

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of City Gas Company)	DOCKET NO. 891175-GU
Inc. for a rate increase.)	ORDER NO: 24013
_____)	ISSUED: 01/23/91

The following Commissioners participated in the disposition of this matter:

GERALD L. GUNTER
BETTY EASLEY

ORDER GRANTING CERTAIN INCREASES

BY THE COMMISSION:

Pursuant to Notice, the Florida Public Service Commission held a public hearing on this matter in Tallahassee, Florida on November 26 and 27, 1990. Having considered the record in this proceeding, the Commission now enters its Final Order.

Background

This proceeding commenced on April 26, 1990, by the filing of a petition by City Gas Company of Florida, an operating Division of Elizabethtown (New Jersey) Gas Company (City Gas or the Company) for a rate increase that would provide City Gas with \$6,757,589 in additional annual revenues. The Company's last rate case, in Docket No. 830581-GU, was based upon a test year ending December 31, 1983, with rates set for an attrition year ending December 31, 1985. The present case is founded upon a projected test year ending September 30, 1991. In the last case, the Commission found the company's jurisdictional rate base to be \$40,865,942 in the test year; City Gas' current request is based upon a jurisdictional rate base of \$66,226,716 for the projected test year.

City Gas' last authorized rate of return, set in Docket No. 830581-GU, was 10.07% for the test year, which included a return on common equity of 15.75%. In this case, City Gas is requesting an overall rate of return of 9.76%, with a return on common equity of 14.00%.

By Order No. 23159, dated July 9, 1990, the Commission suspended City Gas' permanent rate schedules and granted the Company an interim increase of \$2,501,885.

The Office of Public Counsel intervened as a party in this proceeding.

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Customer service hearings were held August 8, 1990 and September 4, 1990 in Titusville and Hialeah, Florida, respectively. In an effort to define and refine the issues presented by this case, a formal prehearing conference was held before Commissioner Gerald L. Gunter on October 15, 1990, at which time the parties reached final agreement on several of the issues. Between the October 15 prehearing conference and the commencement of the hearing on November 26, the parties reached agreement on several additional issues. There remained for the hearing a number of contested issues which will be discussed in this order. Testimony and exhibits were presented on these issues by Jack Langer, Donald A. Murry, Jerry A. Wutzler, and Hugh Gower for the Company, by Mark A. Cicchetti and Steven C. Carver for the Office of Public Counsel and by Joseph W. McCormick for the Commission Staff.

SUMMARY OF DECISION

The record of the hearing reveals the Company did not fully support its request for a revenue increase of \$6,757,589. The Company has however demonstrated a need for a revenue increase of \$3,106,411 which will allow it the opportunity to earn a return of 9.47% on a rate base of \$62,570,299, based on a rate of return of 13.00% on common equity. These findings are based upon our calculation of the following data for the projected test year ending September 30, 1991 which is amply supported by the record in this proceeding.

Rate-Base:	\$62,570,299
Authorized Return on Equity	13.00%
Authorized Overall Rate of Return	9.47%
Projected Revenues (Net of Cost of Gas)	\$21,389,680
Revenue Increase Granted	\$ 3,106,411
Gross Non-Gas Revenue	\$24,486,091
Operating Expenses	\$17,389,063
Net Operating Income	\$ 5,925,408

The authorized overall rate of return is based upon the following capital structure (from Attachment 3):

<u>Component</u>	<u>Cost Rate</u>	<u>Weighting Ratio</u>	<u>Weighting Cost</u>
Common Equity	13.00%	0.5075	6.5980%
Long Term Debt	9.53%	0.2471	2.3548%
Short Term Debt	0.00%	0.0000	0.0000%
Customer Deposits	7.70%	0.0675	0.5194%
Deferred Taxes	0.00%	0.1460	0.0000%
Tax Credits	0.00%	0.0319	0.0000%
Weighted Cost of Capital			9.4722%

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I. REVENUE REQUIREMENTS DETERMINATION

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

A. STIPULATED ISSUES

Numerous revenue requirements issues identified in the Prehearing Order (and at the outset of the hearing) were resolved by stipulation of the parties. The stipulations represent resolutions of such issues reached collectively by City Gas, Staff and Public Counsel, often after extensive discovery and negotiation. Although City Gas asserted that it did not agree with the positions of Staff and/or Public Counsel on several of these stipulated issues, the Company stated that it was willing to accept certain adjustments affecting its revenue requirements in order to reduce the number of issues (and the time needed to address them) at the hearing. We accept and approve the stipulations on these issues.

B. DISPUTED ISSUES

1. RATE BASE - ATTACHMENT 1

- (a) Should the Company be allowed to include leased appliances in rate base, include the revenues and expenses in net operating income, and earn a reasonable rate of return on its investment?

City Gas Company leases gas water heaters, gas dryers, and gas ranges to its natural gas customers on a monthly basis. Rental rates are \$1.69, \$2.99, and \$5.00 per month for water heaters, dryers, and ranges respectively. The Company provides the appliance and normal installation charges, which include up to 10 feet of gas piping and 3 feet of hot and cold water lines. The customer pays for excessive installation costs as well as the cost of venting and permitting.

Leased appliances were included in rate base from the late 1960's until a 1981 rate case, when the Company stipulated to staff's position to remove them as non-utility assets. Since 1981, leased appliances have been treated as non-utility assets and

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removed from rate base for all practical purposes. The amount of rate base including leased appliances is provided as supplemental information with monthly earnings surveillance reports. In Docket numbers 861595-GU and 870296-GU, the Commission revisited the regulatory treatment of leased appliances and concluded that potential benefits such as program conservation effects and reduced costs to other ratepayers can also justify the inclusion of leased appliances in rate base for calculating allowable earnings. Now, the Company is once again seeking to include the cost of leased appliances in rate base. In addition to including the cost of leased appliances in rate base, the Company seeks to retain the ability to set lease rates.

The Company's current monthly lease charges do not recover the cost of providing leased appliances. Therefore, including the costs of leased appliances in rate base without increasing the lease charge will result in an increase in rates to cover the difference. The company justifies its program by saying that leased appliances help to attract new and retain old customers thereby benefitting ratepayers in two ways. First, in the company's view, through promoting the use of natural gas, the program has conservation effects because it reduces the demand for electric power. Second, more customers mean more gas sales and more gas sales mean a larger number of billing units over which to spread the costs of fixed plant investment. The company says the result of more gas sales is lower rates for all customers.

We believe that there are some very direct benefits to City Gas' general body of rate payers as a result of its leased appliance program, through the increased demand for natural gas and the retention/addition of customers.

We find that the company's investment in its leased appliance program is a prudent, utility investment and should be included in the rate base.

At present, the rates charged for appliance rental are not adequate to allow the company to earn a return on leased appliances equal to the company's weighted average cost of capital. To include the leased appliances in the rate base while continuing to charge present rates would result in an unjustified cross subsidy by City Gas' other ratepayers. However, raising lease rates to parity would require an unacceptable increase. Therefore we shall increase rates and move closer to parity while imputing the difference of \$827,614 to the Company to assure that the leased appliance program is not subsidized by other customer classes (see section (I)(B)(3)(f) of this Order). We will also increase the current monthly lease rates to move toward a rate of return equal to the weighted average cost of capital (see section (II)(B)(i) of this Order). In future rate cases, we will again increase monthly

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lease rates to move the class' rate of return closer to the weighted average cost of capital.

Additionally, we find that leased appliances and its associated accumulated depreciation should be reduced by \$562,731 and \$26,851 respectively for overprojected capital additions to the 1990 and 1991 budgets.

- (b) Should the Company be permitted to remove a deduction of \$75,890 for a customer advance from its rate base?

The Company made an adjustment removing a deduction of \$75,890 for a customer advance from the rate base. City Gas Company removed the item from working capital because it bore interest. City Gas Company's main extension policy contains no provision for the payment of interest on customer advances. Interest, in this case, is per the terms of a special gas service agreement with Brevard County to extend service to the county's detention facility.

This treatment is not in accord with past Commission Orders. This however, is a unique situation where the Company acted at the request of local and state officials to facilitate the utilization of an important public facility. We approve the Company's adjustment with the caveat that this treatment is limited to the specific facts of this case and should not be construed as a change in Commission policy regarding the treatment of customer advances.

- (c) Should the Company be required to book Contributions In Aid of Construction (CIAC) collectible under the terms of its main extension policy regardless of whether CIAC is actually collected?

Line extension fees, or CIAC, are designed to protect existing ratepayers from rate increases due to large increases in plant to serve only a few customers. Failure to apply a line extension policy uniformly means some ratepayers have to pay not only their share of capital investment cost but a piece of their neighbor's cost as well.

Concerns about the Company application of its line extension policy arose after uncollected CIAC was addressed in the original court's order in the antitrust case. These concerns resulted in a staff audit in which it was found that the amount of CIAC waived by the Company was too immaterial to warrant further action. The lack of materiality of the amounts also prompts us to find that no adjustment should be made. We take this opportunity to reiterate our policy concerning line extension fees. Natural gas companies shall book those contributions in aid of construction they choose to waive.

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- (d) Should an adjustment be made to prepayments in working capital removing \$15,604 for the surety bond premium and interest required by the court in connection with the antitrust judgement against the Company?

In addition to this adjustment the Company has requested the inclusion in the test year of \$140,784 in legal expenses related to the Company's antitrust litigation, as well as a contingency to recover the judgement from ratepayers on a per therm basis. For the reasons stated in section (II)(B)(h) of this Order we remove \$15,604 from prepayments in working capital.

- (e) Should an adjustment be made removing unamortized rate case expense of \$344,584 from working capital?

Yes. Commission policy is to remove unamortized rate case expense from working capital thus reducing rate base and the allowable return on that rate base. (Order No. 14030, Docket No. 840086-EI, Application of Gulf Power Company for Authorization to Increase Rates, and Order No. 21532, Docket No. 880558-EI, Petition of Florida Public Utilities Company for a Rate Increase) The objective of this policy is to effect a sharing of costs between ratepayers and stockholders in which the ratepayers pay the actual expenses through amortization and the stockholders pay the carrying costs on the unamortized balance. This sharing of costs is supposed to provide an incentive for the Company to minimize rate case expenses.

The Company disagrees with the Commission's policy but offers insufficient evidence to demonstrate that its circumstances are unique thereby justifying a departure from existing policy.

- (f) Should an adjustment be made removing piping allowances of \$1,946,751 from miscellaneous deferred debits in working capital?

The Company has included "Deferred Piping Allowances" of \$1,946,751 in the projected test year working capital. According to the Company witness, this item consists of downstream piping and venting costs that are paid to builders as incentives to induce them to use gas in their housing developments. Also booked to "Deferred Piping Allowances" are the costs of free gas water heaters and gas grills that are given to builders. Although the Company's energy conservation program pays an allowance to residential home builders to defray the additional costs of piping and venting a home, the Company claims that actual piping and venting costs often exceed the energy allowance. Amounts paid to home builders in excess of the allowance established under the energy conservation program are booked to "Deferred Piping Allowances".

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The Commission requires energy conservation programs to be cost effective. The cost effectiveness of a program can not be evaluated unless all costs are known. City Gas Company did not inform the Commission at the time of the energy conservation hearings that there were additional undisclosed costs. The Company claims that it assumed that the Commission had imposed maximums on amounts recoverable through energy conservation based on the energy conservation allowances paid by other gas companies.

In addition to piping and venting allowances, "Deferred Piping Allowances" contains the cost of free gas water heaters and gas grills given to builders. Exhibit 9 included a copy of a standardized builders agreement typical of the one used with the Company's Miami area builders. The contract calls for the Company to pay \$425 towards the cost of piping and venting each home for a water heater, dryer, and range and \$225 for piping and venting a furnace. According to Company witness Jerry Wutzler, these amounts would be recovered through the energy conservation program. The Company also agrees to connect all gas appliances to stubouts at no charge. Finally, the contract provides for the Company to furnish a free water heater for each home. Judging from this sample agreement, it appears that the main costs incurred by the Company in its builders agreements that are not covered by energy conservation are the costs of the free appliances.

We adopt Staff's recommendation to disallow the full amount of "Deferred Piping Allowances" in rate base because conservation related expenses should have been reviewed in association with the Company's energy conservation programs and because free appliances are not appropriate utility expenses. (FPSC Order No. 6500, Docket No. 73586-GU) However, it would not be appropriate to remove the entire amount since the Company did not participate in energy conservation between 1983 and 1988. Beginning with the 9/30/88 balance in the account of \$1,583,814, we adopt Public Counsel's approach to use a five year average amortization period. This leaves a 13 month average balance of \$791,909 in the account at the end of the projected test year. Therefore an adjustment reducing "Deferred Piping Allowances" by \$1,154,842 is appropriate. The adjustment also results in an increase to amortization expense of \$32,583.

- (g) Should unamortized depreciation study costs of \$10,856 be removed from projected test year working capital?

This treatment would be similar to that given unamortized rate case expense, allowing the Company to recover the costs but not allowing a return on the unamortized balance. Unlike a request for a rate increase, natural gas companies are required by Rule 25-7.045, Florida Administrative Code, to file a depreciation study with the Commission once every five years. Given that this \$10,856

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balance is the result of a Commission mandated activity, we deem it inappropriate to remove this amount from projected test year working capital.

- (h) What is the appropriate projected test year working capital allowance?

Based on the preceding adjustments and the previously stipulated adjustments we find that the appropriate projected test year working capital allowance is \$1,668,002.

- (i) What is the appropriate rate base to be used for the projected test year ending September 30, 1991?

Based on the preceding adjustments and the previously stipulated adjustments we find that the appropriate projected test year rate base is \$62,570,299.

2. NET OPERATING INCOME (NOI) - ATTACHMENT 2

Having established the Company's rate base, the next step in the revenue requirements determination is to ascertain the net operating income (NOI) applicable to the test period. The formula for determining NOI is Operating Revenues less Operating Expenses equals Net Operating Income.

- (a) Should the projected test year payroll be reduced \$117,240 to reduce overtime payroll from time-and-a-half pay to regular time pay?

