BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for rate increase by St. Joe Natural Gas Company, Inc.	DOCKET NO. 001447-GU ORDER NO. PSC-01-1274-PAA-GU ISSUED: June 8, 2001

The following Commissioners participated in the disposition of this matter:

E. LEON JACOBS, JR., Chairman
J. TERRY DEASON
LILA A. JABER

NOTICE OF PROPOSED AGENCY ACTION
ORDER GRANTING RATE INCREASE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

This proceeding commenced on December 15, 2000, with the filing of a petition for a permanent rate increase by St. Joe Natural Gas Company, Inc. (St. Joe or the company). St. Joe requested an increase of $551,923 in additional annual revenues. The company based its request on a 13-month average rate base of $4,371,103 for a projected test year ending December 31, 2001. The requested overall rate of return is 6.32% based on an 11.50% return on equity.

The company also requested an interim increase of $459,185. It calculated the interim increase request using a 13-month average rate base of $4,353,279, at a 5.66% rate of return using a 10.00% return on equity. The interim test year is the period ended December 31, 1999. After adjustments, the company was granted an interim increase of $355,984, by Order No. PSC-01-0465-PCO-GU, issued February 26, 2001.

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FPSC-RECORDS/REPORTING

St. Joe was last granted a rate increase of $19,895 in Docket No. 8702-GU. In Order No. 4138, issued February 16, 1967, we found the company's jurisdictional rate base to be $313,229 for the test year ending July 31, 1966. The allowed rate of return was found to be 7.40% for the test year. The company has had several rate proceedings since then. The company filed MMFRs in Docket No. 890924-GU; in Docket No. 931102-GU, we reduced St. Joe's return on equity; and the company's 1994 and 1995 earnings were reviewed in Docket No. 960930-GU. In addition, a rate restructuring was approved by Order No. PSC-97-0526-FOF-GU, in Docket No. 970115-GU, issued May 7, 1997. The rate changes had no effect on the company's total revenues, i.e., the company was held revenue neutral in the restructuring.

Pursuant to Section 366.06(4), Florida Statutes, St. Joe requested in this case to proceed under the rules governing Proposed Agency Action (PAA). We have jurisdiction under Sections 366.04, 366.05 and 366.06, Florida Statutes.

A customer service hearing was held in Port St. Joe on March 5, 2001. The service hearing was attended by approximately 35 customers.

QUALITY OF SERVICE

St. Joe's quality of service was reviewed by analyzing all complaints taken by our Division of Consumer Affairs for the period April 2000 through the end of March 2001. There was one complaint regarding a high bill and it was resolved to the customer's satisfaction in a timely manner.

A customer service hearing was held at Port St. Joe, Florida, on March 5, 2001, at 6:00 p.m. Of the approximately 35 customers in attendance, nine spoke. The customers who spoke expressed concern about the recent large increase in fuel costs and the proposed increase to rates. The majority of concerns related to the higher gas costs that were passed through the Purchased Gas Adjustment (PGA) clause. Quality of service was not an issue at the hearing.

Since there was only one complaint made to Consumer Affairs and no quality of service complaints at the customer service hearing, we find that St. Joe's quality of service is satisfactory.

TEST YEAR AND FORECASTING

The company used actual data for the 1999 test year rate base, net operating income and capital structure. The projected test year was based on the projected level of customers, related revenues, expenses updated for cost increases and trending, and projected cost of capital. Certain plant additions for 1999 and the first eleven months of 2000 have been audited and analyzed. In addition, 1999, 2000 and the projected test year reflect the loss of the company's largest customer, Florida Coast Paper Company (FCPC); historically, approximately 75% of the company's revenues were derived from FCPC. Therefore, we believe that the test year is representative of ongoing operations.

The purpose of the test year is to represent the financial operations of a company during the period in which the new rates will be in effect. New rates for St. Joe will go into effect 30 days after our vote herein. St. Joe's 2001 fiscal year begins January 1, 2001 and ends December 31, 2001. Therefore, fiscal 2001 is an appropriate test year.

In the following discussion, we find that certain adjustments must be made to St. Joe's projected test year. With the inclusion of these adjustments, we find that 1999 and the projections of St. Joe's financial operations for 2001 are reasonable for setting rates.

CUSTOMER AND THERM FORECASTS

We have reviewed the 2001 customer and therm forecasts by rate class and believe they are appropriate for setting rates. These forecasts reflect a stable growth rate for both residential and commercial usage based on the existing customer base and usage patterns. We note, however, that given the magnitude of the recommended rate increase and the availability of propane as a substitute fuel, there is a possibility that repression effects may impact future growth rates beyond the projected test year.

