ 7,356
Deferred	9,841	32,980
Estimates Paid During the Year	16,756	8,000
Prior Year Overpayments	<u>0</u>	<u>0</u>
Total Income Tax Expense	<u>\$ 0</u>	<u>\$ 48,336</u>

Note 7 Financial Instruments with Off-Balance Sheet Risk

At December 31, 1999, St. Joe Natural Gas Company, Inc. had \$292,836 on deposit at a local savings bank, which is not insured nor collateralized for any amounts over the Federal Deposit Insurance Corporation limit of \$100,000.

Note 8 Related Party Transactions

A director of the Company holds a short-term promissory note in the amount of \$150,000 secured by 660 shares of the company's stock. The note has an interest rate of 10.75% compounded annually. Accrued interest on the note as of December 31, 1999 was \$5,016.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
St. Joe Natural Gas Company, Inc.
Port St. Joe, FL 32456

The report on my audit of the basic financial statements of St. Joe Natural Gas Company, Inc. for the year ended December 31, 1999 and 1998 is included in this report. The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented herein is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ralph C. Roberson

Port St. Joe, Florida

March 30, 2000

ST. JOE NATURAL GAS COMPANY, INC.

Statements of Other Operating Expenses

Year Ended December 31, 1999 and 1998

Distribution Expenses	1999	1998
Supervision	\$ 39,607	\$ 41,101
Purchased Gas Expenses	10,067	10,772
Load dispatching	48,275	50,998
Meter and House Regulator Expense	27,011	28,392
Mains and Service Supplies	39,739	20,422
Customer Installation	67,358	36,664
Maintenance	51,401	50,848
Other distribution Expenses	14,736	10,982
Total distribution Expense	<u>298,194</u>	<u>250,179</u>
Customer Account Expenses		
Meter Reading Labor	17,130	16,891
Accounting and Collecting Labor	89,064	93,257
Uncollectible Accounts	203,536	58,275
Total Customer Account Expenses	<u>309,730</u>	<u>168,423</u>
Sales Expenses		
Advertising	<u>2,563</u>	<u>1,066</u>
Administrative and General Expenses		
Salaries	35,322	26,693
Office Supplies	14,022	19,954
Outside Services Employed	21,547	48,778
Property Insurance	31,655	37,520
Employee Benefits	69,879	108,686
Transportation	17,007	14,365
Miscellaneous General Expense	53,876	53,342
Total Administrative and General Expense	<u>243,307</u>	<u>309,338</u>
Total Other Operating Expenses	<u>\$ 853,794</u>	<u>\$ 729,006</u>

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

ST. JOE NATURAL GAS COMPANY, INC.
Statements of Income and Expenses - Merchandising and Jobbing
December 31, 1999 and 1998

	1999	1998
Revenues		
Sales	\$ 83,701	\$ 68,015
 Cost and Expenses		
Cost of Goods Sold	45,158	40,642
Rent	2,520	2,520
Salaries	29,497	28,133
Utilities	565	735
Total Costs and Expenses	77,740	72,030
Excess Revenue Over (Under) Expenses	\$ 5,961	\$ (4,015)

See Independent Auditor's Report and Accompanying Notes to Financial Statements.

COMPOSITE EXHIBIT "B"

ST. JOE NATURAL GAS COMPANY, INC.

Statement of Sources and Uses of Funds
Projected For the Year Ending December 31, 2001

Source of Funds

Funds Provided by Investors	
Issuance of Long Term Debt	<u>\$400,000</u>
Total Funds Available	<u>\$400,000</u>

Uses of Funds

Plant, Property and Equipment	
Property Tax	
Income Tax	
Rate Case Expenses	
Pension Funding	
Total Use of Funds	<u>\$400,000</u> <u>\$400,000</u>

COMPOSITE EXHIBIT "B"

ST. JOE NATURAL GAS COMPANY, INC.
CONSTRUCTION BUDGET
12 MONTHS ENDING DECEMBER 31, 2001

PLANT, PROPERTY AND EQUIPMENT

Mains	
Services	
Farm Taps	
Meters	
Regulators	\$197,000

State of Florida



Department of State

I certify the attached is a true and correct copy of the Articles of Incorporation, as amended to date, of ST JOE NATURAL GAS CO., INC., a corporation organized under the laws of the State of Florida, as shown by the records of this office.