The Company included \$335,826 in the projected test year expenses related to overtime pay. (\$305,448 in the historic base year trended by payroll factors of 4.71 percent for the historic base year plus one and 5.00 percent for the projected test year) From 1987 to 1989, the Company has continuously incurred in excess of 10 percent of the total overtime hours available. In dollar terms, the Company has incurred in excess of \$300,000 of overtime expense in each year for fiscal years 1987 to 1989. In 1989, the total overtime dollars of \$305,448 (attributed to field personnel and customer accounting) was approximately 16 percent of the total payroll for these areas. (\$305,338 divided by total payroll for these areas of \$1,851,814) In our view, the amount of overtime incurred by the Company is excessive.

Witness Wutzler admitted that the Company does not budget for overtime. In fact, the Company constructed its very first budget for this rate case proceeding. Prior to the hearing, the Company has never planned on a specific level of overtime and compared actual to projected. The lack of initiative by the Company to plan, compare, and assess overtime leads us to believe the Company

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approves and accepts this level of overtime as appropriate without objective analysis of any kind.

Although Mr. Wutzler states that much of the Company's overtime is beyond their control, the fact remains that overtime has been nearly constant for three years and the Company has not taken any steps to reduce it. While the hours incurred for work performed are probably prudent, the dollar amount paid for the hours by incurring them on an overtime basis is not.

The Company's analysis (Exhibit No. 35) attempts to show that to alleviate all overtime hours, eleven employees would have to be hired which would cost the Company \$77,956 more than if the overtime was incurred. The hypothetical is simply wrong. Using the Company's numbers provided in the exhibit, if the total overtime hours were 14,817 and dividing this by the total productive hours per employee of 1,864, the Company would need to hire 8 employees. Taking a simply average of the total cost to support an operations, service or measurement employee of \$31,449 and multiplying this by 8 results in a total payroll of \$251,592. If one considers the overtime dollars shown on Exhibit 34 of \$305,448, the difference is a savings of \$53,856.

Regulated utilities should be encouraged to control cost. If the Company does not have the incentive to control cost, then the Commission should provide the incentive. In that the Company has never budgeted for overtime, it appears unlikely that the Company has ever attempted to control it. It is unreasonable to include \$335,826 of overtime in the projected test year expenses absent any formalized effort to minimize this cost. Therefore we reduce the O and M projected payroll expense by \$53,856 in the test year. By making this reduction to the projected test year expenses the overtime hours remain intact, but the overtime dollars are restated to a more reasonable amount.

- (b) Should an adjustment be made to remove antitrust related legal expenses of \$140,784 in the projected test year?

The Company included \$140,784 in the projected test year expenses related to antitrust legal fees (\$106,500) and surety bond expense (\$34,284). The Company argues that these expenses were legitimately incurred and are recurring in nature. In that the Company has stated its intent to file a writ of certiorari with the United States Supreme Court in mid December, legal expenses are likely to occur in the future. However, we question whether these costs should be borne by the ratepayer.

In the Company's last rate case (Docket No. 830531-GU, Order No. 13609), we removed \$64,000 related to antitrust legal expenses

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for the reason that these services were not associated with the Company's normal utility activities.

The Company also included \$34,284 in the projected test year expenses related to a surety bond. The surety bond was required to guarantee the approximately 4.8 million dollars of damages awarded to the plaintiff pending City Gas' appeal of the judgment. We do not agree that these costs are recurring in nature.

Legal services incurred to defend the Company in antitrust litigation are not necessary in providing utility service and the surety bond expenses are nonrecurring in nature. The ratepayers should not have to bear the costs of the legal services or the surety bond when they did not have a say in whether or not to pursue the activities that initiated the lawsuit, nor did they have a say in whether to contest the suit. Accordingly we reduce the projected test year expenses by \$140,784.

- (c) Is it appropriate to include expenses for business meals and entertainment in O&M expenses?

This issue was raised by Public Counsel as a result of City Gas' response to an Interrogatory. In that response, the Company included a line item for business and entertainment expenses. As stated by Witness Wutzler, the description of that expense came from income tax regulation that requires the Company to set out these expenses because they do not get a full tax deduction. Mr. Wutzler goes on to state that examples of expenses included in this classification include Gas Institution dinners and conventions. No entertainment expenses were included. It is not appropriate to include entertainment expenses in projected test year O and M expenses. Based on the record we do not believe these expenses relate to "entertainment", and accordingly make no adjustment to the projected test year expenses.

- (d) What is the appropriate amount to be included in Account 926 for Employee Stock Ownership Plan (ESOP) contributions?

In its filing, the Company included \$625,164 in the projected test year expenses related to ESOP contributions. City Gas established an ESOP plan for its employees in 1986. The plan is non-contributory which means that the employees do not make contributions to the plan. City Gas pays all contributions. At the time the ESOP was established, the Company was entitled to make a yearly contribution to the plan based on 15 percent of employee compensation. In 1987, City Gas' Board of Directors voted to leverage the ESOP for 1.9 million dollars. The loan proceeds were used to purchase 46,000 shares of stock. These shares were in addition to approximately 15,000 shares of stock purchased by

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employer contributions during 1986 and 1987. Leveraging the ESOP provided City Gas the opportunity to make an additional yearly contribution of 10 percent, when the 10 percent of employee compensation was used to make payments on the ESOP loan.

Effectively, the ESOP plan operates as follows: The Company's maximum contribution is calculated by an actuary. The Company makes the maximum contribution, 15 percent related to the base contribution, and 10 percent to be paid toward the ESOP loan. When a loan payment is made, shares of stock are released for distribution. However, the stock itself does not necessarily get distributed to the employees. Sometimes, cash is distributed to the employees accounts instead of stock. During the year, the ESOP earns interest on investments made, and receives dividend income on the total shares of stock held. If City Gas had not leveraged the plan, we would likely accept the 15 percent contribution to the plan. The fact that the plan is leveraged leads us to question the additional 10 percent contribution. Both the 15 percent base contribution and the additional 10 percent contribution (related to the loan payment) are included in projected test year O and M expenses as employee benefits.

For regulatory purposes, principal and interest payments on a loan are not included in operating and maintenance expenses. For regulatory purposes, the principal outstanding is recorded in the capital structure and the associated interest is considered for tax purposes through the interest reconciliation adjustment. The accounting treatment of the ESOP deviates from general regulatory practice in that the principal and interest payments are imbedded in O&M expenses and the tax benefit is added to common equity.

The ESOP earns interest on investments made and receives dividend income on the total shares of stock held by the ESOP. When the Company pays dividends to the ESOP plan (based on stock held), the Company receives a tax benefit (tax deduction). The tax deduction received is not reflected in the Company's income taxes for regulatory purposes, but is credited to equity. By crediting the Company's equity, the overall cost of capital increases.

Mr. Wutzler stated that the ratepayers benefit from the ESOP plan through improved employee morale, productivity, efficiency, and reduced turnover rates. There is no evidence in the record to support Mr. Wutzler's statement. Whether employee morale or productivity actually increased as a result of implementing the ESOP plan is unknown, particularly any increase attributable to the decision to leverage the plan, which results in the added cost.

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We do not believe the ratepayers should be responsible for the 10 percent contribution that relates to the repayment of the ESOP loan for several reasons:

1. The Company was not obligated in any way to leverage the ESOP.
2. The Company's Board of Directors elected to leverage the ESOP and fund the ESOP several years in advance.
3. The benefits received by the ratepayers through increased morale, productivity, and efficiency over and above a non-leveraged plan have not been proven.
4. The tax benefit received by the Company merely increases the overall cost of capital to the ratepayers. At the Company's embedded tax rate of 37.63 percent, the savings that the shareholders enjoyed were \$93,973. This amount was credited to equity, thus increasing the overall cost of capital. At a 13 percent return on equity, the additional cost for the plan year ended 3/31/90 was \$19,584.
5. The 15 percent maximum contribution to the ESOP provides adequate benefits to the employees.
6. Loan payments for regulatory purposes are not to be included in operating and maintenance expenses.
7. Interest payment for regulatory purposes are not to be included in operating and maintenance expenses.
8. The dividend and interest income is not recognized on the Company's books as an offset to revenue requirements.

Since the Company has included \$625,164 in the projected test year expenses related to the ESOP contribution along with the principal and interest payment, we have reduced the projected test year expenses \$207,878 to eliminate recovery of the principal and interest payment. The remaining \$417,286 represents prudent ESOP contributions that should be recovered through base rates.

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- (e) Should the Company be allowed to recover the amortization expense of an acquisition adjustment resulting from the Company being merged with and into NUI?

City Gas Company was purchased by NUI Corporation on July 29, 1988 and was merged with and into Elizabethtown Gas Company. The merger resulted in a premium being paid for City Gas Company. City Gas has requested approval of the annual amortization of this positive acquisition adjustment, but has not sought to include the Acquisition Adjustment in its capital structure. The total amount of Acquisition Adjustment as of September 1989, was \$14,165,513. The Company requested an annual amortization in the projected test year of \$472,800 based on a 30 year amortization.

When the Commission considers whether to approve or deny a positive acquisition adjustment, or the amortization thereof, it does so on an individual case by case basis. It is Commission policy to disallow positive acquisition adjustments absent extraordinary circumstances. Specifically, Commission Order 23376 (Docket. No. 891309-WS) states:

"Our policy is that, absent extraordinary circumstances, the purchase of a utility system at a premium or discount shall not affect the rate base calculation."

The Order goes on to say:

"The customers of the acquired utility are not harmed by this policy because rate base has not changed. In fact, the customers should derive certain benefits from the acquisition, such as:

1. increased quality of service;
2. lowered operating costs;
3. increased ability to attract capital for improvements;
4. a lower overall cost of capital; and
5. more professional and experienced managerial, financial, technical and operational resources."

Although the Company, in this case, has not requested rate base treatment of the proposed acquisition adjustment, we believe that these same criteria should be utilized to examine the requested amortization.

There is insufficient evidence in the record to support a finding that City Gas customers have benefitted from increased quality as a result of the acquisition by NUI. Company Witness Wutzler stated during cross examination:

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Q Do you believe that City Gas was being operated at minimal or below minimal standards prior to the acquisition by NUI?

A No. (TR p. 827, lines 5 - 10)

As stated in Commission Order 15925 (Docket No. 850460-WS);

"It has been Commission Policy not to allow acquisition adjustment unless there are extraordinary circumstances. In this instance, there appear to be extraordinary circumstances. The prior owner has been operating the system at minimal or below minimal standards." (Emphasis added)

The second benefit to be examined is lowered operating costs. Analysis of City Gas' claimed lower operating costs shows savings to be, in some cases tenuous and in others based on erroneous comparisons.

The largest dollar amount of claimed savings is in insurance expense. Late filed Exhibit 41 suggests insurance savings of \$747,625 attributable to the merger with NUI. Each premium area overstates the savings.

The pre-merger general public liability, auto and workers compensation premium was \$1,065,379 through a six year retrospective rating plan (Exhibit 40, p. 10) At the time of the merger the Company had completed three plan years. City Gas excluded from its analysis \$401,414 in credits associated with this premium. With the credits included, the net premium is reduced to \$663,965. The face amount of insurance for personal injury under the old plan was two and one-half times greater (\$500,000 vs. \$200,000) than under the new. No allowance was made for the reduced coverage, with its associated greater risk for City Gas ratepayers, in the computation of the savings.

Exhibit 40, page 2 correctly states that amounts of workers compensation coverage are statutory as are the premiums charged. The two variables that determine the premium amount are job classification as established by law and the employers' actual experience. (See Chapters 440 and 627, Florida Statutes.) No action by City Gas' parent company, which has no Florida exposure, could affect this amount. Thus, no savings in workers compensation premium can be attributed to the acquisition by NUI.

Late filed Exhibit 40 alleges a \$38,000 savings in excess liability coverage, but the record is not sufficient for the Commission to judge the reasonableness of the allocation. City Gas' claim that the coverage would have cost \$195,000 more if the

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Company had purchased it for its own account is not adequately supported. Further, it is wrong to assume that the Commission would have allowed recovery of any and all premiums as prudent.

Claimed savings of \$6,714 in directors and officers liability coverage is of questionable benefit to the ratepayers, but not material in amount.

Analysis of the company's claim of \$25,517 savings in fire and casualty premiums reveals that the deductible in this policy was increased from \$5,000 to \$25,000. (Exhibit 40, p. 2) This does not permit a valid comparison of premium cost. One modest claim that would previously have been covered could now virtually wipe out this savings.

Allocations for legal, audit, SEC and directors' expenses are subject to unknown and unwritten policies of the parent company that are subject to change. Without any way to guarantee that the savings will continue, the evidence does not support a finding that City Gas' ratepayers benefit from the Company's merger/acquisition through any reduced operating costs.

We note that although the Commission did approve Chesapeake's acquisition adjustment in Order No. 18716, as pointed out by Company Witness Wutzler's direct Testimony (TR p 807 - 808), it was subsequently removed in Order 23166. When the record of Docket No. 891179-GU was examined, it was determined that the increase in costs were due primarily by a non-regulated out-of-state parent company allocating specific costs to its Florida division. Since this is a similar situation, Company Witness Wutzler contends that no costs are allocated or charged to City Gas by NUI (TR p. 273, lines 18 - 19). However, Wutzler stated during cross examination:

Q Is the agreement by NUI not to charge City Gas for common costs other than those nominal services part of the written merger agreement between City Gas and NUI?

A It's their policy. I don't know that agreement is the proper word.

Q Is it reduced to a written document some place?

A No.

Q Can you say for certainty that the policy won't change?

A I don't expect it to change.

Q But can you say for certainty that it won't change?

A No, I can't. (TR p. 435 - 436)

The third benefit to examine is increased ability to attract capital for improvements. Although Company Witness Langer stated in his direct testimony that:

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"The company's affiliation with NUI Corporation has also enabled City Gas to obtain financing on favorable terms" (TR p. 22, lines 17 - 19)

Witness Langer stated during cross examination:

Q Mr. Langer, was City Gas experiencing financial difficulty immediately prior to the merger with NUI?

A No, sir. (TR p. 123, lines 14 - 16)

Related to the Company's ability to attract capital is the fourth benefit to analyze, this being a lower overall cost of capital. The benefit was not addressed by the parties in the case.