RATE BASE

During audit, it was determined that some transponders and related equipment in Account 387, Other Equipment, were no longer being used and should have been retired at the end of 1998. Additionally, an antenna in Account 397, Communication Equipment, was replaced in May 2000 but not retired from the company's books. Accordingly, the test year plant, depreciation expense, and accumulated depreciation are overstated and should be reduced to reflect the retirements in Account 387 by $6,698, $442, and $1,105, respectively, and the retirements in Account 397 by $1,850, $120, and $130, respectively.

During August 2000, the company retired $17,993 from Account 378 - Measuring & Regulating (M&R) Station Equipment, because it was thought to be related to the FCPC M&R Station. However, after the company filed its MFRs, it discovered that this equipment related to the City Gate Station, which is still active and in use. The appropriate adjustments needed to correct this overstated retirement is to increase plant, depreciation expense, and accumulated depreciation for the projected test year by $6,920, $540, and $450, respectively.

Based on the above, we find that plant, depreciation expense and accumulated depreciation should be reduced by totals of $1,628, $22, and $785, respectively.

During the engineering review and evaluation of the historic base year +1 construction budget, it was discovered that the company budgeted $8,740 for the purchase and replacement of anodes to maintain the existing cathodic protection system. According to Rule 25-7.0461, Florida Administrative Code, the replacement of existing cathodic protection equipment should be expensed rather than capitalized. For this reason, the test year plant, depreciation expense, and accumulated depreciation for Account 376, Steel Mains, should be reduced $8,740, $280, and $187, respectively.

Upon reviewing the MFR schedules, it was discovered that the accumulated depreciation for the historic base year +1 and the projected test year do not include the impact of the company's budgeted retirements. We find that the accumulated depreciation is therefore overstated and should be decreased by $54,666.

Staff recommended a 5-year recovery schedule for the net unrecovered investment of $20,309 associated with the retirement of Industrial Measuring and Regulating Equipment (Account 385) resulting from the closing of the FCPC. When the FCPC closed operations, the related Industrial Measuring and Regulating Equipment that St. Joe installed to provide gas service specifically for the paper company was retired. The retirement of $29,454 occurred in September 2000. However, the accumulated depreciation for the account was only $14,133, not sufficient to provide recovery of the investment. The company manually overrode the resulting negative accumulated depreciation balance and placed zero in its place. Accordingly, staff suggested the test year accumulated depreciation is overstated by the net unrecovered investment (investment less accumulated depreciation) relating to the retirement. The company did not seek the adjustment suggested by staff. Accordingly, no adjustment shall be made.

During review of the company's MFRs, it was determined that the projected test year plant balance for Account 391.03 did not include a company budgeted retirement of $11,500. To correct this overstatement, we find that plant, depreciation expense, and accumulated depreciation should be reduced by $5,749, $782, and $271, respectively.

The company projected $18,328 for Construction Work in Progress (CWIP) in the projected test year, based on historical balances in this account. Since the company does not have a budgeting procedure for this account, the projected amount is not unreasonable and should be allowed. We find that projected test year CWIP of $18,328 is allowed.

During April 1992, the company capitalized interest in the amount of $90,553 related to the Phase II-FCPC construction project. This interest amount was capitalized to Account 376, Mains-Steel. The Commission has not authorized an Allowance for Funds Used During Construction (AFUDC) rate for the company.

Commission Rule 25-7.0141, Florida Administrative Code, in effect at the time of this construction project stated that: "No utility may charge or change its AFUDC rate without Commission approval...." Since the company did not request approval to charge AFUDC on this project, we find it appropriate to make the following adjustment: reduce retained earnings/common equity, plant in service, accumulated depreciation, and depreciation expense $63,807, $90,553, $26,746 and $2,898 respectively.

We find that the appropriate amount of Total Plant for the projected test year is $6,127,351. This is a calculation based upon the decisions discussed above.

We find that the appropriate projected test year Depreciation Reserve is $2,319,806. This is a calculation based upon the decisions discussed above.

We find that the appropriate projected test year Working Capital is $254,392. This is a calculation based upon the adjustments discussed below regarding accumulated deferred taxes, prepaid gas deferred credit, and prepaid revenue.

We find that the appropriate projected test year Rate Base is $4,061,937. This is a calculation based upon the decisions discussed above.