The document number of this corporation is 222641.

Given under my hand and the
Great Seal of the State of Florida,
at Tallahassee, the Capital, this the
20th day of June, 1991.



CR2EO22 (2-91)

Handwritten signature of Jim Smith.

Jim Smith
Secretary of State

CERTIFICATE OF INCORPORATION
OF
ST. JOE NATURAL GAS CO., INC.

APPROVED AND FILED
D. J. [Signature]
APR 15 4 07 PM '59
TALLAHASSEE, FLORIDA

The undersigned subscribers to these Articles of Incorporation, each a natural person competent to contract, hereby associate themselves together to form a corporation for profit under the Laws of the State of Florida.

ARTICLE I

The name of this corporation is "St. Joe Natural Gas Co., Inc."

ARTICLE II

The general nature of the business to be transacted by this corporation is as follows:

To acquire, buy, hold, own, sell, lease, exchange, dispose of, finance, deal in, construct, build, equip, improve, use, operate, maintain and work upon:

(a) Any and all kinds of plants and systems for the manufacture, storage, utilization, supply, distribution, transmission or disposition of gas, light, heat, power, refrigeration, water or ice;

(b) Any and all kinds of works, plants, substations, systems, pipe lines, tracks, machinery, apparatus, devices, supplies, and articles of every kind pertaining to or in any wise connected with the manufacture, purchase, use, distribution, regulation, control, or application of gas, light, heat, power, refrigeration, water or ice.

To buy or otherwise obtain, to produce, to hold, own, sell, dispose of, distribute, deal in, use, furnish and supply gas of every form, whether artificial or natural, light, heat, power, refrigeration, water and ice.

To purchase, exchange, lease, or otherwise acquire, hold, own, control, manage, develop, improve, or otherwise use and sell, transfer, lease, sublease, mortgage or otherwise

encumber or dispose of lands and interest, and rights with respect to lands and waters and fixed and movable property, franchises, concessions, consents, privileges and licenses in its opinion useful or desirable for or in connection with any or all of the foregoing purposes.

To acquire by purchase, subscription or otherwise, and to own, hold for investment or otherwise, and to sell, use, design, transfer, mortgage, pledge, exchange or otherwise dispose of, and to make and enter into all manner and kinds of contracts, agreements and obligations for the purchasing, acquiring, dealing in or selling of, property of every sort and description and wheresoever situated, whether real or personal, including shares of stock, bonds, debentures, notes, scrip, securities, evidences of indebtedness, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign, or of any firm or individual of the United States or any State, territory or dependency of the United States or any foreign country, or any municipality or local authority within or without the United States, and including rights and interests of every nature, and also to issue in exchange therefor stocks, bonds, or other securities or evidence of indebtedness of this corporation, and while the owner or holder of any such property, to receive, collect and dispose of the interest, dividend and income on or from such property and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including voting rights.

To purchase, hold, sell and transfer shares of its own capital stock; provided, that the Corporation shall not purchase its own shares of capital stock except from the surplus of its assets over its liabilities including capital

stock and provided, further, that shares of its own capital stock owned by the Corporation shall not be voted upon directly or indirectly, nor counted as outstanding for the purpose of any stockholders' quorum or vote.

To manufacture, purchase or otherwise acquire, hold, use, operate, sell, pledge, mortgage, lease or otherwise dispose of appliances, equipment, machinery, apparatus, devices, supplies and articles of every kind pertaining to or in any wise connected with the production, use, distribution, regulation, control or application of gas, water, ice and by-products of any of them, for any and all purposes and all other kinds of goods, wares, merchandise and personal property wherever situated.