Finally, the fifth and last benefit to be examined is more professional and experienced managerial, financial, technical, and operational resources. Besides the benefit of the parent company purchasing gas supply, no other additional resources have been afforded to City Gas through its merger with NUI. Company Witness Wutzler further stated during cross examination:

Q Has the managerial team of City Gas changed since the acquisition?

A No. (TR p. 828, lines 16 - 17)

Although the Company witnesses have alleged some lowering of operating costs, no other benefits have been demonstrated.

No other benefits were identified relating to (1) increased quality of service, (2) ability to attract capital for improvements, (3) more professional and experienced managerial or technical resources. In fact when asked whether NUI actively participated in the managerial aspects of City Gas, Company Witness Wutzler answered, "No". We find that City Gas Company has not demonstrated extraordinary circumstances and therefore no acquisition adjustment, or amortization thereof, has been justified.

(f) What is the appropriate amount of the projected test year depreciation and amortization expense?

This issue is a calculation based on the resolution of the previously discussed rate base and net operating income issues addressed in this case. Accordingly, we find that the appropriate projected test year depreciation and amortization expense is \$4,018,458.

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- (g) Should an adjustment be made to the projected test year payroll taxes for the effect of Staff's reductions in payroll expense and change in projection methodology?

This issue is merely a calculation based on the resolution of all payroll-related issues. All payroll-related issues have been stipulated with the exception of the appropriate amount of O and M payroll expense decided in Issue (I)(B)(2)(a) (Overtime issue). Having decided that issue, the appropriate amount of payroll taxes is \$29,110.

- (h) Is it appropriate to make a parent debt adjustment in the projected year?

Rule 25-14.004(3), Florida Administrative Code, provides that "It shall be a rebuttable presumption that a parent's investment in any subsidiary or in its own operation shall be consideration to have been made in the same ratios as exist in the parent's overall capital structure". The Company has not demonstrated sufficient reason to overcome this presumption. Based on the capital structure of NUI (City Gas' parent), a parent debt adjustment of \$119,012 would be appropriate. Since NUI's capital structure at the end of the projected test year (9-30-91) is unavailable, NUI's capital structure as of September 30, 1990 is utilized.

During the pendency of this Petition, the Internal Revenue Service has proposed regulations which would make such an adjustment violative of the normalization requirements of the Internal Revenue Code. These proposed regulations, if adopted, will be applicable to all rate proceedings which become final on or after December 20, 1990.

Since the final vote on this case was after that date, these proposed regulations are clearly applicable to this proceeding. Accordingly this adjustment shall not be made, but the associated revenues shall be held by the Company pending the outcome of the IRS rule making proceeding. We explicitly do not prescribe the treatment of any refund that may be due as a result of these proposed rules, but will revisit the issue, if appropriate, when the proposed rules are finally adopted or withdrawn.

- (i) Should adjustments be made to current income taxes, interest reconciliation, and the parent debt adjustment for the effect of changes to the projected test year net operating income and capital structure?

The following adjustments should be made for the effect of changes to the projected test year net operating income and capital structure:

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Current Income Tax Expense:	
State Income Tax	\$ 153,114
Federal Income Tax	894,465
Deferred Income Tax Expense:	
State Income Tax	-0-
Federal Income Tax	-0-
Interest Reconciliation	78,451
Parent Debt Adjustment	-0-
 Total Adjustments	 \$1,126,030

- (j) What is the appropriate amount of the projected test year net operating income?

This is a calculation based on the resolution of the previously discussed rate base and net operating income issues. Accordingly we find that the appropriate amount of projected test year net operating income is \$4,000,617.

3. RATE OF RETURN AND CAPITAL STRUCTURE - ATTACHMENT 3

- (a) What is the appropriate amount of investment tax credits to be included in the capital structure?

The average per books balance of investment tax credits was given on MFR G-3 as \$12,142,016. Consistent with Commission policy as stated in Order No. 23573 in the recent Gulf Power rate case:

"... we believe that the non-utility investments should be removed from equity. This will recognize that non-utility investments will almost certainly increase a utility's cost of capital since there are very few investments that a utility can make that are of equal or lower risk. Removing non-utility investments directly from equity recognizes their higher risks, prevents cost of capital cross-subsidies, and sends a clear signal to utilities that ratepayers will not subsidize non-utility related costs."

we remove non-utility investments from equity. Accordingly, the appropriate amount of investment tax credits to be included in the capital structure of City Gas Company is \$1,999,000.

- (b) What is the appropriate amount of deferred income taxes to be included in the projected year capital structure?

The Company reported a deferred tax balance per books of \$7,325,365 on MFR G-3, page 2. Also shown on that schedule is a specific adjustment of \$2,463,399 to remove the debit deferred

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taxes related to the provision for antitrust damages, with which we agree. In keeping with Commission policy as discussed in the previous issue, non-utility assets are being removed totally from equity. We find the appropriate reconciled average deferred tax balance is \$9,133,000.

- (c) What is the appropriate cost of common equity to be used to calculate the projected test year overall cost of capital?

Two experts presented testimony on the appropriate cost of equity for City Gas Company of Florida. Dr. Donald Murry, testifying on behalf of City Gas, stated that the company's cost of equity should be set at 14%; whereas Mr. Mark Cicchetti, testifying on behalf of the Office of Public Counsel, stated that the cost of equity should be set at 12.20%.

We believe that the cost of equity cannot be predicted precisely and that estimating the cost of equity is a subjective procedure. Based upon analysis of the testimony of the two witnesses, we believe the cost of equity lies within a range of 12.50% to 13.25%. Since rates must be set at a given cost of equity, we choose 13.00% as the point at which rates should be set. We believe this rate reflects business risk factors such as the size of City Gas and its transition to open access. This rate also reflects favorable factors such as the company's equity ratio and customer profile, which tend to reduce business risk. A cost of equity of 13.00%, plus or minus 100 basis points, is supported by the record and meets the standards of the Hope and Bluefield cases.

- (d) What action, if any, should the Commission take in light of City Gas' favorable results on a recent customer satisfaction survey conducted by the FPSC management audit staff?
- (e) Should the Company be penalized for not having formalized planning, contracting and leasing policies and for its failure to have a policy preventing conflicts of interest in those areas?

A review of the record leads us to find that neither a reward nor a penalty should be assessed at this time. The company requested a reward of 25 basis points added to its cost of common equity based on the customer satisfaction survey concluding that 95% of City Gas' customers were satisfied with the service provided by the Company. We commend the Company for this high level of satisfaction but find that no reward is appropriate.

At the hearing Company witnesses admitted that prior to this rate case, the Company had never prepared an annual budget. It was

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also developed that the Company has no conflict of interest policy, has not adequately shown that the proposed extension of an eight inch service main will correct the pressure problems at Merritt Island and Port Canaveral, and does not have a policy concerning or documentation analyzing the relative merits of lease/purchase decisions.

We believe a publicly regulated monopoly should avoid conflicts of interest in practice and appearance. The right to operate a monopoly for the public good is a public trust. The Company should prevent or limit any business dealings with the Company for compensation by any business entity of which an employee, spouse or child is an officer, partner, owner, director or proprietor, or has any material interest. The Company should prohibit any business relationship by employees, i.e., investments with persons doing business with the Company, such as vendors, contractors, suppliers, etc.

The Company shall begin utilizing a formalized budgeting and planning process; make and document cost comparative analyses on contracting and lease/purchase decisions; and implement and enforce a comprehensive conflict of interest policy.

Since the management audit which revealed these deficiencies was the first-ever conducted concerning City Gas by the Commission, no penalty is appropriate.

- (f) What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ending September 30, 1991?

The weighted average cost of capital is detailed in Attachment 3 which reflects specific adjustments removing non-utility common plant and non-utility working capital. This is consistent with the previously stated policy of removing inherently riskier non-utility investments from common equity, thus avoiding any possibility of cross subsidization by ratepayers.

We accept the company's correction to its capital structure filed October 5, 1990. In calculating the weighted average cost of capital, staff used the cost rates for all capital components that were supplied by the company except for the cost of equity. Staff used a 13.00% cost of equity as discussed in Issue (I)(B)(2)(c). Based on the adjusted capital structure presented on Attachment 3 and a 13.00% cost of equity, we find that the weighted average cost of capital is 9.47%.

4. REVENUE DEFICIENCY (Attachment 5)

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

The projected test year revenue deficiency is a mere matter of calculation after resolution of the issues previously discussed. City Gas' revenue deficiency is \$3,106,420.

II. RATE, RATE DESIGN AND TARIFF ISSUES (Attachment 6)

A. STIPULATED ISSUE

The parties stipulated to the withdrawal of the Company's proposed weather normalization clause. We accept and approve the stipulation on this issue.

B. DISPUTED ISSUES

- (a) What should the miscellaneous service charges be?

After reviewing the record we find the appropriate miscellaneous service charges to be as follows:

Initial Connection and Reconnection - Residential	\$13.00
Initial Connection and Reconnection - Commercial	\$30.00
Change of Account	\$10.00
Collection in lieu of disconnection	\$10.00
Returned Check charge	5% or \$15.00
Disconnection for Non-Payment - Residential	\$13.00
Disconnection for Non-Payment - Commercial	\$30.00

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

The Company used the Staff's cost of service study, as required. However, the Company performed a second cost of service study which treated part of the cost of distribution mains which represents the minimum system as customers costs, and specifically identified meters and service with each customer classification.

The Staff's cost of service study program provides for direct and special assignments of cost to the various rate classes (customer, capacity and commodity) as indicated on Schedule F in Attachment 6. The use of the minimum distribution method is not used by this Commission for the development of the customer charge, therefore, distribution mains are treated as demand related costs.

We find that staff's cost of service study as modified to reflect direct assignment of customer and capacity costs and the

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elimination of the minimum distribution method plus adjustments made to rate base, operating & maintenance expenses and net operating income, fairly reflects each customer class' contribution to the proposed overall rate of return of the Company.

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

Revenue requirements have changed due to various adjustments to rate base, operating & maintenance expense, net operating income and cost-of-capital as previously discussed throughout this Order. Accordingly, the total revenue requirement allocation is shown in Attachment 6.

- (d) Should the Commission approve the Company's proposed cogeneration rate and related cogeneration transportation rate?

The Commission has moved away from end-use rates and expanded catalogues of customer classifications since the mid 1970's. End-use based rates that are purely market-based, or value-of-service rates have no relationship to cost-based rates.

The record reveals that a commercial firm customer, a customer buying natural gas for compression and resale as vehicle fuel and a small cogenerator could all have similar load factors, and volumetric requirements. Yet under the Company's proposed rates they would pay customer charges and per therm charges different from each other simply because they are using the gas for different reasons.

The Company also requested a compressed natural gas rate (CNG). The Commission approved the Company's compressed natural gas (CNG) rate initially in August 1981, Docket No. 810248-GU(TF), Order No. 10231, as an experimental rate for a period of only two years. By petition filed June 10, 1983, the Company requested an early withdrawal of its CNG rate. Decreases in the price of gasoline coupled with increases in the price of natural gas had reduced public acceptance of the CNG rate. However, in the Company's last rate case, Docket No. 830581-GU, the Commission approved the implementation of the CNG rate schedule, serving only 14 customers with a total consumption of 105,386 therms.

As filed by the Company, the CNG rate schedule had 54 bills or 4.5 customers in the base year with an annual consumption of 94,056 therms. This is a decrease of 9.5 customers and a decrease of 11,330 therms over the 1983 rate case. The Company indicates that for the projected test year, it will have 5 customers, with an annual consumption of 45,776 therms. This is an increase of .5 customers and a decrease of 48,280 therms annually over the base

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year and a decrease of 9 customers and a decrease of 59,610 therms annually over the 1983 rate case.

We find that the Company's proposed cogeneration rate shall be redesigned as a large volume interruptible rate for those customers using over 1,000,000 therms annually, and the separate CNG rate be eliminated and sales be included in the commercial firm rate schedule.

(e) What should the rates and charges be for City Gas Company of Florida?

The rates and charges as shown in Attachment 6 were developed on the basis of the cost to serve, taking into account all the previously discussed adjustments, and are hereby approved.

	<u>Customer Charge</u> <u>Dollars per Month</u>	<u>Energy Charge</u> <u>Cents per therm</u>
Residential	\$ 6.00	35.244
Commercial	\$ 12.00	17.770
Interruptible	\$ 36.00	11.752
Interruptible Large Volume	\$150.00	9.451
Gas Lighting	\$ 00.00	28.382

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

The general premise of allocating costs to those who create the cost (cost causality), is generally accepted by cost of service experts.

We have issued several orders dealing with regulated natural gas utilities' ability to be competitive with alternative fuels. Value of service, consumption and load characteristics, rate shock, as well as rate history have always been considerations in designing rates.

We have been guided by all of these considerations, in addition to limiting the percentage increase for any one class so as not to exceed one and a half times the system average increase.

With the availability of open access transportation, and the increasing threat of bypass, greater consideration is being placed on the value of service concept than in the past, subjective as it may be. This allocation has taken all of these considerations into account.

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As reflected in Attachment 6, the proposed revenue deficiency is allocated as follows, with corresponding rates of return and percentage increases:

	<u>Revenue Increase</u>	<u>Percent Increase</u>	<u>Rate of Return</u>
Residential	\$2,347,989	23.81	7.07
Commercial	\$ 508,703	6.59	13.16
Gas Lighting	\$ 36,980	775.42	- 9.58
Interruptible	\$ 205,499	21.80	8.05
Interruptible Large Volume	\$ 7,240	2.17	4.92
Leased Appliances	-0-	0.00	9.47
 TOTAL	 <u>\$3,106,411</u>	 <u>14.52</u>	 <u>9.47</u>

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

The billing determinants as used in Attachment 6 are based on the Company's forecasted data and trend study for the projected test year, as adjusted for removal of weather normalization. Staff, using linear regression analysis, determined that based on historical trends, the projected customer growth times historic average usage revealed a representative usage for the projected test year. Accordingly, we adopt these billing determinants for use by City Gas company of Florida.

(h) Should the Company's proposed antitrust litigation contingency charge be approved?