CAPITAL STRUCTURE

In its MFRs, St. Joe requested a cost rate of 11.5% for common equity. The company did not present a cost of capital witness due to the high cost of acquiring one; however, the company did offer testimony on what it believes is the appropriate cost rate for common equity. In his testimony, Stuart L. Shoaf, President of St. Joe, states his belief that St. Joe and Chesapeake Utilities Corporation (CUC) have many similarities in their operating characteristics and overall financial risks. Witness Shoaf states that St. Joe and CUC are both highly sensitive to loss of customers, slow downs in the economy, and delays in construction projects. He states that both are small companies that have a higher investment risk than larger companies and that both are still affected by post-FERC Order No. 636 market ramifications and risks. In addition, Witness Shoaf states that revenues of both companies are heavily tilted toward the industrial market sectors and that both have already experienced industrial customer loss that has required each to seek rate relief. Finally, Witness Shoaf states that both companies face stiff competition from alternative fuels and the possibility of bypass by its large customers.

St. Joe Witness Jeff Householder identifies several key business risk factors specific to St. Joe. Witness Householder states that due to the closing of St. Joe Paper Company (SJPC), the Arizona Chemical Company (ACC) has become St. Joe's largest customer, consuming approximately 84% of total system throughput and providing 40% of total company base rate revenues. Witness Householder states that the parent company of ACC has announced plans to sell many of its chemical companies. Due to the closing of SJPC, ACC has incurred higher operating costs and it is uncertain whether or not the plant will continue to operate.

Witness Householder states that another risk facing St. Joe is the competition from alternative energy choices, such as propane and electricity. The relative price of natural gas is a critical concern and is an important factor for a St. Joe customer when deciding whether to choose natural gas, propane or electric.

Witness Householder also mentions that, although St. Joe faces significant market risks, the market also provides various opportunities for the company. Witness Householder identifies several new housing developments and existing homes interested in using natural gas. The company has already added more than 300 customers in the City of Wewahitchka and the potential exists to add several hundred more customers. St. Joe has also been requested to provide natural gas service to a new subdivision, which will have 112 residential lots as well as a clubhouse, pool, and welcoming center.

We agree with the company that St. Joe and CUC share similar financial risks and opportunities. However, with respect to financial risk, as demonstrated by the level of equity capitalization, we find that the two companies differ significantly. In Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, CUC was authorized a 11.5% midpoint cost rate for its common equity. This rate was stipulated to by the company when its equity ratio was at 54.1%. St. Joe filed its projected capital structure with an 83.7% equity ratio. We believe that a company's equity ratio is an important consideration in determining its overall financial risk and required rate of return. The appropriate equity ratio for St. Joe is discussed below.

In addition to the differences in equity ratios, we note that cost rates for capital investment have trended downwards. Recently the Federal Reserve has lowered short-term interest rates by 200 basis points. The long-term BBB corporate bond yield declined 62 basis points since our decision in the CUC case, to 7.85% as of March 2001. For the same period, the thirty-year Treasury bond yield has declined from 5.92% to 5.41%, a change of 51 basis points. These changes would influence the required rate of return a company would need to attract sufficient investor capital. The required rate of return is the minimum return necessary to meet the capital attraction and comparable risk standards by the U.S. Supreme Court. See *Bluefield Water Works & Improvement Company v. Public Service Commission of West Virginia, et al.*, 262 U.S. 679, 43 S.Ct. 675, 67 L.Ed. 1176 (1923), and *Federal Power Commission, et al. v. Hope Natural Gas Company*, 320 U.S. 591, 64 S.Ct. 281, 88 L.Ed. 333 (1944). The required rate of return depends on investors' expectations and the total financial risk reflected in the company's capital structure.

We recognize that deciding the appropriate cost rate for common equity is, ultimately, a subjective process. We find that with an adjusted equity ratio, 11.5% is the appropriate cost rate for common equity. We believe that in regard to St. Joe's smaller size, this cost rate takes into account the financial risk faced by St. Joe, and will provide the return required to attract sufficient investor capital. We typically allow a range around the ROE of plus or minus 100 basis points for regulatory purposes, such as measuring earnings and setting interim rates. Therefore, we find the appropriate cost rate for common equity to be 11.5%, plus or minus 100 basis points.

In its MFRs, the company included $150,000 of short-term debt in its projected capital structure with a cost rate of 10.75%. This short-term debt was initially acquired from a company shareholder in 1995. The company stated that based on an April 2001 telephone conversation with a lending institution, the company would be offered a short-term loan within a cost rate range of 9.0% to 10.75%. We have looked at two intermediate financial indicators comparable to short-term debt and the average short-term cost rate for Florida's gas utilities. The first indicator was Moody's Intermediate BBB Corporate Bond Yield that had an average rate of 6.78%. The second indicator was the 5-year U.S. Treasury note with a rate of 4.65%. Both indicators were as of March 2001. We added an additional risk premium amount of 300 basis points to the U.S. Treasury note to bring the rate to 7.65%. According to the December Earning Surveillance Reports (ESR) for each of the Florida natural gas distribution companies, the average short-term cost rate for Florida gas utilities was 7.57%.