To manufacture, purchase, sell and distribute steam and hot water for heating and other purposes, and to acquire, construct, purchase, own, maintain, operate, sell and lease all necessary and convenient works, plants, apparatus and connections for manufacturing, selling and distributing steam and hot water.

To do all and everything necessary and proper for the accomplishment of the objects enumerated in this Certificate of Incorporation or any amendment thereof or necessary or incidental to the protection and benefit of the Corporation, and in general to carry on any lawful business necessary or incidental to the attainment of the objects of the Corporation whether or not such business is similar in nature to the objects set forth in this Certificate of Incorporation or any amendment thereof.

Except where otherwise expressed in this Article Second, no statement as to the nature of a business in any one of the foregoing clauses of this Article shall be in any wise limited or restricted by reference to or inference

from the provisions of any other clause of this or any other article in this Certificate of Incorporation, and the business specified in each clause of this Article shall be regarded as an independent business.

The Corporation shall have power to transact, promote and carry on each of such business.

ARTICLE III

The maximum number of shares of stock that this corporation is authorized to have outstanding at any one time is One Hundred Fifty Thousand (150,000) shares of common stock with a par value of One Dollar (\$1.00) per share.

Whenever a holder of common stock of the corporation shall be entitled to a vote thereon, he shall be entitled to one vote for each share of such stock standing in his name on the books of the corporation, each such holder of record of common stock shall be entitled to as many votes as shall equal the number of shares so held of record multiplied by the number of directors to be elected, and he may cast all such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as he may see fit, which right, when exercised, shall be deemed cumulative voting.

All persons who shall acquire stock in the corporation shall acquire it subject to the provisions of this Incorporation.

Dividends upon the capital stock of the Corporation shall be payable only out of the net earnings or earned surplus of the corporation and only when and as declared by the Board of Directors. The Board of Directors shall have power to determine whether any, and, if any, what part of the net profits or surplus of the Corporation shall be declared as dividends and paid to its stockholders, and all rights of holders of stock of the Corporation in respect of dividends shall be subject

to the power of the Board of Directors so to do. The Board of Directors shall be fully protected in relying in good faith upon the books of account of the Corporation or statements prepared by any of its officers as to the value and amount of the assets and liabilities, net profits of the Corporation and any other facts pertinent to the existence and amount of net earnings or earned surplus or other funds from which dividends might properly be declared and paid.

ARTICLE IV

The amount of capital with which this corporation will begin business is One Thousand Dollars (\$1,000.00).

ARTICLE V

This corporation is to exist perpetually.

ARTICLE VI

The principal office and post office address of said corporation is to be located in the City of Port St. Joe, Gulf County, Florida.

ARTICLE VII

This Corporation shall have three (3) directors initially. The number of directors may be increased or diminished from time to time by By-Laws adopted by the Stockholders, but shall never be less than three (3).

ARTICLE VIII

The names and post office addresses for the first Board of Directors, the President, Vice-President, the Secretary and Treasurer, who, subject to the provisions herein contained and in the By-Laws of the said Corporation and of Chapter 608, Florida Statutes, 1957, shall hold office for the first year of the corporation's existence or until

their successors are elected and have qualified, are the following:

<u>Name</u>	<u>Office</u>	<u>Post Office Address</u>
J. Lamar Miller	President	Port St. Joe, Florida
Cecil G. Costin, Jr.	Vice President	Port St. Joe, Florida
Benjamin H. Dickens	Secretary & Treasurer	Port St. Joe, Florida

ARTICLE IX

The names and post office address of each subscriber of these Articles of Incorporation, the number of shares of stock each agrees to take, and the value of the consideration therefor is:

<u>Name</u>	<u>Post Office Address</u>	<u>Shares</u>	<u>Consideration</u>
J. Lamar Miller	Port St. Joe, Fla.	450	\$450.00
Cecil G. Costin, Jr.	Port St. Joe, Fla.	450	\$450.00
Benjamin H. Dickens	Port St. Joe, Fla.	100	\$100.00

ARTICLE X

These Articles of Incorporation may be amended in the manner provided by law. Every amendment shall be approved by the Board of Directors, proposed by them to the stockholders, and approved at a stockholders meeting by a majority of the stock entitled to vote thereon.