In its original filing, the Company petitioned for an antitrust litigation contingency charge to be applied on a per therm basis to all customers. The litigation involves an antitrust suit filed by Consolidated Gas Company of Florida, Inc. against City Gas in April 1983. Since 1983, the following have transpired:

August 1987	The District Court issued a judgment against the company finding that City Gas was guilty of committing illegal acts in violation of the Sherman Anti-trust Act.
December 1987	The District Court denied a motion for a new trial and City Gas appealed to the United States Circuit Court of Appeals of the Eleventh Circuit.

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August 1989	The Circuit Court of Appeals affirmed the judgment of the District Court.
October 1989	The Circuit Court of Appeals granted City Gas' request for a rehearing and vacated its prior affirmance of the judgment.
September 1990	The 11th circuit issued its en banc ruling which affirmed the original District court judgment.
December 1990	The Company plans on petitioning the United States Supreme Court for review of the previous decision.

In our view, the scope of this issue is very narrow. This issue merely asked whether the litigation damages should be borne by the ratepayers. This issue should not, and is not, intended to address guilt or innocence. The question of guilt or innocence should be left to the courts. We were not privy to all issues and information addressed in the antitrust suit. To force the Commission to formulate its own opinion and second-guess the courts on guilt or innocence would be inappropriate.

The Commission's role is one of regulatory oversight. The responsibilities of this Commission are to assure quality service at fair and reasonable rates. The Commission is not in a position to second-guess the court system with respect to antitrust lawsuits, nor is it in the position to second-guess the courts with respect to lawsuits filed with respect to personal injury damages or any other suit. This issue addresses the question of who is to pay the damages, City Gas or the ratepayers. The question of guilt will be finally determined by the judicial system.

On several occasions, the Commission has been faced with issues involving the collection of antitrust legal expenses and antitrust damages. In Docket No. 810035-TP, Order No. 10449 (Petition of Southern Bell to Place Into Effect Certain Rates and Charges Pursuant to Section 364.05, Florida Statutes), the Commission disallowed \$2,185,840 related to antitrust litigation. In Docket Nos. 880069-TL and 870832-TL, Order No. 20162 (Petition of Southern Bell for Rate Stabilization and Implementation Orders and Other Relief), the Commission disallowed intrastate expenses of \$1,733,754 finding that these expenses were incurred in the settlement of antitrust cases and had not been shown as reasonable or to the benefit of Florida ratepayers.

We do not believe that any benefits accrue to the ratepayer for funding these damages. The damages are costs. The ratepayer does not receive lower rates, a superior gas, or better service in

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funding these costs. To the contrary, the ratepayers would be burdened by higher rates with no offsetting benefits. The burden of these costs should be borne by the shareholders of City Gas. The judicial system will make its final determination of guilt and the Commission is not in a position to question the merits of the court's decision.

Accordingly, the Company's proposed antitrust litigation contingency charge is denied.

- (i) If the Company is allowed to include leased appliances in rate base, should the rates charged for leased appliances be cost based?

As previously stated, the current monthly lease rates of \$1.69 for a water heater, \$2.99 for a dryer and \$5.00 for a gas range do not allow the Company to fully recover the costs associated with providing this service. Since we voted to include the Company's appliance leasing program in rate base, these rates must be tariffed. Commission policy is to set rates for each class of customer to move toward allowing the Company to earn a return for that class equal to its fair rate of return.

We have on many occasions capped rate increases for individual classes at 150% of the average company-wide increase to avoid rate shock. In keeping with these guidelines, we set the monthly lease rates as follows:

<u>Appliance</u>	<u>Monthly Rate</u>
Dryer	\$3.50
Water Heater	\$2.25
Gas Range	\$5.00

- (j) Should the Company's temperature correction proposal to reflect more accurately the impact that warm temperatures have on meter readings used to compute billing determinants, be approved?

The Company has proposed a temperature correction factor designed to reflect more accurately reflect the impact warm temperature has on the meter readings used to compute sales to its customers.

In its service area, gas is sold to customers at a significantly higher temperature than that at which it is purchased. The Company has never conducted any study, either in the past or during the present case, to determine whether the use of the Company's proposed temperature correction factors made any difference in gas consumption and revenues, or if the location of

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the meter has any effect, or if it is cost effective to install temperature correcting instruments.

As stated by Staff witness McCormick, "Before the Commission approves any change of this nature, the Company should be required to perform a study to determine which variables are truly the most significant indicators of the error factor in billing and to provide the Commission with analyses of the validity of various mathematical models evaluated. To require less would be to risk adding another level of complexity to customers' bills and still not resolving the problem."

Accordingly, we find that the Company's temperature correction proposal should be denied. The Company is directed to perform a study as suggested by Mr. McCormick, prior to requesting a temperature correction factor in the future.

- (k) Should the Commission approve the Company's proposed transportation rate schedules CTS, CNT and ITS?

We approve the proposed rates, with the exception of the CNT rate schedule. The rates to be charged under the transportation rate schedules shall be the same as the rate schedule it refers to.

- (l) Should the refund of the interim increase be based upon the total interim revenues above the permanent increase or based upon the appropriate return on equity established in the rate case?

The Order suspending the permanent increase granted the Company an interim rate increase in the amount of \$2,501,885. Section 366.071(4), Florida Statutes, requires that any refund ordered by the Commission be calculated to reduce the rate of return during the pendency of the proceeding to the same level within the range of the newly authorized rate of return which is found to be fair and reasonable on a prospective basis. In this case, the permanent increase of \$3,106,420 is greater than the interim amount. Therefore, no refund is required.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the findings of fact and conclusions of law set forth herein are approved. It is further

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

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

ORDERED that the rate increase authorized in this Order shall be effective for billings rendered for all meter readings taken on or after January 21, 1991. It is further


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

ORDERED that City Gas Company of Florida shall begin utilizing a formalized budgeting and planning process. It is further

ORDERED that City Gas Company of Florida shall make and document cost comparative analyses on contracting and lease/purchase decisions. It is further

ORDERED that City Gas Company of Florida shall implement and enforce a comprehensive conflict of interest policy.

By ORDER of the Florida Public Service Commission, this 23rd day of JANUARY, 1991.



STEVE TRIBBLE, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900 (a), Florida Rules of Appellate Procedure.

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CITY GAS COMPANY
DOCKET NO. 891175-GU
COMPARATIVE AVERAGE RATE BASES
PTY 9/30/91

Attachment 1

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	COMPANY			STAFF		COMPANY	PUBLIC
	TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS ADJUST.	ADJ. JURIS.	PER BRIEF	COUNSEL PER BRIEF
Utility Plant							\$96,900,544
Plant in Service	\$82,617,281			(\$562,731)			(\$14,043,351)
1 Leased Appliances		\$14,043,351		(\$38,828)			(\$38,828)
52 Adjustment to Remove Artwork							
Common Plant Allocated Out	(\$994,238)			\$0			(\$68,305)
1 Common Plt. Alloc. In-Leased App's		\$68,305		(\$78,044)			(\$78,044)
54 Additional Comm Plt Alloc Out-M&J				\$0			
1 Additional Comm Plt Alloc Out-L App's				(\$1,147,195)			(\$1,147,195)
Adjustment to Construction Budget				(\$223,270)			(\$223,270)
Inactive Service Line Adjustment				\$166,153			\$166,153
Adjustment to Projected Retirements							
Acquisition Adjustment	\$18,600,006	(\$18,248,384)					
Construction Work In Progress	\$814,223						
Total Plant	\$101,037,272	(\$4,136,728)	\$96,900,544	(\$1,883,915)	\$95,016,629		\$81,467,704
Deductions:							\$34,239,098
Accum. Depr. & Amort.-Utility Plant	\$29,165,645			(\$26,851)			(\$4,859,329)
1 Accum. Depr. & Amort.-Leased App's		\$4,859,329		\$10,938			\$10,938
54 Comm Plt Acc Depr Alloc Out-M&J				\$0			
1 Comm Plt Acc Depr Alloc Out-L App's				(\$22,336)			(\$22,336)
55 Adjust Construction Budget				(\$223,270)			(\$223,270)
562 Inactive Service Line Adjustment				\$136,753			\$136,753
56 Adjustment to Projected Retirements							
Accum. Depr.-Common Plant	(\$113,072)			\$0			(\$14,754)
1 Common Plt Accum Depr Alloc In-L App's		\$14,754					
Accum. Amort.-Acquisition Adj	\$1,774,442	(\$1,462,000)					
Subtotal-Accum. Depr. and Amort.	\$30,827,015	\$3,412,083	\$34,239,098	(\$124,766)	\$34,114,332		\$29,267,100
Customer Construction Advances	\$75,890	(\$75,890)					
7 Add Construction Advance				\$0			
Total Deductions	\$30,902,905	\$3,336,193	\$34,239,098	(\$124,766)	\$34,114,332		\$29,267,100
Net Plant	\$70,134,367	(\$7,472,921)	\$62,661,446	(\$1,759,149)	\$60,902,297		\$52,200,604
Allowance for Working Capital							\$1,534,945
18 Balance Sheet Method	(\$6,958,398)	\$10,523,668	\$3,565,270	(\$1,897,268)	\$1,668,002		\$53,735,549
19 Total Rate Base	\$63,175,969	\$3,050,747	\$66,226,716	(\$3,656,417)	\$62,570,299		

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CITY GAS COMPANY
DOCKET NO. 891175-GU
COMPARATIVE WORKING CAPITAL COMPONENTS
PTY 9/30/91

Attachment 1A

ADJ NO.	COMPANY			STAFF		COMPANY	PUBLIC COUNSEL
	TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS. ADJUST.	ADJ. JURIS.	PER BRIEF	PER BRIEF
	Working Capital	(\$6,958,398)					
	Other Special Funds		(\$9,702)				
563	Remove Interest Bearing Items			(\$146,241)			(\$146,241)
59	Correct Math Error			(\$118,594)			(\$118,594)
	Temporary Cash Investments		(\$5,933)				
	A/R-Mdse, Job & Other		(\$273,420)				
	Acc Prov Uncollect-Other		\$10,520				
	Merchandise		(\$266,741)				
510	Adjust Insurance Premium			(\$51,764)			(\$51,764)
511	Remove Portion of AGA Dues			(\$7,488)			(\$7,488)
12	Remove Antitrust Surety Bond			(\$15,604)			(\$15,604)
13	Unamortized Rate Case Exp			(\$344,584)			(\$344,584)
14	Remove Def. Piping Allow.			(\$1,154,842)			(\$1,154,842)
515	Remove Gate Station Painting			(\$43,776)			(\$43,776)
16	Remove Depreciation Study Cost			\$0			(\$10,856)
517	Remove School Appliances			(\$4,352)			(\$4,352)
578	Capitalized Office Equipment			\$32,984			
564	Nonutility Allocation-M & J			(\$43,007)			(\$43,007)
1	Nonutil. Alloc.-Leased App's			\$0			(\$89,217)
	Customer Deposits		\$4,522,740				
	Misc Current & Accrued Liab.		\$6,546,210				
Totals	(\$6,958,398)	\$10,523,608	\$3,565,270	(\$1,897,268)	\$1,668,002		(\$2,030,325)

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CITY GAS OF FLORIDA
 DOCKET NO. 891175-GU
 COMPARATIVE NO. 4
 PYE 9/30/91

ATTACHMENT 2

ADJ NO	COMPANY	COMMISSION VOTE			COMPANY	PUBLIC COUNSEL	
		PER BOOKS	ADJUST.	COMPANY ADJUSTED	ADJUSTED ADJUSTS. JURIS.	PER BRIEF	PER BRIEF
	OPERATING REVENUES	37,854,009				20,826,067	20,826,067
	REMOVE INTERIM RELIEF	3,176,058	(3,176,058)				
	REVENUES DUE TO GRWTH	730,613					
	ADJ FUEL RELATED REVS		(19,203,964)				
1	ADJ FOR LEASED APPL REV		1,445,409		1,084,405		1,084,405
520	ADJ FOR WEATHER NORM.				(343,798)	(343,798)	(343,798)
565	ADJ FOR TAKE OR PAY REV				28,539	28,539	28,539
566	ADJ COST OF GAS DEDUCT				4,501	4,501	4,501
580	ADJ OUT GROSS REC. TAX				(210,034)	(210,034)	
	TOTALS	41,760,680	(20,934,613)	20,826,067	563,613	21,389,680	21,599,714
	OPERATING EXPENSES	30,975,819				12,239,902	12,239,902
	ADJ OUT COST OF GAS		(18,843,892)				
	ADJ BAD DEBT FOR LEASED						
	ADJ FOR LEASED APPL EXP		107,975		3,036		
1-79	STAFF ADJS / SCH 2A				(1,485,692)	(1,115,757)	(1,791,660)
	TOTALS	30,975,819	(18,735,917)	12,239,902	(1,482,656)	10,757,246	10,448,242
	DEPRECIATION & AMORT	3,566,176				4,546,599	4,546,599
	ADJ COMMON PLT ALLOC		(15,121)				
	ADJ ANTI-TRUST AMORT		(141,600)				
1	ADJ FOR LEASED APPL		1,134,424		(39,797)	0	(1,137,144)
1	COMMON PLT-LEASED APP		2,720		0		
1	ADOTL PLT ALLOC - APPL				0		
54	ADJ COMMON PLANT				(4,956)	(1,956)	(4,956)
55	ADJ CONSTR BT BUDGET				(26,238)	(26,238)	(26,238)
56	ADJ RETIREMENTS				12,255	12,255	12,255
55	ADJ ACQUISITION ADJ				(472,800)		(472,800)
562	INACTIVE SERVICE LINES				(6,028)	(6,028)	(6,028)
579	ADJ FOR CAPLIZED ITEMS				9,423	9,423	0
38	TOTALS	3,566,176	980,423	4,546,599	(528,141)	4,018,458	3,911,688
	TAXES - OTHER	1,728,246				1,380,341	1,380,341
	ADJ FUEL RELATED TXS		(360,072)				
	ADJ FOR GROWTH		12,167				
	ADJ FOR REV EFFECTS				2,901	(5,828)	(28,626)
37	ADJ PAYROLL TAXES				(29,110)	(24,515)	(29,110)
574	ALLOC PROPERTY TAX				(5,860)	(5,860)	(5,860)
575	ADJ PROPERTY TAX				32,620	32,620	32,620
	ADJ GROSS RECEIPTS				(210,034)	(210,034)	(210,034)
	TOTALS	1,728,246	(347,905)	1,380,341	(209,483)	1,170,858	1,139,331
	CURRENT INC TAXES - FED	197,269				(77,341)	(77,341)
1	ADJ FOR LEASED APPL		(282,755)				
	CO ADJ EFFECT OF ABOVE		8,145				
39	STAFF ADJ ABOVE EFFECT				894,465	264,790	615,666
	TOTALS	197,269	(274,610)	(77,341)	894,465	817,124	538,325
	CURRENT INC TAXES - ST	38,207				(9,488)	(9,488)
1	ADJ FOR LEASED APPL		(48,377)				
	CO ADJ EFFECT OF ABOVE		682				
39	STAFF ADJ ABOVE EFFECT				153,114	45,327	105,330
	TOTALS	38,207	(47,695)	(9,488)	153,114	143,626	95,907
	DEF INC TAXES - FEDIST	173,151				421,969	421,969
1	ADJ FOR LEASED APPL		298,818				
	TOTALS	173,151	298,818	421,969	0	421,969	421,969
	INTEREST REC		(9,609)	(9,609)	78,451	69,362	27,918
	ITC'S	(9,609)		(9,609)		(9,609)	(9,609)
38-39	INDEBTEDNESS ADJ		0	0	0	0	(77,978)