Compared with the above analysis, the company's short-term rate of 10.75% seems excessive. Nevertheless, due to the company's smaller size and the current economic outlook for the Gulf County area, we believe that the company's financial risk is greater than BBB rated corporations and the average Florida utility. Therefore, we agree that St. Joe requires a higher short-term cost rate than the above indicators to attract sufficient short-term capital investment.

The company also included long-term debt in its capital structure with a cost rate of 8.75%. The company acquired its long-term debt on January 18, 2001. Normally, short-term debt carries a lower cost rate than long-term debt due to the lower inflation and default risks. We believe that the appropriate cost rate for short-term debt is in the range of 6.78% to 8.75%. We find it appropriate to use the current prime rate of 8.00%, as reported on April 1, 2001 in the Wall Street Journal, as the cost rate for the company's short-term debt. The Wall Street Journal defines the prime rate as the rate charged by 75% of the largest 30 banks in the U.S., and is the rate most commonly used because it is published and simply described or defined in loan or credit agreements. This rate will allow the company to recover a reasonable rate for short-term debt with regard to its smaller size and current economic situation.

On Line 5 of MFR Page 210, the projected Year 2001 Cost of Capital Schedule, St. Joe shows its thirteen-month average credit accumulated deferred income taxes to be $311,130. On Line 17 of MFR Page 150, its projected Year 2001 Working Capital Allowance Schedule, it shows its thirteen-month average debit accumulated deferred income taxes to be $229,958. On Line 7 of MFR Page 151, its projected Year 2001 Working Capital Allowance Schedule, it shows its thirteen-month average taxes accrued - income to be a debit $43,985.

According to St. Joe, the credit deferred tax represents the tax liability related to the timing difference between book depreciation and accelerated tax method depreciation. The debit deferred tax relates to recognition of one-fourth of the reclassified revenue resulting from the bankruptcy of Florida Coast Paper Company (FCPC). Further, the $43,985 debit accrued taxes assumed the per books recognition of the amortization of FCPC deferred credit discussed in detail below. According to the Company, St. Joe did not offset the projected debit deferred tax balance against the projected credit deferred tax balance because of the "nature and basis of these credits and debit tax amounts." Further, because the amortization of the FCPC deferred credit is discussed and all adjustments made in a calculation discussed below, we have reversed this entry herein.

For book purposes, in its MFRs St. Joe left the entire deferred revenue related to the paper company bankruptcy in its capital structure for apparent adjustment for its amortization by the Commission. For tax purposes, in its MFRs St. Joe reflected the amortization as if the requested four-year amortization period requested in its Application for a Change in Accounting Method had been approved by the Internal Revenue Service. The result of this treatment is the book debit accumulated deferred taxes and debit taxes payable of $229,958 and $43,985, respectively. Although we do not refute these amounts, we have netted them and shown the resulting credit deferred tax balance in capital structure.

It has been our long-standing practice to offset debit deferred tax balances with credit deferred tax balances. If the result is a net debit deferred tax, then that amount is included in working capital allowance and rate base; if the result is a net credit deferred tax, then that amount is included in capital structure at zero cost. In this particular instance, the result is a net credit deferred tax balance of $37,187, prior to recognition of the $3,291 deferred tax adjustment for the amortization of FCPC's prepaid gas deferred credit discussed below, and $40,478 following recognition of that deferred tax adjustment.

We find that the $311,130 credit deferred tax balance in capital structure should be decreased by $273,943 to $37,187. The corresponding working capital adjustment is to decrease debit deferred taxes and taxes accrued - income in working capital, resulting in a $273,943 decrease to working capital and rate base. Further, an adjustment of $3,291 increasing accumulated deferred income tax should be made, resulting in a net decrease of $270,652 and the recommended Accumulated Deferred Taxes of $40,478.

According to Rule 25-14.013, Florida Administrative Code, Accounting for Deferred Income Taxes Under SFAS 109, SFAS 109

> ...shall be implemented by each utility in a manner such that the balances of excess and deficient deferred income taxes are properly stated and that the application of SFAS 109 is revenue neutral in the ratemaking process.

