

INDIANTOWN ^{ORIGINAL} Gas company, inc.



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

September 21, 2004

Ms. Blanca Bayo
 Florida Public Service Commission
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0868

COMMISSION
 CLERK

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RECEIVED-FPSC

Dear Ms. Bayo:

As required by Commission Order No. PSC-04-0565-PAA-GU (Order), dated June 2, 2004, Indiantown Gas Company (Company) hereby submits its report of Required Entries and Adjustments that will be made in preparing reports which will be submitted to the Commission.

The Company has, for ease of reference, listed each item consistent with the numbering system that was used in the Order.

ADJUSTMENTS TO BOOKS

IV. RATE BASE

A. Transfer of Office Building to Land

An adjustment to Account 389, Land and Land Rights will be made to increase the per books amount to \$12,500.

D. Distribution System Recorded Prior to 1970

An adjustment to the plant balances for Account 376 and Account 380 will be made to decrease plant by \$81,347. An adjustment to the accumulated depreciation balances for Account 376 and Account 380 will be made at December 31, 2004 to reduce the balances by \$82,818.

E. Installation of Mains in New Hope Subdivision

An adjustment to the plant balances for Account 376 and Account 380 will be made to increase plant by \$30,536. An adjustment to the accumulated depreciation balances for Account 376 and Account 380

- CMP _____
- COM _____
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will be made at December 31, 2004 to increase the balances by \$21,681.

VI. NET OPERATING INCOME

L. Periodic Meter and Regulator Change-Out Expenses

An adjustment will be made to defer expenses associated with the meter and regulator change-out expenses for the two hundred seventy (270) meters that are not in compliance with Commission rules. The deferred account to be used for this is Account 186. The total expense amount to be deferred is a maximum of \$19,329 and shall be amortized to Account 878 over a four-year period beginning January 2004 and ending December 2007.

K. Odorant Costs

An adjustment will be made to defer odorant expenses in an amount of \$2,143 in Account 186. This amount shall be amortized to Account 874 over a three-year period beginning January 2004 and ending December 2006.

S. Rate Case Expense

An adjustment will be made to defer rate case expenses in an amount of \$52,500 in Account 186. This amount shall be amortized to Account 928 over a four-year period beginning January 2004 and ending December 2007.

ADJUSTMENTS TO SURVEILLANCE REPORT

IV. RATE BASE

A. Transfer of Office Building to Land

Account 389 will be increased to \$12,500 and 64% will be allocated to non-utility operations.

D. Distribution System Recorded Prior to 1970

The adjustments to plant, accumulated depreciation and depreciation expense will be reflected on the Surveillance Report.

E. Installation of Mains in New Hope Subdivision

The adjustments to plant, accumulated depreciation and depreciation expense will be reflected on the Surveillance Report.

G. Common Plant – Non-Utility Operations

The Company will use the Common Plant allocation percentage of 33.79% for all Common Plant accounts except Accounts 389, 394 and 396.

K. Cash

The Company will reduce cash in working capital to the three year average amount.

L. Non-Utility Allocation of Working Capital

The Company shall use 33.79% as the non-utility percentage of the adjusted (see K. above) cash balance.

The Company shall remove Account 154 from working capital.

The Company shall use 33.79% as the non-utility percentage of Accounts Payable.

V. COST OF CAPITAL

A. Cost Rate for Common Equity

The Company shall use 11.50% with a range of 100 basis points for the authorized range for ROE.

B. Weighted Average Cost of Capital

The Company shall make a pro rata adjustment over all sources of capital to reconcile rate base and capital structure.

The Company shall cap at 60% the equity ratio.

V. NET OPERATING INCOME

C. Non-Utility Expenses

The Company shall reduce Account 921, Office Supplies by the amount of expense associated with cleaning expenses for other than the Company office building.

The Company shall reduce Account 930, Miscellaneous General Expense for clothing purchased for employees that do not have a company logo on the items.

The Company shall reduce Account 932, Maintenance of General Plant for expenses to repair the Chief Executive Officer's automobile.

D. Non-Utility Allocations

The Company shall utilize a 33.79% allocation of common expenses to non-utility operations.

E. Non-Utility Allocation of Administrative & General (A&G) Salaries

The Company shall allocate indirect A&G salaries at 37.09% to non-utility expenses.

F. Membership and Dues

The Company shall reduce Account 932, Maintenance of General Plant for the non-utility portion of AAA membership dues.

The Company shall reduce Account 926, Employee Pensions and Benefits for the non-utility portion of YMCA membership dues.

H. Service Technician Salary

The Company shall record the actual amount of the Service Technician's salary as reflected on the time sheet.

J. Customer Service Representative Salary

The Company shall record the actual amount of the Customer Service Representative's salary as reflected on the time sheet.

M. Chief Financial Officer's Salary Increase

The Company shall record the actual amount of the Chief Financial Officer's salary as reflected on the time sheet. Any unallocated payroll shall be allocated to non-utility operations at 37.09%.

N. Employee Activities

The Company shall eliminate 50% of employee activities that include baseball game and dinner, employee's annual dinner and the president's award dinner. The Company shall then allocate 33.79% of the remainder to non-utility expense.

O. Entertainment Expenses

The Company shall eliminate entertainment expenses from Account 921, Office Supplies.

Q. Life Insurance Expenses

The Company shall eliminate the Northwestern policy from utility expenses.

T. American Gas Association Membership Dues

The Company shall reduce the allowable expense for AGA membership dues by 40%.

U. Advertising Expense

The Company shall include only advertising that is utility related and informational or educational in nature.

V. Charitable Contributions

The Company shall eliminate charitable contributions from Account 930, General Advertising and Miscellaneous General Expenses.

CC. Taxes Other Than Income

The Company shall allocate 10.37% of property taxes to non-utility operations.

DD. Income Tax Expense

The Company shall record the appropriate amount of Income Taxes on the Interest Synchronization calculated expense on the Surveillance Report.

The Company shall utilize the appropriate Income Tax rate (currently the 15% tax bracket) for Surveillance Report purposes.

If you have any questions or comments on these adjustments to the books or surveillance report, please contact me at 772.597.2168.

Sincerely,

A handwritten signature in black ink that reads "Melissa M. Powers". The signature is written in a cursive style with a large, stylized initial "M".

**Melissa Powers
Chief Financial Officer**