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DOCKET NO. 891175-GU
O&M ADJUSTMENTS
FOR THE PTY ENDING 9/30/91

ADJ NO.		COMPANY PER FILING	COMMISSION VOTE	COMPANY PER BRIEF	PUBLIC COUNSEL PER BRIEF
	OPERATING EXPENSES:	\$12,239,902			
1	ADJ LEASE APPL - A&G ALLOC		0	0	(32,996)
1	ADJ LEASE APPL - GEN EXP		0	0	(107,975)
14	ADJ OUT DEFERRED PIPING		32,583	0	(70,124)
S15	ADJ OUT GATE STAT PAINTING		0	0	0
S17	ADJ OUT SCH APPLIANCES		(6,528)	(6,528)	(6,528)
S22	BENCHMARK - G&A SALARIES		(200,303)	(200,303)	(200,303)
23	ADJ OVERTIME PAY		(53,856)	0	(117,240)
24	ADJ ANTI-TRUST LEGAL/TRENDING		(140,784)	0	(137,008)
S25	ADJ HEALTH CARE COSTS		(102,357)	(102,357)	(102,357)
S26	ADJ EMPLOYEE ACTIVITY		(21,191)	(21,191)	(21,191)
28	ESOP ADJUSTMENT		(207,878)	0	(207,878)
S29	ADJ RATE CASE EXPENSE		(19,400)	(19,400)	(19,400)
S30	ADJ AGA DUES		(16,603)	(16,603)	(16,603)
S31	ALLOCATION OF A&G TO M&J		(156,183)	(156,183)	(156,183)
S32	ADJ FOR RENT EXPENSE		(118,696)	(118,696)	(130,801)
S33	ADJ FOR TRENDS APPLIED		(73,958)	(73,958)	(73,958)
S34	EFFECT OF TREND - PAYROLL		(28,769)	(28,769)	(28,769)
S34	EFFECT OF TREND - CUST GRWTH X INFL		(415)	(415)	(415)
S67	NON-RECURRING CAD EXPENSES		(4,180)	(4,180)	(4,180)
S68	POSTAL INCREASES		15,957	15,957	15,957
S69	ADJ FERC COUNSEL FEES		(55,918)	(55,918)	(55,918)
S70	ADJ FOR DUPLICATION OF EXP		(82,035)	(82,035)	(82,035)
S71	ADJ LIABILITY INSURANCE		(122,351)	(122,351)	(122,351)
S72	ADJ FOR PROMOTIONAL ADV		(3,641)	(3,641)	(3,641)
S73	ADJ FOR LEASED VEHICLES		(12,816)	(12,816)	(12,816)
S76	ADJ SALARY SR. VP		(46,627)	(46,627)	(46,627)
S77	ADJ OUT SCH APPLIANCES		(6,456)	(6,456)	(6,456)
S78	ADJ FOR CAPITALIZATION		(53,287)	(53,287)	(43,864)
	TOTAL	\$12,239,902	(\$1,485,692)	(\$1,115,757)	(\$1,791,660)

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ATTACHMENT 2B

CITY GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

COMPANY	BASE YEAR + 1 9/30/90	PROJECTED TEST YEAR 9/30/91	
TREND RATES:			
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%) FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
DISTRIBUTION EXPENSE				
870 Payroll-trended	15,572	16,305	16,668	1
Other trended	0	0	0	
Other not trended	0	0	0	
Total	15,572	16,305	16,668	
871 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	0	0	0	
Total	0	0	0	
874 Payroll-trended	214,035	224,116	229,097	1
Other trended	268,212	286,021	303,297	2
Other trended	30,578	32,076	33,456	4
Other not trended	0	0	0	
Total	512,825	542,214	565,849	
875 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other not trended	0	0	0	
Total	0	0	0	
876 Payroll-trended	19,853	20,788	21,250	1
Other trended	5,085	5,423	5,750	2
Other not trended	0	0	0	
Total	24,938	26,211	27,001	

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CITY GAS COMPANY
 O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 2B

COMPANY	BASE YEAR	PROJECTED	
	+ 1	TEST YEAR	
TREND RATES:	9/30/90	9/30/91	
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
DISTRIBUTION EXPENSE				
877 Payroll-trended	22,891	23,969	24,502	1
Other trended	6,972	7,435	7,884	2
Other not trended	0	0	0	
Total	29,863	31,404	32,386	
878 Payroll-trended	309,394	323,966	331,167	1
Other trended	254,806	271,725	288,137	2
Other not trended	0	0	0	
Total	564,200	595,692	619,304	
879 Payroll-trended	537,390	562,701	575,207	1
Other trended	301,697	321,730	341,162	2
Other trended	112,081	117,573	122,629	4
Other not Trended	0	0	107,975	
Total	951,168	1,002,004	1,146,973	
880 Payroll-trended	155,686	163,019	166,642	1
Other Trended	33,457	35,679	37,834	2
Other trended	135,628	142,274	148,392	4
Other not trended	0	0	0	
Total	324,771	340,971	352,867	
881 Payroll-trended	0	0		
Other trended	158,981	166,771	114,594	4
Other not trended	0	0	0	
Total	158,981	166,771	114,594	
TOTAL DISTR EXPENSES	\$2,582,318	\$2,721,571	\$2,875,641	

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CITY GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 2B

COMPANY	BASE YEAR	PROJECTED	
	+ 1	TEST YEAR	
TREND RATES:	9/30/90	9/30/91	
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
MAINTENANCE EXPENSE				
886 Payroll-trended	145	152	155	1
Other trended	2,828	2,967	3,094	4
Other not trended	0	0	0	
Total	2,973	3,118	3,250	
887 Payroll-trended	13,634	14,276	14,593	1
Other trended	120,235	128,219	135,963	2
Other not trended	0	0	0	
Total	133,869	142,495	150,556	
890 Payroll-trended	4,574	4,789	4,896	1
Other trended	8,619	9,191	9,746	2
Other not trended	0	0	0	
Total	13,193	13,981	14,642	
SUB-TOTAL	\$150,035	\$159,594	\$168,448	

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CITY GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 2B

COMPANY	BASE YEAR + 1 9/30/90	PROJECTED TEST YEAR 9/30/91	
TREND RATES:			
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
MAINTENANCE EXPENSE				
891 Payroll-trended	4,526	4,739	4,844	-1
Other trended	28,317	30,197	32,021	2
Other not trended	0	0	0	
Total	32,843	34,936	36,865	
892 Payroll-trended	18,732	19,614	20,050	1
Other trended	38,231	40,770	43,232	2
Other not trended	0	0	0	
Total	56,963	60,384	63,282	
893 Payroll-trended	166,553	174,398	178,274	1
Other trended	65,651	70,010	74,239	2
Other trended	16,837	17,662	18,421	4
Other not trended	(24,985)	0	0	
Total	224,056	262,070	270,934	
894 Payroll-trended	0	0	0	
Other trended	6,123	6,530	6,924	2
Other not trended	13,452	13,452	13,452	
Total	19,575	19,982	20,376	
TOTAL MAINT EXP	\$483,472	\$536,966	\$559,905	

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CITY GAS COMPANY
 O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

COMPANY	BASE YEAR + 1 9/30/90	PROJECTED TEST YEAR 9/30/91	
TREND RATES:			
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
CUSTOMER ACCT. & COLLEC.				
901 Payroll-trended	116,726	122,224	128,335	.1
Other trended	(10)	(11)	(11)	.2
Other not trended	0	0	0	
Total	116,716	122,213	128,324	
902 Payroll-trended	368,829	386,201	394,784	1
Other trended	35,677	38,046	40,344	2
Other trended	38,645	40,539	42,282	4
Other not trended	0	0	0	
Total	443,151	464,785	477,410	
903 Payroll-trended	611,405	640,202	672,212	1
Other trended	527,478	562,503	596,478	2
Other trended	18,949	19,878	20,732	4
Other not trended	455,884	283,786	429,631	
Total	1,613,716	1,506,368	1,719,053	
904 Payroll-trended	0	0	0	
Other trended	96,532	102,942	112,195	2
Other not trended	0	0	0	
Total	96,532	102,942	112,195	
905 Payroll-trended	0	0	0	
Other trended	84,581	90,197	95,645	2
Other trended	19,140	20,078	20,941	4
Other not trended	0	0	0	
Total	103,721	110,275	116,586	

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ATTACHMENT 2B

CITY GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

COMPANY	BASE YEAR	PROJECTED	
	+ 1	TEST YEAR	
TREND RATES:	9/30/90	9/30/91	
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
SALES PROMOTION EXPENSE				
911 Payroll-trended	41,388	43,337	45,504	-1
Other trended	10,023	10,694	11,340	-2
Other not trended	0	0	0	
Total	51,416	54,031	56,844	
912 Payroll-trended	219,494	229,832	241,324	1
Other trended	39,043	40,956	42,717	4
Other trended	263,930	267,120	316,762	
Other not trended	0	0	0	
Total	522,467	537,908	600,803	
913 Payroll-trended	0	0	0	
Other trended	2,692	2,871	3,044	2
Other not trended	0	0	0	
Total	2,692	2,871	3,044	
916 Payroll-trended	29,441	30,828	32,369	1
Other trended	11,346	12,099	12,830	2
Other not trended	0	0	0	
Total	40,787	42,927	45,199	
TOTAL SELLING EXPENSES	\$617,362	\$637,737	\$705,890	

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CITY GAS COMPANY
 O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

ATTACHMENT 2B

COMPANY	BASE YEAR + 1 9/30/90	PROJECTED TEST YEAR 9/30/91	
TREND RATES:			
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
ADMINISTRATIVE & GENERAL				
920 Payroll-trended	339,690	355,689	373,474	1
Executive Payroll-trended	453,897	476,592	500,421	3
Other trended	27,499	29,325	31,096	3
Total	821,086	861,606	904,991	
921 Payroll-trended	76	80	80	1
Other trended	13,448	14,341	14,439	2
Other trended	375,376	393,769	376,446	4
Other not trended	8,691	32,189	38,632	
Total	397,591	440,379	429,596	
923 Payroll-trended	0	0	0	
Other not trended	170,980	204,575	213,298	
Other not trended	0	4,344	4,344	
Total	170,980	208,919	217,642	
924 Payroll-trended	0	0	0	
Other trended	2,501	2,667	2,828	2
Other not trended	8,703	8,604	8,604	
Total	11,204	11,271	11,432	
925 Payroll-trended	0	0	0	
Other trended	52,180	55,645	59,006	2
Other not trended	761,504	1,331,032	1,295,945	
Total	813,684	1,386,677	1,354,951	
926 Payroll-trended	0	0	0	
Other trended	177,448	189,231	200,660	2
Other not trended	325,000	594,324	417,286	
Other not trended	504,370	507,906	468,100	
Total	1,006,818	1,291,461	1,086,046	
928 Other trended	20,656	21,668	22,600	4
Other not trended	71,692	24,131	25,168	
Other not trended	0	0	118,432	
Total	92,348	45,799	166,200	

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ATTACHMENT 2B

CITY GAS COMPANY
O&M FORECAST WORKSHEET - PROJECTED TEST YEAR CALCULATION

COMPANY	BASE YEAR + 1 9/30/90	PROJECTED TEST YEAR 9/30/91	
TREND RATES:			
# 1 PAYROLL FACTOR	4.71%	5.00%	
# 2 CUST GRWTH X INFL	6.64%	6.04%	
# 3 EXECUTIVE PAYROLL	5.00%	5.00%	
# 4 INFLATION ONLY	4.90%	4.30%	
CUSTOMER GROWTH	1.6600%	1.6700%	} FOR INFORMATIONAL PURPOSES

ACCOUNT	CITY GAS BASE YEAR	BASE YEAR + 1	PROJECTED TEST YEAR	TREND BASIS APPLIED
ADMINISTRATIVE & GENERAL				
929 Payroll-trended	0	0	0	
Other trended	(244,869)	(261,128)	(276,900)	2
Other not trended	(31,515)	(68,753)	(63,163)	
Total	(276,384)	(329,881)	(340,063)	
930.1 Payroll-trended	0	0	0	
Other trended	0	0	0	2
Other not trended	0	0	0	
Total	0	0	0	
930.2 Payroll-trended	0	0	0	
Other trended	0	0	0	
Other trended	0	0	0	
Other not trended	0	48,379	59,335	
Total	0	48,379	59,335	
931 Payroll-trended	0	0	0	
Other trended	172,550	181,005	129,440	4
Other not trended	0	0	0	
Total	172,550	181,005	129,440	
935 Payroll-trended	0	0	0	
Other trended	38,994	40,905	42,664	4
Other not trended	0	0	0	
Total	38,994	40,905	42,664	
TOTAL ADMIN & GEN EXP	3,248,871	4,186,519	4,062,234	

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CITY GAS COMPANY
DOCKET NO. 891175-GU
COST OF CAPITAL - 13 MONTH AVERAGE
TEST YEAR ENDING 9/30/91

ATTACHMENT 3

DOLLARS IN THOUSANDS

CAPITAL COMPONENT	COMPANY FILING	ADJUSTMENTS			ADJUSTED	RATIO	%	%
		COMPANY	STAFF	PRO RATA			COST RATE	WEIGHTED COST
COMMON EQUITY	48,348	(13,620)	(695)	(2,276)	31,757	0.5075	13.00%	6.5980%
LONG-TERM DEBT	16,569	0	0	(1,108)	15,461	0.2471	9.53%	2.3548%
SHORT-TERM DEBT	0	0	0	0	0	0.0000	0.00%	0.0000%
CUSTOMER DEPOSITS	4,523	0	0	(303)	4,220	0.0675	7.70%	0.5194%
DEFERRED TAXES	7,325	2,463	0	(655)	9,133	0.1460	0.00%	0.0000%
TAX CREDITS	2,142	0	0	(143)	1,999	0.0319	0.00%	0.0000%
TOTAL	<u>78,907</u>	<u>(11,157)</u>	<u>(695)</u>	<u>(4,485)</u>	<u>62,570</u>	<u>1.0000</u>		<u>9.4722%</u>

OVERALL RATE OF RETURN 9.47%

EQUITY RATIO 67.26%
(calculated using only debt and equity)

For purposes of calculating the projected test year revenue deficiency, staff has used an overall rate of return of 9.47%.