Based on the information at hand, it cannot be determined with certainty if SFAS 109 was implemented, as required. St. Joe's current certified accounting firm performed the audit of St. Joe for tax years 1998 and 1999. It reviewed the predecessor audit reports for the tax years 1993 through 1997. SFAS 109 implementation date was for fiscal years beginning after December 15, 1992. Therefore, the actual implementation of SFAS 109, if any, would have been accomplished by the predecessor firm.

The current certified accounting firm calculated the deferred tax liability consistently with previous audits they examined using the current graduated tax rates applied to the taxable temporary difference amount generated each year. During this period, the corporate tax rates did not change. According to the current accounting firm, the income tax expense reported each year on the financial statements is the sum of the tax expense per the tax return increased by the deferred tax liability amount calculated for that year. As confirmed by its current accountant, this method is not consistent with proper application of SFAS 109, which requires that current tax rates be applied to total taxable temporary differences at year end, and the difference between this amount and the prior year end deferred tax liability would be the current year deferred amount. Further, financial statement income tax expense has been consistently reported at the sum of the deferred tax liability for the year and actual tax expense per the return followed.

As previously discussed, St. Joe shows its credit accumulated deferred income taxes to be $311,130. On MFR Page 150, its Working Capital Allowance Schedule, its debit accumulated deferred income taxes is $229,958 and its debit accrued taxes is $43,985. We netted these three amounts and placed the resulting $37,187 credit deferred income tax in Cost of Capital.

Our review of the MFRs and other documentation did not reveal any further debit or credit deferred taxes or any SFAS 109 regulatory assets or liabilities. Therefore, we find that, with the adjustments already discussed, and even with improper application of SFAS 109, its current application is revenue neutral.

However, we find that St. Joe shall be required to implement SFAS 109, if it has not done so, and to state its tax accounts consistently with the proper application of SFAS 109, retroactive to January 1, 2001. The adjustments and appropriate treatment should be reported in its ESRs following implementation of rates in this proceeding.

In the 1999 historic test period, St. Joe shows net under-recoveries for both the conservation cost recovery and the purchased gas cost recovery mechanisms. In the projected test year 2001, there is a $2,558 over-recovery related to purchased gas cost. However, there are no under-recoveries for either 1999 or Year 2001.

It is our practice to remove under-recoveries, which could give rise to a deferred tax adjustment. However, it is also our practice that over-recoveries remain in working capital and reduce rate base. Therefore, in general, no adjustment to the deferred tax would result from an over-recovery.

Consequently, there are no unrecovered purchased gas costs or unrecovered conservation costs to be removed from working capital and rate base; hence, there are no corresponding debit tax balances to be removed. We therefore find that no adjustment is necessary.

In its MFRs, St. Joe filed a projected capital structure having an 83.7% equity ratio over investor sources. The company offered no testimony on the proper equity ratio in its projected capital structure. We believe that in comparison with a group of gas distribution companies listed by Value Line and with natural gas distribution companies in Florida, this level of equity is well above the average. The average equity ratio of gas distribution companies listed by Value Line is 48%, with the lowest being 19% and the highest being 65%. For natural gas utilities operating in Florida, the average equity ratio based on their December 2000 surveillance reports is 47%, with the lowest being 24% and the highest being 58% (excluding St. Joe).

Normally, a company with a high equity ratio is considered to have less financial risk than a comparable company with a low equity ratio. The higher equity ratio lowers the company's risk of defaulting on its bond payments and thus lowers its overall financial risk. Larger utilities are able to maintain lower equity ratios in which to leverage earnings and lower their overall cost of capital. Smaller utilities will try to sustain a higher equity ratio to lower their financial risk, but at the expense of having a higher cost of capital.

With all else being equal, the equity ratio and the cost rate for common equity normally have an inverse relationship. The higher the company's equity ratio, the lower its financial risk and subsequently the lower the returns required by investors. Conversely, when a company's equity ratio is low, higher returns are required by investors to compensate for the additional financial risk.

In testimony provided by Witness Shoaf, St. Joe compares its financial risk with that of CUC and requests the same common equity cost rate that CUC received in its last rate case. We note that in CUC's last rate case, Order No. PSC-00-2263-FOF-GU, issued November 28, 2000, we authorized a cost rate on common equity of 11.5%. At the time CUC had an equity ratio of 54.1% as a percentage of capital. We believe that by ordering a cost rate of 11.5% with an equity ratio of no higher than 60% of investor capital, the proper amount of financial risk is in balance with the investor's required rate of return. Allowing St. Joe an equity ratio that is higher than the average of the companies compared above will offset the specific risks facing a small, privately-held utility that has unique financial and business risks as previously discussed. This adjustment is consistent with our previous actions. In Order No. 24372, issued April 16, 1991, we approved a stipulated agreement by South Florida Natural Gas Company to adjust its capital structure equity ratio from 63% to 53%, for rate making purposes. In addition, in Order No. PSC-92-0708-FOF-TL, issued July 24, 1992, for ratemaking purposes we adjusted United Telephone Company of Florida's equity ratio to 57.5% over investors sources.