IN WITNESS WHEREOF, We, the undersigned, being each and all of the original subscribers to the capital stock hereinbefore named, for the purpose of forming a corporation to do business within the State of Florida, and in pursuance of Chapter 608, Florida Statutes, 1957, do hereby make, subscribe, acknowledge, and file this certificate, hereby jointly

and severally declaring and certifying that the facts herein stated are true and that we have associated ourselves together for the purpose of becoming a corporation under the said laws of the State of Florida, and do hereby respectively agree to take the number of shares of stock hereinabove set forth and stated, and accordingly we have hereunto set our hands and seals at Fort St. Joe, Gulf County, Florida, this 17 day of FEBRUARY, A. D. 1959.

J. Lamar Miller (SEAL)
Cecil G. Costin, Jr. (SEAL)
Benjamin H. Dickens (SEAL)

STATE OF FLORIDA)
) SS
COUNTY OF GULF)

BE IT REMEMBERED THAT on this 17 day of February, A. D. 1959, personally appeared before me, a Notary Public of the State of Florida, J. Lamar Miller, Cecil G. Costin, Jr., and Benjamin H. Dickens, each to me well known and known to me to be the parties to the foregoing Certificate of Incorporation, and known to me personally to be such, and acknowledged the said Certificate to be their act and deed and that the facts therein stated are truly set forth, and that they have associated themselves as parties to the foregoing Certificate for the purpose of becoming a corporation under the Laws of the State of Florida.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at Fort St. Joe, in the County and State aforesaid, on this, the day and year first above written.

Frank Hannon
Notary Public

Notary Public, State of Florida at Large,
My Commission Expires November 8, 1960.

CERTIFICATE OF AMENDMENT OF
CERTIFICATE OF INCORPORATION.

ST. JOE NATURAL GAS CO., INC., a Florida corporation, under its corporate seal and the hands of its President, J. Lamar Miller, and Secretary, Benjamin H. Dickens, hereby certified that:

I.

The Board of Directors of said corporation at a meeting called and held on February 22, 1968, adopted the following Resolution:

Be It Resolved by the Board of Directors, *of St. Joe*
JOE NATURAL GAS CO., INC., a Florida corporation, that said Board deems it advisable and hereby declares it to be advisable that Article III of the Certificate of Incorporation, be amended, changed and altered so as to read as follows:

The maximum number of shares of stock that this corporation is authorized to have outstanding at any one time is 180,000 shares of common stock, which stock shall have voting privileges and shall have a par value of One Dollar (\$1.00) per share.

Whenever a holder of common stock of the corporation shall be entitled to a vote thereon, he shall be entitled to one vote for each share of such stock standing in his name on the books of the corporation, each such holder of record of common stock shall be entitled to as many votes as shall equal the number of shares so held of record multiplied by the number of directors to be elected, and he may cast all such votes for a single director or may distribute them among the number to be voted for, or any two or more of them, as he may see fit, which right, when exercised, shall be deemed cumulative voting.

RECEIVED
AUD. 24-10 15 AM '68
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

APPROVED AND FILED
✓
of St. Joe

All persons who shall acquire stock in the corporation shall acquire it subject to the provisions of this Incorporation.

Dividends upon the capital stock of the Corporation shall be payable only out of the net earnings or earned surplus of the corporation and only when and as declared by the Board of Directors. The Board of Directors shall have power to determine whether any, and, if any, what part of the net profits or surplus of the Corporation shall be declared as dividends and paid to its stockholders, and all rights of holders of stock of the Corporation in respect of dividends shall be subject to the power of the Board of Directors so to do. The Board of Directors shall be fully protected in relying in good faith upon the books of account of the Corporation or statements prepared by any of its officers as to the value and amount of the assets and liabilities, net profits of the Corporation and any other facts pertinent to the existence and amount of net earnings or earned surplus or other funds from which dividends might properly be declared and paid.