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CITY GAS OF FLORIDA

ATTACHMENT 4

DOCKET NO. 891175-GU

NET OPERATING INCOME MULTIPLIER

PTY 9/30/91

ADJ NO	DESCRIPTION	COMPANY PER FILING	COMMISSION VOTE	COMPANY PER BRIEF	PUBLIC COUNSEL
	REVENUE REQUIREMENT	100.0000%	100.0000%	100.0000%	100.0000%
	GROSS RECEIPTS TAX RATE	1.5000%	0.0000%	0.0000%	0.0000%
	REGULATORY ASSESSMENT FEE	0.3800%	0.3750%	0.3750%	0.3750%
	BAD DEBT RATE	0.2800%	0.2800%	0.2800%	0.2800%
	NET BEFORE INCOME TAXES	97.8500%	99.3450%	99.3450%	99.3450%
	STATE INCOME TAX RATE	5.5000%	5.5000%	5.5000%	5.5000%
	STATE INCOME TAX	5.3800%	5.4640%	5.4640%	5.4640%
	NET BEFORE FEDERAL INCOME TAXES	92.4600%	93.8810%	93.8810%	93.8810%
	FEDERAL INCOME TAX RATE	34.0000%	34.0000%	34.0000%	34.0000%
	FEDERAL INCOME TAX	31.4400%	31.9195%	31.9195%	31.9195%
	REVENUE EXPANSION FACTOR	61.0300%	61.9615%	61.9615%	61.9615%
S 80	NET OPERATING INCOME MULTIPLIER	1.6386%	1.6139%	1.6139%	1.6139%

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CITY GAS OF FLORIDA
DOCKET NO. 891175-GU
PTY DEFICIENCY
PTY 9/30/91

ATTACHMENT 5

ISSUE NO.	COMPANY PER FILING	COMMISSION VOTE	COMPANY PER BRIEF	PUBLIC COUNSEL PER BRIEF
RATE BASE (AVERAGE)	66,226,716	62,570,299	64,793,511	53,735,559
RATE OF RETURN	9.7644%	X 9.4700%	X 10.02209%	X 8.8500%
REQUIRED NOI	\$6,466,635	\$5,925,407	\$6,493,664	\$4,755,597
Operating Revenues	\$20,826,067	\$21,389,680	\$20,305,275	\$19,069,900
Operating Expenses:				
Operation & Maintenance	12,239,902	10,757,246	11,124,145	10,448,242
Depreciation & Amortization	4,546,599	4,018,458	4,531,055	2,911,688
Taxes Other Than Income Taxes	1,380,341	1,170,858	1,166,724	1,134,571
Current Income Taxes - Federal	(77,341)	817,124	187,449	538,325
- State	(9,488)	143,626	35,839	95,902
Deferred Income Taxes	421,969	421,969	421,969	421,969
Interest Reconciliation	(9,069)	69,382	52,227	27,918
Investment Tax Credits	(9,600)	(9,600)	(9,600)	(9,600)
Parent Debt Adjustment	0	0	0	(77,978)
Total Operating Expenses	18,483,313	17,389,063	17,509,808	15,491,038
ACHIEVED NOI	\$2,342,753	\$4,000,617	\$2,795,467	\$3,578,862
NOI DEFICIENCY	\$4,123,882	\$1,924,791	\$3,698,197	\$1,176,735
NOI MULTIPLIER	X 1.6386	X 1.6139	X 1.6139	X 1.6139
45 REVENUE INCREASE	\$6,757,589	\$3,106,420	\$5,968,520	\$1,899,184

NOTE: THE STAFF'S CALCULATED DEFICIENCY IS \$47,543 LOWER DUE TO ELIMINATING THE EFFECT OF GROSS RECEIPTS TAX. THE COMPANY HAS OPTED TO STATE THE GROSS RECEIPTS TAX AS A SEPARATE LINE ITEM ON THE CUSTOMER'S BILL.

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ATTACHMENT 6

COST OF SERVICE SUMMARY

LEASED APPLIANCES

COMPANY NAME: CITY GAS COMPANY
DOCKET NO. 891175-GU

PROPOSED RATE DESIGN

INCLUDED IN RATE BASE

	<u>TOTAL</u>	<u>GAS</u>			<u>INTERRUPT</u>	<u>LEASED</u>	
		<u>RESIDENTIAL</u>	<u>LIGHTING</u>	<u>COMMERCIAL</u>	<u>LARGE VOL.</u>	<u>APPLIANCES</u>	
<u>PRESENT RATES (projected last year)</u>							
GAS SALES (due to growth)	21,252,619	9,778,067	4,769	7,662,791	942,848	334,330 2,529,814	
OTHER OPERATING REVENUE	137,062	82,237	0	54,825	0	0 0	
TOTAL	21,389,681	9,860,304	4,769	7,717,616	942,848	334,330 2,529,814	
RATE OF RETURN	6.11%	-1.39%	-38.54%	13.82%	4.06%	3.96% 11.86%	
INDEX	1.00	0.00	-0.06	0.02	0.01	0.01 0.02	
<u>PROPOSED RATES</u>							
GAS SALES	24,217,230	12,040,976	41,749	8,114,774	1,148,347	341,570 2,529,814	
OTHER OPERATING REVENUE	278,862	167,317	0	111,545	0	0 0	
TOTAL	24,496,092	12,208,293	41,749	8,226,319	1,148,347	341,570 2,529,814	
TOTAL REVENUE INCREASE	3,106,411	2,347,989	36,980	508,703	205,499	7,240 0	
PERCENT INCREASE	14.52%	23.81%	775.42%	6.59%	21.80%	2.17% 0.00%	
		21.78	21.78	21.78	21.78	21.78 21.78	
RATE OF RETURN	9.47%	7.07%	-9.58%	13.16%	8.05%	4.92% 9.47%	
INDEX	1.00	0.75	-1.01	1.39	0.85	0.52 1.00	

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COMPANY NAME: CITY GAS COMPANY
 DOCKET NO. 891175-GU

**COST OF SERVICE SUMMARY
 CALCULATION OF PROPOSED RATES**

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

	TOTAL	GAS			INTERRUPT	LEASED APPLIANCES	
		RESIDENTIAL	LIGHTING	COMMERCIAL		INTERRUPT LARGE VOL.	LEASED APPLIANCES
PROPOSED TOTAL TARGET REVENUES	24,496,092	12,208,293	41,749	8,226,319	1,148,347	341,570	2,529,814
LESS: OTHER OPERATING REVENUE	278,862	167,317	0	111,545	0	0	0
LESS: CUSTOMER CHARGE REVENUES							
PROPOSED CUSTOMER CHARGES		\$6.00	\$0.00	\$12.00	\$36.00	\$150.00	\$0.00
TIMES: NUMBER OF BILLS	909,504	909,288	8,172	51,720	288	36	0
EQUALS: CUSTOMER CHARGE REVENUES	6,092,136	5,455,728	0	620,640	10,368	5,400	0
LESS: OTHER NON-THERM-RATE REVENUES							
EQUALS: PER-THERM TARGET REVENUES	18,125,094	6,585,248	41,749	7,494,134	1,137,979	336,170	2,529,814
DIVIDED BY: NUMBER OF THERMS	74,244,169	18,684,781	147,096	42,171,882	9,683,271	3,557,139	
EQUALS: PER-THERM RATES (UNRNDG)		0.352439	0.283821	0.177705	0.117520	0.094508	
PER-THERM RATES (RNDG)		0.35244	0.28382	0.17770	0.11752	0.09451	
PER-THERM-RATE REVENUES (RNDG RATES)	15,595,120	6,585,264	41,749	7,493,943	1,137,978	336,185	
<u>SUMMARY: PROPOSED TARIFF RATES</u>							
CUSTOMER CHARGES		\$6.00	\$0.00	\$12.00	\$36.00	\$150.00	WATER HEATER \$2.25
ENERGY CHARGES							
NON-GAS (CENTS PER THERM)		35.244	28.382	17.770	11.752	9.451	DRYER \$3.50
PURCHASED GAS ADJUSTMENT		27.459	27.459	27.459	24.656	24.656	RANGE \$5.00
TOTAL (INCLUDING PGA)		62.703	55.841	45.229	36.408	34.107	
<u>SUMMARY: PRESENT TARIFF RATES</u>							
CUSTOMER CHARGES		\$6.00	\$0.00	\$12.00	\$12.00	\$24.00	WATER HEATER \$1.69
ENERGY CHARGES							
NON-GAS (CENTS PER THERM)		23.720	3.278	16.913	12.216	9.480	DRYER \$2.99
PURCHASED GAS ADJUSTMENT		27.459	27.459	27.459	24.656	24.656	RANGE \$5.00
TOTAL (INCLUDING PGA)		51.179	30.737	44.372	36.872	34.136	
<u>SUMMARY: OTHER OPERATING REVENUE</u>							
		PRESENT		PROPOSED			
		CHARGE	REVENUE	CHARGE	REVENUE		
CONNECTION/RECONNECTION RESIDENTIAL	\$6.50	\$125,928	\$13.00	\$251,862			
CONNECTION/RECONNECTION COMMERCIAL	\$6.50	\$6,850	\$30.00	\$27,000			
CHANGE OF ACCOUNT	\$6.50	\$0	\$10.00	\$0			
BILL COLLECTION IN LIEU OF DISCONNECTION	\$0.00	\$0	\$10.00	\$0			
RETURNED CHECK CHARGE	\$0.00	\$0	\$15.00	\$0			
DISCONNECTION FOR NON PAY RESIDENTIAL	\$0.00	\$0	\$13.00	\$74,000			
DISCONNECTION FOR NON PAY COMMERCIAL	\$0.00	\$0	\$10.00	\$3,000			

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COMPANY: CITY GAS COMPANY OF FLORIDA
DOCKET NO. 891175-GU

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

ATTACHMENT 6
LEASED APPLIANCES
INCLUDED IN RATE BASE

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT	0		0		100% capacity
INTANGIBLE PLANT:	105232		105232		"
PRODUCTION PLANT	0		0		"
DISTRIBUTION PLANT:					
374 Land and Land Rights	190223		190223		"
375 Structures and Improvements	595858		595858		"
376 Mains	48247295		48247295		"
377 Comp.Sta.Eq.	0		0		"
378 Meas.& Reg.Sta.Eq.-Gen	0		0		"
379 Meas.& Reg.Sta.Eq.-CG	846143		846143		"
380 Services	18822832	18822832			100% customer
381-382 Meters	6014619	6014619			"
383-384 House Regulators	2045515	2045515			"
385 Industrial Meas.& Reg.Eq.	598389		598389		100% capacity
386 Property on Customer Premises	13548925	4708262	8840663	0	ac 374-385
387 Other Equipment	145827	50675	95152	0	ac 374-386
Total Distribution Plant	91055626	31641903	59413723	0	91055626
GENERAL PLANT:	2913196	1456598	1456598		50% customer, 50%, capacity
PLANT ACQUISITIONS:	351622		351622		100% capacity
GAS PLANT FOR FUTURE USE:	0		0		"
CWIP:	814223	282943	531280	0	dist.plant
TOTAL PLANT	95239899	33381444	61858455	0	95239899 checksum

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COMPANY: CITY GAS COMPANY OF FLORIDA
 DOCKET NO. 891175-GU

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

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	related plant
INTANGIBLE PLANT:	64582	0	64582	0	rel. plant account
PRODUCTION PLANT	0		0		"
DISTRIBUTION PLANT:					
375 Structures and Improvements	105516	0	105516	0	"
376 Mains	17032366	0	17032366	0	"
377 Compressor Sta. Eq.	0	0	0	0	"
378 Meas. & Reg. Sta. Eq.-Gen	0	0	0	0	"
379 Meas. & Reg. Sta. Eq.-CG	246440	0	246440	0	"
380 Services	7630988	7630988	0	0	"
381-382 Meters	2212257	2212257	0	0	"
383-384 House Regulators	734248	734248	0	0	"
385 Indust. Meas. & Reg. Sta. Eq.	235125	0	235125	0	"
386 Property on Customer Premises	4794256	1666008	3128248	0	"
387 Other Equipment	87331	30348	56983	0	"
Total A.D. on Dist. Plant	33078527	12273848	20804679	0	33078527 checksum
GENERAL PLANT:	955947	477974	477974	0	general plant
PLANT ACQUISITIONS:	312442	0	312442	0	plant acquisitions
RETIREMENT WORK IN PROGRESS:	-73894	-25678	-48216	0	distribution plant
TOTAL ACCUMULATED DEPRECIATION	34337604	12726144	21611460	0	34337604 checksum
NET PLANT (Plant less Accum. Dep.)	60902295	20655301	40246994	0	60902295 checksum
less: CUSTOMER ADVANCES	0	0	0		50% cust 50% cap
plus: WORKING CAPITAL	1668002	1205477	432635	29890	oper. and maint. exp.
equals: TOTAL RATE BASE	62570297	21860777	40679629	29890	62570297 checksum