Therefore, we find that the appropriate capital structure for St. Joe's projected test year ending December 31, 2001, should consist of no more than 60% equity as a percentage of investor capital.

Based upon the decisions in the preceding discussion and the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2001, we find the appropriate weighted average cost of capital to be 5.96%.

The 13-month average per book amounts are taken directly from the company's MFRs (Schedule G-3, p. 2 of 11). We agree with and use the respective cost rates provided by St. Joe in its MFR filing with three exceptions. The first exception, discussed previously, is the adjustment to the cost rate of short-term debt from 10.75% to 8.0%.

The second exception is the cost rate for long-term debt. In its MFRs, the company provided a cost rate of 9.0% for its long-term debt. We have determined that the company obtained its long-term debt at a cost rate of 8.75% and paid $1,687 in fees acquiring the loan. Based upon this information, we calculate the embedded cost of long-term debt to be 8.82%.

Finally, the third exception is the balance and cost rate for customer deposits. In its MFRs, the company used the projected December 2001 ending balance in its capital structure. The company should have used a 13-month average customer deposits amount of $27,970, as their per book total amount. We have calculated 5.99% as the effective cost rate using the 13-month average balance. In addition, we find that a $169 specific adjustment be made to customer deposits.

We have found that the appropriate return on common equity to be 11.5%, and the adjusted capital structure to reflect a 60% equity ratio as a percentage of investor capital. Further, a specific adjustment of $273,943 is made to decrease accumulated deferred taxes and below, a specific adjustment of $3,291 to increase accumulated deferred tax is discussed; these two adjustments net to $270,652. We have previously discussed the specific adjustment of $63,807 made to reduce the amount of retained earnings and below, a $11,208 equity adjustment is authorized. In addition, as discussed later, $99,220 of unamortized overearnings (net of tax) was removed from equity and included as a separate line item in the capital structure at zero cost. The total of these three adjustments reduces equity by $174,235. After these specific adjustments, a pro rata adjustment is made over investors' sources of capital to reconcile rate base and capital structure.

In its MFRs, the company made specific adjustments to its capital structure to remove non-utility investments. The company later realized that these adjustments were made on a pro rata basis and should have been under the pro rata column in its projected capital structure. Since these specific adjustments had the same pro rata effect in the capital structure and were simply mislabeled, no additional adjustments have been made.

The net effect of these adjustments is a reduction in the overall cost of capital from the 6.32% return requested by the company to a return of 5.96%. Attachment 2 shows the components, amounts, cost rates, and weighted average cost of capital associated with the test year capital structure. Based upon the proper components, amounts, and cost rates associated with the capital structure for the test year ending December 31, 2001, we find that the appropriate weighted average cost of capital for St. Joe is 5.96%.

NET OPERATING INCOME

The company made adjustments to remove $997,695, $968,636 and $29,059 from revenues, O&M expenses and taxes other, respectively. Since projected operating revenues only included $968,059 in PGA revenues, the company's removal of $997,695 in PGA revenues resulted in an understatement of base rate revenues by $29,059. We find, therefore, that revenues should be increased by $29,059.

St. Joe currently records conservation revenues and expenses as a Deferred Debit or Deferred Credit, according to its nature. The company excluded this account from the projected test year. Therefore, we find that no adjustment is necessary.

During the 1999 historic test year the company earned $17,810 on $430,009 in cash investments included in working capital. The interest income was included in 1999 revenues. For the year 2000, the company earned $9,835 on $265,282 on its cash balances. The company included $229,171 in working capital in the 2001 projected test year but did not include interest income for the period. In response to staff's First Set of Interrogatories No. 3, the company stated that it would have used the same amount or $9,835 in the projected test year had it projected interest income associated with the 2001 cash balances. We agree that because the 2000 and projected 2001 cash balances are nearly the same, the 2000 interest income of $9,835 is a reasonable amount to use in the projected test year.

St. Joe's Gross Receipts Taxes are currently embedded in its rates. We believe that it is preferable for this tax to be separately shown on the customers' bills, and we have approved the unbundling and separate statement of this tax as utilities have come before us for rate relief and other matters.