Be It Further Resolved by said Board of Directors that a special meeting of the stockholders of record entitled to vote for the consideration of said amendment, be, and the same is hereby called to be held at 221 Reid Avenue, Port St. Joe, Florida, Wednesday, February 24, 1960, at 10:00 A. M. o'clock.

II.

The meeting of the stockholders of the corporation called by the Board of Directors as aforesaid was held on February 24, 1960, and at said special meeting of the stockholders said amendment of the Certificate of Incorporation was duly adopted by the unanimous vote of all the stockholders. ✓

In Witness Whereof said corporation has caused this

Certificate to be signed in its name by its President and its corporate seal to be hereunto affixed and attested by its Secretary, this the 24th day of February, 1960.

(SEAL)

ST. JOE NATURAL GAS CO., INC.,
a Florida corporation,

By J. Lamar Miller
President.

Attest: Benjamin H. Gentry
Secretary.

STATE OF FLORIDA
COUNTY OF GULF

On this day personally appeared before me the undersigned officer duly authorized by the laws of the State of Florida to take acknowledgments of deeds, J. Lamar Miller, President of ST. JOE NATURAL GAS CO., INC., a Florida corporation, and acknowledged that he executed the above and foregoing Certificate of Amendment as such officer for and on behalf of said corporation after having been duly authorized so to do.

Witness my hand and official seal at Port St. Joe, Gulf County, Florida, this the 24th day of February, 1960.

Frank Hannon
Notary Public

Notary Public, State of Florida at Large,
My Commission Expires November 3, 1960.

CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION

SEP 11 2 44 PM '63
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

RECEIVED

St. Joe Natural Gas Company, Inc., a Florida corporation, under its corporate seal and the hands of its President, Cecil G. Costin, Jr., and Secretary, Ashley M. Costin, hereby certify that:

1. The Board of Directors of said corporation at a meeting called and held on August 30, 1963, adopted the following resolution:

BE IT RESOLVED By the Board of Directors of St. Joe Natural Gas Company, Inc., a Florida corporation, that said Board deems it advisable and hereby declares it to be advisable that Article III of the Certificate of Incorporation be amended, changed and altered so as to read as follows:

APPROVED AND FILED
[Signature]

"The maximum number of shares of stock that this corporation is authorized to have outstanding at any one time is 1,000 shares of common stock with a par value of \$100.00 per share. All stock shall be fully paid and non-assessable."

BE IT FURTHER RESOLVED That all remaining paragraphs of Article III of the Certificate of Incorporation, or any amendments thereto, be, and the same are hereby, repealed.

2. The meeting of the stockholders of the corporation on August 30, 1963, immediately after the adjournment of the

meeting of the Board of Directors was held and said amendment of the Certificate of Incorporation was duly adopted by the unanimous vote of all of the stockholders.

IN WITNESS WHEREOF, Said corporation has caused this certificate to be signed in its name by its President and its corporate seal to be hereunto affixed and attested by its Secretary, this the 29 day of August, A. D. 1963.

ST. JOE NATURAL GAS COMPANY, INC.
a Florida corporation,

By Cecil G. Costin
President

ATTEST:

William M. Costin
Secretary

STATE OF FLORIDA
COUNTY OF GULF

On this day personally appeared before me, the undersigned officer duly authorized by the laws of the State of Florida to take acknowledgments, CECIL G. COSTIN, JR., President of St. Joe Natural Gas Company, Inc., a Florida corporation, and acknowledged that he executed the above and foregoing Certificate of Amendment as such officer for and on behalf of said corporation, and to having been duly authorized so to do.

WITNESS my hand and official seal at Port St. Joe, Gulf County, Florida, on this the 29th day of August, A. D. 1963.

James D. Donnelly
Notary Public
Notary Public, State of Florida at Large
My Commission Expires Dec. 27, 1963
Bonded by American Surety Co. of N. Y.