

REQUEST TO ESTABLISH DOCKET
(Please Type)

Date: 9-30-03 Docket No.: D30954-GU

1. Division Name/Staff Name:

2. OPR: JOHN SLOMKEWICZ

3. OCR: AUS, GCL, CMP

4. Suggested Docket Title: PETITION FOR RATE INCREASE BY INDIANTOWN GAS COMPANY, ~~INC~~

5. Suggested Docket Mailing List (attach separate sheet if necessary)

A. Provide NAMES OR ACRONYMS ONLY if a regulated company.

B. Provide COMPLETE NAME AND ADDRESS for all others. (Match representatives to companies.)

1. Parties and their representatives (if any):

2. Interested persons and their representatives (if any):

OPC

6. Check one:

Documentation is attached.

Documentation will be provided with recommendation.

DOCUMENT NUMBER-DATE
09396 SEP 30 8
FPSC-COMMISSION CLERK

INDIANTOWN

Gas company, inc.



CLEAN AND EFFICIENT NATURAL GAS AND PROPANE GAS FOR ALL YOUR ENERGY NEEDS

September 25, 2003

RECEIVED

SEP 29 2003

Florida Public Service Commission
CHAIRMAN JABER

Lila A. Jaber, Chairman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Indiantown Gas Company's Test Year Notification Pursuant To Commission Rule No. 25-7.140, Florida Administrative Code

Dear Chairman Jaber,

By this letter, Indiantown Gas Company (the "Company" or "Indiantown Gas") gives notice of its intent to file the first general rate case in its history with the Commission on November 24, 2003. The Company intends to use calendar year 2004 as the projected test year for setting final rates, and an historical 2002 test year for setting interim rates.

In compliance with Rule 25-7.140, F.A.C., Indiantown Gas submits the following information.

A. Test Year

The Company intends to use a projected test year for the twelve months ending December 31, 2004, supported by complete actual data from the twelve months ending December 31, 2002 as a historical test year. The Company also intends to request interim rate relief based on the 2002 historical test year.

B. Major Factors Necessitating a Rate Increase

As noted above, this is the first general rate case in the Company's history. The Company's rates were initially set when the Company became a natural gas public utility in 1970, upon connecting several "block" propane systems and a large industrial customer, Florida Steel Company, to the Florida Gas Transmission main line. The Company connected Caulkins Indiantown Citrus (now Louis Dreyfus) to its distribution system in 1972. Florida Steel's mill closed in 1976. Indiantown Cogeneration, L.P. achieved commercial operation of its cogeneration power plant in December 1995 and has been the Company's largest customer since

that time.

Despite its best efforts to control costs and to develop new business, the Company's rates approved in 1970 have failed to produce revenues sufficient to provide an adequate return on the Company's reasonable and prudent investment. In fact, as shown in the cost of service study filed when the Company restructured its rates in 2002, the Company has been earning a negative rate of return. Moreover, in particular, the Company has experienced significant cost increases in health and liability insurance over the past five years.

Significantly, since 1999, Indiantown Cogen has reduced its throughput by more than 70 percent, from 9.1 million therms in 1999 to 2.5 million therms in 2002. These reductions by Indiantown Cogen have been due to extremely volatile natural gas prices experienced since 2000, and due to the fact that Indiantown Cogen's facility uses natural gas only as a supplemental fuel. (Coal is the plant's primary fuel.)

Overall, the Company's total throughput has declined by approximately 2.8 million therms per year, representing a decrease of approximately 53 percent from 1999 through 2002.

Finally, the Company has committed itself to aggressively maintaining the safety and integrity of its distribution system through the early replacement of bare steel main pipe and through meter replacement. The Company feels and concurs with PSC safety officials that these steps are prudent and necessary to ensure safe system operation. The program consists of replacing approximately 1,000 feet of main, 50 services, and 50 meters per year. The company anticipates increasing the number of service-and-meter change-outs to 100 per year starting in 2004. Due to the age of these meters when taken out of the field, the Company has determined that system reliability and safety will be maintained and enhanced by replacing them rather than testing and reinstalling them.

C. The Company's Actions To Avoid Increasing Rates

Throughout its history, the Company has avoided rate increases via aggressive cost management and marketing to increase throughput (by which the Company has been able to maintain lower rates by virtue of spreading fixed costs over a larger sales base). With regard to cost control, the Company has, among other things, postponed substantial capital expenditures, outsourced its meter reading function, switched from a defined benefit pension plan to a 401(k) plan, and frozen wages from 2000 until mid-2003.

In 2002, the Company restructured its retail rates in an effort to maintain competitive rates for its industrial customers, which account for the vast majority of the Company's total throughput.

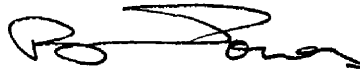
In 2003, the Company obtained the Commission's approval of the Company's Aggregated Transportation Service Program, in order to reduce total customer costs and thereby to provide appropriate, cost-based incentives (i.e., lower net gas costs) for the Company's customers to use more gas.

D. Proposed Agency Action Procedure Request

Pursuant to Rule 25-7.140(1)(d), F.A.C., the Company states that it is requesting that the Commission process its request for a rate increase using the proposed agency action procedures authorized by Section 366.06(4), F.A.C.

Thank you very much for your consideration. If your Staff have any questions, they should feel free to direct such questions to my attention or to our attorney, Schef Wright, at (850) 681-0311.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Brian J. Powers".

Brian J. Powers, President
Indiantown Gas Company