The Florida Legislature may increase or decrease the rate at which the Gross Receipts Tax is assessed. If there is an increase and the tax is embedded in rates, there is no method for the utility to recover the shortfall, except by filing a petition with the Commission. Similarly, if the rate is decreased and the tax is embedded in rates, the utility will over recover the difference until the utility comes before us or we open a docket to address the mismatch. By separately stating this tax, an increase or decrease can be reflected immediately on the customers' bills, rather than waiting to correct the mismatch in the first proceeding that the utility comes before us.

Of the gas companies, Peoples Gas Company, City Gas Company, and Chesapeake separately state their entire 2.5% Gross Receipts

Tax. Of the Electrics, the Marianna division of Florida Public Utilities, Tampa Electric Company (TECO) and Florida Power Corporation separately state their entire Gross Receipts Tax. Of the thirteen local exchange companies, only BellSouth has 1.5% embedded in its rates.

For the reasons above and based on our practice, we find that St. Joe should separately state its Gross Receipts Tax on its bills. To reflect the separate statement and unbundling, revenues should be decreased by $27,054.

We have reviewed the company's revenues for the projected test year as filed. In the foregoing discussion, we found appropriate a $29,059 increase to revenues to correct an error in the company's PGA adjustment, as well as a $9,835 increase in revenues for interest earned on cash in Working Capital, and a decrease of $27,054 to revenue to show the unbundling of Gross Receipts Tax. Below, we approve an increase to revenues of $50,922 to amortize the FCPC deferred credits. Therefore, we find the appropriate amount of projected test year total Operating Revenues is $1,115,858.

The company made an adjustment in the projected test year to increase Account 874, Mains & Services, by $41,600. The company stated in response to staff's first set of interrogatories that the adjustment represents additional labor and associated expenses to complete increased workloads in a timely manner. Recurring jobs, such as gas line locates, meter change-outs, retirement of qualified inactive service lines, as required by Commission Rule 25-12.045, Florida Administrative Code, and wage increases for existing employees, are just a few examples.

In response to Interrogatory 35, the company stated that a portion related to new employees should be a new expense while the remaining portion would be for wage adjustments for existing employees and would not be a new expense.

The company also filed an addendum to its response to Interrogatory No. 34, stating that the company needed two new employees for the following purposes: (1) locating lines, which have increased 100% from 1998 to 1999 and again by 37% from 1999 to 2000; (2) the company is behind in its Meter Change Out Program and should be current by year end; (3) cutting grass around its above ground facilities; and (4) the company is in the process of implementing a new emergency response program using existing and new employees and requiring them to be available for after hours' emergencies. In the past, the company has handled emergencies through the Sheriff's department.

Our gas safety engineers confirmed that the company will be incurring additional costs on a continuing basis in the above-mentioned areas, including catch-up work. Also, the company has had trouble retaining qualified personnel.

In reviewing the company's response as to the types of expenses that will be incurred, it was noted that they should have been classified among several accounts rather than Account 874, Mains & Services. For instance, the meter change out costs should have been classified as Account 878, Meter & House Regulator Expenses, the costs incurred in the retirement of inactive service lines would be charged to cost of removal and not expensed. We believe it would be reasonable to allow one half of the requested $41,600, and therefore find that Account 874 should be reduced by $20,800.

The company had projected that it would incur total rate case expense of $140,551, with $56,000 of this amount projected to be incurred if this case goes to hearing. We find a four year amortization period to be consistent with the four year amortization period approved for the Florida Division of Chesapeake Utilities Corporation in Order No. PSC-00-2263-FOF-GU and the four year amortization period approved for City Gas Company of Florida in Order No. PSC-01-0316-PAA-GU, issued February 5, 2001. Since the company inadvertently omitted rate case expense from its filing, we find that Account 928, Regulatory Commission Expenses, should be increased $21,138, i.e., $140,551 less $56,000 or $84,551/4, to recover rate case amortization. If the case goes to hearing, the additional cost of $56,000 would be considered at that time.

The company made an adjustment to Account 921 Office Expenses in the amount of $3,380 in 2000, and trended to $3,513 in the projected test year, for janitorial services. The company stated in response to staff's First Set of Interrogatories No. 36 that expenses for janitorial services were included in 1999 expenses and terminated in 2000. Since the company incurred janitorial expenses in 1999 and trended to the projected test year, the company was in error by making the adjustment in 2000 and trended to 2001. Therefore, we find it appropriate to reduce projected test year expenses $3,513.