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COMPANY: CITY GAS COMPANY OF FLORIDA
 DOCKET NO. 891175-GU

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

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

OPERATIONS AND MAINTENANCE EXPENSES	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	ac 301-320
PRODUCTION PLANT	0		0		100% capacity
DISTRIBUTION:					
870 Operation Supervision & Eng.	16668	8201	8467	0	ac 871-879
871 Dist. Load Dispatch	0		0		100% capacity
872 Compr. Sta. Lab. & Ex.	0	0	0	0	ac 377
873 Compr. Sta. Fuel & Power	0			0	100% commodity
874 Mains and Services	565849	158802	407047	0	ac376+ac380
875 Meas. & Reg. Sta. Eq. - Gen	0	0	0	0	ac 378
876 Meas. & Reg. Sta. Eq. - Ind.	27001	0	27001	0	ac 385
877 Meas. & Reg. Sta. Eq. - CG	32386	0	32386	0	ac 379
878 Meter and House Reg.	619304	619304	0	0	ac381+ac383
879 Customer Instal.	1146973	398574	748399	0	ac 386
880 Other Expenses	352867	175332	177535	0	ac 387
881 Rents	114594		114594		100% capacity
885 Maintenance Supervision	0	0	0	0	ac886-894
886 Maint. of Struct. and Improv.	3250	0	3250	0	ac375
887 Maintenance of Mains	150556	0	150556	0	ac376
888 Maint. of Comp. Sta. Eq.	0	0	0	0	ac 377
889 Maint. of Meas. & Reg. Sta. Eq. - G	0	0	0	0	ac 378
890 Maint. of Meas. & Reg. Sta. Eq. - I	14642	0	14642	0	ac 385
891 Maint. of Meas. & Reg. Sta. Eq. - CG	36865	0	36865	0	ac 379
892 Maintenance of Services	63282	63282	0	0	ac 380
893 Maint. of Meters and House Reg.	270934	270934	0	0	ac381-383
894 Maint. of Other Equipment	20375	12622	7754	0	ac387
Total Distribution Expenses	3435547	1707052	1728495	0	3435547 che
CUSTOMER ACCOUNTS:					
901 Supervision	128324	128324			100% customer
902 Meter-Reading Expense	477410	477410			"
903 Records and Collection Exp.	1719053	1719053			"
904 Uncollectible Accounts	120894			120894	100% commodity
905 Misc. Expenses	116586	116586			100% customer
Total Customer Accounts	2562267	2441373	0	120894	
(907-910) CUSTOMER SERV. & INFO. EXP.	0	0			"
(911-916) SALES EXPENSE	705890	705890			"
(932) MAINT. OF GEN. PLANT	42664	21332	21332	0	general plant
(920-931) ADMINISTRATION AND GENERAL	4019570	2904971	1042569	72030	0 O&M excl. AEG
TOTAL O&M EXPENSE	10765938	7780617	2792396	192924	10765938 che

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COMPANY: CITY GAS COMPANY OF FLORIDA
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SCHEDULE - B (COST OF SERVICE)
 CLASSIFICATION OF EXPENSES
 (Page 2 of 2)

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

DEPRECIATION AND AMORTIZATION EXPENSE:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	CLASSIFIER
Depreciation Expense	3500322	1187151	2313171	0		net plant
Amort. of Other Gas Plant	0		0			100% capacity
Amort. of Property Loss	3744		3744			100% capacity
Amort. of Limited-term Inv.	0	0	0	0		intangible plan
Amort. of Acquisition Adj.	483348	170059	313289	0		intan/dist/gen
Amort. of Conversion Costs	31044			31044		100% commodity
Total Deprec. and Amort. Expense	4018458	1357209	2630205	31044	0	4018458 che
TAXES OTHER THAN INCOME TAXES:						
Revenue Related	87279				87279	100% revenue
Other	1095278	371469	723809	0		net plant
Total Taxes other than Income Taxes	1182557	371469	723809	0	87279	
REV. CRDT TO COS (NEG. OF OTHR OPR. REV)	-278862	-278862				100% customer
RETURN (REQUIRED NOI)	5925401	2070213	3852357	2831		rate base
INCOME TAXES	2603790	909711	1692835	1244	0	return(noi)
TOTAL OVERALL COST OF SERVICE	24217282	12210358	11691603	228043	87279	24217282 che

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SCHEDULE - C (COST OF SERVICE)

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

COMPANY NAME: CITY GAS COMPANY
 DOCKET NO. 891175-GU

CUSTOMER COSTS	GAS				INTERRUPT	INTERRUPT LARGE VOL.
	TOTAL	RESIDENTIAL	LIGHTING	COMMERCIAL		
No. of Customers	80792	75774	681	4310	24	3
Weighting	NA	1	1	3	15	15
Weighted No. of Customers	90350	75774	681	13490	360	45
Allocation Factors	1	0.838669047	0.00753732	0.149311070	0.90398449	0.000498
	1	0.845038379		0.150445024	0.00401475	0.000501
CAPACITY COSTS						
Peak & Avg. Month Sales Vol. (therms)	13736200	4091778	24531	7383466	1635592	600833
Allocation Factors	1	0.297882820	0.00178586	0.537518818	0.11907165	0.043740
COMMODITY COSTS						
Annual Sales Vol. (therms)	74244169	18684781	147096	42171882	9683271	3557139
Allocation Factors	1	0.251666646	0.00198124	0.568016082	0.13042466	0.047911
REVENUE-RELATED COSTS						
Tax on Cust, Cap, & Commod.	62974	51971	383	3057	5564	1999
Allocation Factors	1	0.825268364	0.00607737	0.048543899	0.08835998	0.031750

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COMPANY NAME: CITY GAS COMPANY
 DOCKET NO. 891175-GU

SCHEDULE - D (COST OF SERVICE)
 ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

RATE BASE BY CUSTOMER CLASS	GAS					INTERRUPT LARGE VOL.
	TOTAL RESIDENTIAL	LIGHTING	COMMERCIAL	INTERRUPT		
DIRECT AND SPECIAL ASSIGNMENTS:						
Customer						
Meters	3802362	3213142	0	572046	15266	1908
House Regulators	1311267	1311267	0	0	0	0
Services	11191844	9386253	84357	1671066	44594	5574
All Other	5555305	4659062	41872	829468	22135	2767
Total	21860778	18569724	126229	3072581	81994	10249
Capacity						
Industrial Meas. & Reg. Sta. Eq.	363264	0	0	278813	61763	22689
Meas. & Reg. Sta. Eq. - Gen.	0	0	0	0	0	0
Mains	31214929	9298391	55746	16778612	3716813	1365367
All Other	9101436	2711162	16254	4892193	1083723	398105
Total	40679629	12009553	72000	21949618	4862299	1786160
Commodity						
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
All Other	29890	7522	59	16978	3898	1432
Total	29890	7522	59	16978	3898	1432
TOTAL	62570297	30586799	198288	25039177	4948192	1797842

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COMPANY NAME: CITY GAS COMPANY
DOCKET NO. 891175-GU

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

ATTACHMENT 6
LEASED APPLIANCES
INCLUDED IN RATE BASE

	GAS					
	TOTAL	RESIDENTIAL	LIGHTING	COMMERCIAL	INTERRUPT	INTERRUPT LARGE VOL.
Customer	0	0	0	0	0	0
Capacity	0	0	0	0	0	0
Commodity	0	0	0	0	0	0
Revenue	0	0	0	0	0	0
Total	0	0	0	0	0	0
OPERATIONS AND MAINTENANCE EXPENSE:						
DIRECT AND SPECIAL ASSIGNMENTS:						
Customer						
878 Meters and House Regulators	619304	523336	0	93171	2486	311
893 Maint. of Meters & House Reg.	270934	228950	0	40761	1088	136
874 Mains & Services	158802	133182	1197	23711	633	79
892 Maint. of Services	63282	53073	477	9449	252	32
All Other	6668296	5592493	50261	995650	26570	3321
Total	7780618	6531034	51935	1162742	31029	3879
Capacity						
876 Measuring & Reg. Sta. Eq. - I	27001	0	0	20724	4591	1686
890 Maint. of Meas. & Reg. Sta. Eq. - I	14642	0	0	0	10708	3934
874 Mains and Services	407047	121252	727	218795	48468	17805
887 Maint. of Mains	150556	44848	269	80927	17927	6585
All Other	2193151	653302	3917	1178860	261142	95930
Total	2792397	819402	4912	1499306	342836	125940
Commodity						
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
All Other	192923	48552	382	109583	25162	9243
Total	192923	48552	382	109583	25162	9243
TOTAL O&M	10765937	7398988	57230	2771631	399026	139062
DEPRECIATION EXPENSE:						
Customer	1187151	995627	8948	177255	4730	591
Capacity	2313171	689054	4131	1243373	275433	101180
Total	3500322	1684681	13079	1420628	280163	101771
AMORT. OF GAS PLANT:						
Capacity	0	0	0	0	0	0
AMORT. OF PROPERTY LOSS:						
Capacity	3744	1115	7	2012	446	164
AMORT OF LIMITED TERM INVEST.						
Capacity	0	0	0	0	0	0
AMORT. OF ACQUISITION ADJ.:						
Customer	170059	143706	0	25584	683	85
Capacity	313289	93324	559	168399	37304	13704
Total	483348	237030	559	193983	37987	13789
AMORT. OF CONVERSION COSTS:						
Commodity	31044	7813	62	17633	4049	1487

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COMPANY NAME: CITY GAS COMPANY DOCKET NO. 891175-GU	SCHEDULE - E (COST OF SERVICE) ALLOCATION OF COST OF SERVICE TO CUSTOMER CLASSES (Page 2 of 2)					ATTACHMENT 6 LEASED APPLIANCES INCLUDED IN RATE BASE
	TOTAL	RESIDENTIAL	LIGHTING	COMMERCIAL	INTERRUPT	INTERRUPT LARGE VOL.
TAXES OTHER THAN INCOME TAXES:						
Customer	371469	311539	2800	55464	1480	185
Capacity	723809	215610	1293	389061	86185	31660
Subtotal	1095278	527150	4093	444526	87665	31845
Revenue	87229	71987	530	4234	7708	2770
Total	1182507	599137	4623	448760	95373	34615
RETURN (NOI)						
Customer	2070213	1758551	11954	290973	7765	971
Capacity	3852357	1137303	6818	2078627	460459	169149
Commodity	2831	712	6	1608	369	136
Total	5925401	2896567	18778	2371208	468593	170255
INCOME TAXES						
Customer	909710	772757	5253	127862	3412	427
Capacity	1692835	499763	2996	913407	202339	74329
Commodity	1244	313	2	707	162	60
Total	2603789	1272834	8252	1041976	205913	74815
REVENUE CREDITED TO COS:						
Customer	-278862	-167317	0	-111545	0	0
TOTAL COST OF SERVICE:						
Customer	12210358	10345896	80890	1728336	49099	6137
Capacity	11691602	3455572	20717	6294185	1405002	516126
Commodity	228041	57390	452	129531	29742	10926
Subtotal	24130001	13858859	102058	8152052	1483843	533189
Revenue	87229	71987	530	4234	7708	2770
Total	24217230	13930846	102588	8156286	1491550	535959

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COMPANY NAME: CITY GAS COMPANY
 DOCKET NO. 891175-GU

SCHEDULE - D (COST OF SERVICE)
 ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

ATTACHMENT 6
 LEASED APPLIANCES
 INCLUDED IN RATE BASE

RATE BASE BY CUSTOMER CLASS	GAS			COMMERCIAL	INTERRUPT	INTERRUPT LARGE VOL.
	TOTAL	RESIDENTIAL	LIGHTING			
DIRECT AND SPECIAL ASSIGNMENTS:						
Customer						
Meters	3802362	3213142	0	572046	15266	1908
House Regulators	1311267	1311267	0	0	0	0
Services	11191844	9386253	84357	1671066	44594	5574
All Other	5555305	4659062	41872	829468	22135	2767
Total	21860778	18569724	126229	3072581	81994	10249
Capacity						
Industrial Meas. & Reg. Sta. Eq.	363264	0	0	278813	61763	22689
Meas. & Reg. Sta. Eq. - Gen.	0	0	0	0	0	0
Mains	31214929	9298391	55746	16778612	3716813	1365367
All Other	9101436	2711162	16254	4892193	1083723	398105
Total	40679629	12009553	72000	21949618	4862299	1786160
Commodity						
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
Account #	0	0	0	0	0	0
All Other	29890	7522	59	16978	3898	1432
Total	29890	7522	59	16978	3898	1432
TOTAL	62570297	30586799	198288	25039177	4948197	1797842

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COMPANY NAME: CITY GAS COMPANY DOCKET NO. 891175-GU	SCHEDULE - G (COST OF SERVICE) RATE OF RETURN BY CUSTOMER CLASS (Page 1 of 2:PRESENT RATES)				ATTACHMENT 6 LEASED APPLIANCES INCLUDED IN RATE BASE		
	TOTAL	GAS RESIDENTIAL	LIGHTING	COMMERCIAL	INTERRUPT	INTERRUPT LARGE VOL.	LEASED APPLIANCE
REVENUES: (projected test year)							
Gas Sales (due to growth)	21,252,619	9,778,067	4,769	7,662,791	942,848	334,330	2,529,814
Other Operating Revenue	137,062	82,237	0	54,825	0	0	0
Total	21,389,681	9,860,304	4,769	7,717,616	942,848	334,330	2,529,814
EXPENSES:							
Purchased Gas Cost	0	0	0	0	0	0	0
O&M Expenses	10,765,937	7,581,710	59,369	2,531,717	333,718	114,669	144,754
Depreciation Expenses	3,500,322	1,386,193	3,398	1,168,610	230,448	83,711	627,967
Amortization Expenses	518,136	14,104	80	23,877	5,323	1,952	472,800
Taxes Other Than Income--Fixed	1,095,278	528,578	1,296	445,610	87,874	31,921	0
Taxes Other Than Income--Revenue	70,211	36,668	18	28,735	3,536	1,254	9,487
Total Expenses excl. Income Taxes	15,949,884	9,547,252	64,161	4,198,549	660,899	233,506	1,255,002
INCOME TAXES:	1,614,354	679,340	4,262	553,749	109,484	39,781	227,737
NET OPERATING INCOME:	3,825,443	(366,288)	(63,653)	2,965,317	172,465	61,043	1,047,074
=====							
RATE BASE:	62,570,297	26,330,358	165,175	21,462,613	4,243,478	1,541,873	8,826,800
RATE OF RETURN	0.061138	-0.013911	-0.385369	0.138162	0.040642	0.039590	0.118624
=====							

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COMPANY NAME: CITY GAS COMPANY
DOCKET NO. 891175-GU

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

ATTACHMENT 6
LEASED APPLIANCES
INCLUDED IN RATE BASE
INTERRUPT
LARGE VOL. LEASED
APPLIANCE

	GAS				INTERRUPT	INTERRUPT LARGE VOL.	LEASED APPLIANCE
	TOTAL RESIDENTIAL	LIGHTING	COMMERCIAL				
REVENUES:							
Gas Sales	24,217,230	12,040,976	41,749	8,114,774	1,148,347	341,570	2,529,814
Other Operating Revenue	278,862	167,317	0	111,545	0	0	0
Total	24,496,092	12,208,293	41,749	8,226,319	1,148,347	341,570	2,529,814
EXPENSES:							
Purchased Gas Cost	0	0	0	0	0	0	0
O&M Expenses	10,765,937	7,581,710	59,369	2,531,717	333,718	114,669	144,754
Depreciation Expenses	3,500,322	1,386,193	3,398	1,168,610	230,448	83,711	627,962
Amortization Expenses	518,136	14,104	80	23,877	5,323	1,952	472,800
Taxes Other Than Income--Fixed	1,095,278	528,578	1,296	445,610	87,874	31,921	0
Taxes Other Than Income--Revenue	87,229	45,154	157	30,430	4,306	1,281	9,487
Total Exps excl. Income Taxes	15,966,902	9,555,738	64,299	4,200,244	661,670	233,533	1,255,003
PRE TAX NOI:	8,529,190	2,652,555	(22,550)	4,026,075	486,677	108,037	1,274,811
INCOME TAXES:	2,603,789	809,771	(6,884)	1,229,079	148,573	32,981	3,174
NET OPERATING INCOME:	5,925,401	1,860,806	(15,819)	2,824,350	341,412	75,789	8,098
RATE BASE:	62,570,297	26,330,358	165,175	21,462,613	4,243,478	1,541,873	8,826,800
RATE OF RETURN	0.094700	0.070671	-0.095773	0.131594	0.080456	0.049154	0.094700

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COMPANY: CITY GAS COMPANY
 DOCKET NO. 891175-GU

COST OF SERVICE SUMMARY
 RATE COMPARISON

ATTACHMENT 6

RATE SCHEDULE: RESIDENTIAL

PRESENT RATES

Customer Charge
 6.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	23.72

PROPOSED RATES

Customer Charge
 6.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	35.244

GAS COST CENTS/THERM
 23.993

THERM USAGE INCREMENT
 10

therm usage	monthly bill		monthly bill		PROPOSED percent increase w/o fuel	percent increase with fuel	Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel			
0	6.00	6.00	6.00	6.00	0.00	0.00	0.00
10	8.37	10.77	9.52	11.92	13.76	10.70	1.15
20	10.74	15.54	13.05	17.85	21.45	14.83	2.30
30	13.12	20.31	16.57	23.77	26.36	17.02	3.46
40	15.49	25.09	20.10	29.69	29.76	18.38	4.61
50	17.86	29.86	23.62	35.62	32.26	19.30	5.76
60	20.23	34.63	27.15	41.54	34.18	19.97	6.91
70	22.60	39.40	30.67	47.47	35.69	20.47	8.07
80	24.98	44.17	34.20	53.39	36.91	20.87	9.22
90	27.35	48.94	37.72	59.31	37.92	21.19	10.37
100	29.72	53.71	41.24	65.24	38.78	21.45	11.52
110	32.09	58.48	44.77	71.16	39.50	21.67	12.68
120	34.46	63.26	48.29	77.08	40.13	21.86	13.83
130	36.84	68.03	51.82	83.01	40.67	22.02	14.98
140	39.21	72.80	55.34	88.93	41.15	22.16	16.13
150	41.58	77.57	58.87	94.86	41.57	22.28	17.29
160	43.95	82.34	62.39	100.78	41.95	22.39	18.44
170	46.32	87.11	65.91	106.70	42.29	22.49	19.59
180	48.70	91.88	69.44	112.63	42.60	22.58	20.74
190	51.07	96.65	72.96	118.55	42.88	22.65	21.90

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COMPANY: CITY GAS COMPANY
 DOCKET NO. 891175-GU

COST OF SERVICE SUMMARY
 RATE COMPARISON

ATTACHMENT 6

RATE SCHEDULE: GAS LIGHTING

PRESENT RATES

Customer Charge
 0.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	3.278

PROPOSED RATES

Customer Charge
 0.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	28.382

GAS COST CENTS/THERM
 23.993

THERM USAGE INCREMENT
 10

therm usage	monthly bill		monthly bill		PROPOSED		Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel	percent increase w/o fuel	percent increase with fuel	
0	0.00	0.00	0.00	0.00	ERR	ERR	0.00
10	0.33	2.73	2.84	5.24	765.83	92.05	2.51
20	0.66	5.45	5.68	10.48	765.83	92.05	5.02
30	0.98	8.18	8.51	15.71	765.83	92.05	7.53
40	1.31	10.91	11.35	20.95	765.83	92.05	10.04
50	1.64	13.64	14.19	26.19	765.83	92.05	12.55
60	1.97	16.36	17.03	31.43	765.83	92.05	15.06
70	2.29	19.09	19.87	36.66	765.83	92.05	17.57
80	2.62	21.82	22.71	41.90	765.83	92.05	20.08
90	2.95	24.54	25.54	47.14	765.83	92.05	22.59
100	3.28	27.27	28.38	52.38	765.83	92.05	25.10
110	3.61	30.00	31.22	57.61	765.83	92.05	27.61
120	3.93	32.73	34.06	62.85	765.83	92.05	30.12
130	4.26	35.45	36.90	68.09	765.83	92.05	32.64
140	4.59	38.18	39.73	73.33	765.83	92.05	35.15
150	4.92	40.91	42.57	78.56	765.83	92.05	37.66
160	5.24	43.63	45.41	83.80	765.83	92.05	40.17
170	5.57	46.36	48.25	89.04	765.83	92.05	42.68
180	5.90	49.09	51.09	94.28	765.83	92.05	45.19
190	6.23	51.81	53.93	99.51	765.83	92.05	47.70

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COST OF SERVICE SUMMARY
 RATE COMPARISON

ATTACHMENT 6

COMPANY: CITY GAS COMPANY
 DOCKET NO. 891175-GU

RATE SCHEDULE: COMMERCIAL

PRESENT RATES

Customer Charge
 12.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	16.913

PROPOSED RATES

Customer Charge
 12.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	17,770

GAS COST CENTS/THERM
 23.993

THERM USAGE INCREMENT
 50

therm usage	monthly bill		monthly bill		PROPOSED		Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel	percent increase w/o fuel	percent increase with fuel	
0	12.00	12.00	12.00	12.00	0.00	0.00	0.00
50	20.46	32.45	20.89	32.88	2.09	1.32	0.43
100	28.91	52.91	29.77	53.76	2.96	1.62	0.86
150	37.37	73.36	38.66	74.64	3.44	1.75	1.29
200	45.83	93.81	47.54	95.53	3.74	1.83	1.71
250	54.28	114.27	56.43	116.41	3.95	1.88	2.14
300	62.74	134.72	65.31	137.29	4.10	1.91	2.57
350	71.20	155.17	74.20	158.17	4.21	1.93	3.00
400	79.65	175.62	83.08	179.05	4.30	1.95	3.43
450	88.11	196.08	91.97	199.93	4.38	1.97	3.86
500	96.57	216.53	100.85	220.82	4.44	1.98	4.28
550	105.02	236.98	109.74	241.70	4.49	1.99	4.71
600	113.48	257.44	118.62	262.58	4.53	2.00	5.14
650	121.93	277.89	127.51	283.46	4.57	2.00	5.57
700	130.39	298.34	136.39	304.34	4.60	2.01	6.00
750	138.85	318.80	145.28	325.22	4.63	2.02	6.43
800	147.30	339.25	154.16	346.10	4.65	2.02	6.86
850	155.76	359.70	163.05	366.99	4.68	2.03	7.28
900	164.22	380.15	171.93	387.87	4.70	2.03	7.71
950	172.67	400.61	180.82	408.75	4.71	2.03	8.14

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COMPANY: CITY GAS COMPANY
 DOCKET NO. 891175-GU

COST OF SERVICE SUMMARY
 RATE COMPARISON

ATTACHMENT 6

RATE SCHEDULE: INTERRUPTIBLE

PRESENT RATES

Customer Charge
 24.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	9.48

PROPOSED RATES

Customer Charge
 36.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	11.752

GAS COST CENTS/THERM
 21.189

THERM USAGE INCREMENT
 2000

therm usage	PRESENT RATES		GAS COST		PROPOSED RATES		Dollar Increase
	monthly bill w/o fuel	monthly bill with fuel	monthly bill w/o fuel	monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	
0	24.00	24.00	36.00	36.00	50.00	50.00	12.00
2000	213.60	637.38	271.04	694.82	26.89	9.01	57.44
4000	403.20	1,250.76	506.08	1,353.64	25.52	8.23	102.88
6000	592.80	1,864.14	741.12	2,012.46	25.02	7.96	148.32
8000	782.40	2,477.52	976.16	2,671.28	24.76	7.82	193.76
10000	972.00	3,090.90	1,211.20	3,330.10	24.61	7.74	239.20
12000	1,161.60	3,704.28	1,446.24	3,988.92	24.50	7.65	284.64
14000	1,351.20	4,317.66	1,681.28	4,647.74	24.43	7.64	330.08
16000	1,540.80	4,931.04	1,916.32	5,306.56	24.37	7.62	375.52
18000	1,730.40	5,544.42	2,151.36	5,965.38	24.33	7.59	420.96
20000	1,920.00	6,157.80	2,386.40	6,624.20	24.29	7.57	466.40
22000	2,109.60	6,771.18	2,621.44	7,283.02	24.26	7.56	511.84
24000	2,299.20	7,384.56	2,856.48	7,941.84	24.24	7.55	557.28
26000	2,488.80	7,997.94	3,091.52	8,600.66	24.22	7.54	602.72
28000	2,678.40	8,611.32	3,326.56	9,259.48	24.20	7.53	648.16
30000	2,868.00	9,224.70	3,561.60	9,918.30	24.18	7.52	693.60
32000	3,057.60	9,838.08	3,796.64	10,577.12	24.17	7.51	739.04
34000	3,247.20	10,451.46	4,031.68	11,235.94	24.16	7.51	784.48
36000	3,436.80	11,064.84	4,266.72	11,894.76	24.15	7.50	829.92
38000	3,626.40	11,678.22	4,501.76	12,553.58	24.14	7.50	875.36

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COMPANY: CITY GAS COMPANY
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COST OF SERVICE SUMMARY
 RATE COMPARISON

ATTACHMENT 6

RATE SCHEDULE: INTERRUPTIBLE LARGE VOLUME

PRESENT RATES

Customer Charge
 24.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	9.48

PROPOSED RATES

Customer Charge
 150.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	9.451

GAS COST CENTS/THERM
 21.189

THERM USAGE INCREMENT
 5000

therm usage	monthly bill w/o fuel	monthly bill with fuel	monthly bill w/o fuel	monthly bill with fuel	PROPOSED		Dollar Increase
					increase w/o fuel	percent increase with fuel	
0	24.00	24.00	150.00	150.00	525.00	525.00	126.00
5000	498.00	1,557.45	622.55	1,682.00	25.01	8.00	124.55
10000	972.00	3,090.90	1,095.10	3,214.00	12.66	3.98	123.10
15000	1,446.00	4,624.35	1,567.65	4,746.00	8.41	2.63	121.65
20000	1,920.00	6,157.80	2,040.20	6,278.00	6.26	1.95	120.20
25000	2,394.00	7,691.25	2,512.75	7,810.00	4.96	1.54	118.75
30000	2,868.00	9,224.70	2,985.30	9,342.00	4.09	1.27	117.30
35000	3,342.00	10,758.15	3,457.85	10,874.00	3.47	1.08	115.85
40000	3,816.00	12,291.60	3,930.40	12,406.00	3.00	0.93	114.40
45000	4,290.00	13,825.05	4,402.95	13,938.00	2.63	0.82	112.95
50000	4,764.00	15,358.50	4,875.50	15,470.00	2.34	0.73	111.50
55000	5,238.00	16,891.95	5,348.05	17,002.00	2.10	0.65	110.05
60000	5,712.00	18,425.40	5,820.60	18,534.00	1.90	0.59	108.60
65000	6,186.00	19,958.85	6,293.15	20,066.00	1.73	0.54	107.15
70000	6,660.00	21,492.30	6,765.70	21,598.00	1.59	0.49	105.70
75000	7,134.00	23,025.75	7,238.25	23,130.00	1.46	0.45	104.25
80000	7,608.00	24,559.20	7,710.80	24,662.00	1.35	0.42	102.80
85000	8,082.00	26,092.65	8,183.35	26,194.00	1.25	0.39	101.35
90000	8,556.00	27,626.10	8,655.90	27,726.00	1.17	0.36	99.90
95000	9,030.00	29,159.55	9,128.45	29,258.00	1.09	0.34	98.45