The company made a $50,000 adjustment to Pension Expense representing an annual contribution to its pension plan. The maximum amount that the company could contribute in 2000 would have been $65,000. The company stated in response to staff's First Set of Interrogatories No. 47 that contributions to the pension plan have been made 16 out of the last 18 years. Because the company did not have sufficient funds, annual contributions to the plan were not made in 1999 or 2000. For the plan years 1992-1998, the company's annual contributions have averaged approximately $51,000, and prior to 1992 the company stated that it consistently contributed the maximum amount allowed. The company first adopted a defined benefit pension plan on January 1, 1982 and on January 1, 1989, the company switched to a standardized profit sharing plan.

Because the company has had a pension plan in effect for a number of years and has missed contributions in only two years, and because contributions have averaged about $51,000 a year for seven years prior to the 1999 test year, the proposed increase does not appear unreasonable. We find that the company's adjustment should be allowed.

The company paid $1,335 in membership dues in 1999 to the Florida Natural Gas Association. The invoice for the billing stated that 15% of the dues represents that portion associated with lobbying activities. We realize that the amount is small, but to be consistent with our decisions in other cases to disallow lobbying expenses, we find it is appropriate to reduce Account 930, Miscellaneous Expenses, by $203.

We have examined the payroll rate increase, general inflation rate, and the customer growth rate used by the company and find them to be appropriate, except that the payroll trend factor should be reduced from 4% for year 2000 and year 2001 to 2% for each year.

The company inadvertently used the wrong trend basis for O&M expenses on three occasions due to incorrect trend spreadsheet formulas. We find that the adjustments to correct these errors are an increase of $272 to Account 879, Customer Installations, a decrease of $286 to Account 923, Outside Services, and an increase of $72 to Account 935, Maintenance of General Plant.

A change to the payroll trend factor from 4% to 2% for years 2000 and 2001 results in a decrease to projected test year O&M expense of $16,126. No other trend factors were changed.

We find the appropriate amount of projected test year O&M expense is $781,832. This is a calculation based on the decisions discussed above.

In 1991, St. Joe signed a note to borrow funds to build a pipeline to service St. Joe Forest Products Company; the line cost $2.3 million and was recorded on the books in February 1991. Subsequently, on May 30, 1996, St. Joe Forest Products Company was purchased by a joint partnership and operates under the name of Florida Coast Paper Company (FCPC). The loan was collateralized by the assignment of revenues between St. Joe and FCPC, and the note was unconditionally guaranteed by FCPC. As part of the agreement, FCPC agreed to pay for a minimum of 792,820 decatherms annually, regardless of the amount of gas actually transported. FCPC also agreed to make the monthly note payments of $39,396 directly to the lender, offsetting gas payments to St. Joe for the term of the note, regardless of actual therms used. Note payment amounts exceeding the cost of gas used were to be applied to prepaid gas to be offset by future sales after the final note payment. The balance of the prepaid gas at December 31, 1999, is $1,578,595.

The cash related to the prepaid revenues was to be used to pay off the bank loan that was taken out to finance the line. Since the balance of $1,578,595 in the Deferred Credit Account (prepaid revenues) relates to the line used to serve the paper mill, which is still in service, it is appropriate to amortize the deferred credit or impute revenues over the remaining life of the line, or 31 years. This treatment would result in an adjustment increasing revenues by $50,922. The company included the prepaid revenues in the capital structure at zero cost, with which we agree.

Regarding the tax treatment of the $1,578,595, on October 24, 2000, St. Joe filed with the Internal Revenue Service a Form 3115, Application for Change in Accounting Method. Simply stated, with the bankruptcy of the paper company, the entire $1,578,595 in the prepaid gas account will revert to taxable income. Because of the magnitude of the taxable income and the tax, in its Form 3115, St. Joe requested that it be allowed to spread the income adjustment and the tax over four years beginning in year 2000, with a corresponding increase in tax liability for each of the four years. St. Joe's request is pending and according to the company, there has been no subsequent correspondence on the matter.

In its answer to staff's Interrogatory No. 14, the company stated that its MFRs are based on the assumption that the request for Change in Accounting Method will be approved. The deferred credits at December 31, 2000 for FCPC in the amount of $1,578,595, and for prepaid revenue related to Gulf Correctional Institution in the amount of $27,402, will be included in taxable income in equal amounts over a four-year period beginning with the year 2000. The amount to be included in taxable income in each year is $401,499 (($1,578,595 plus $27,402)/4). Estimated federal tax liability on the extraordinary income is calculated at approximately $130,000 per year ($401,499-($401,499*.05)*.34) and state income tax liability at approximately $22,000 per year ($401,499*.055). The MFRs do not reflect the amortization of the deferred credit amount to income. Only the accumulated debit deferred tax liability is reflected.

With regard to the $27,402 Gulf Correctional Institution deferred revenue mentioned above, during year 2000 the company made an adjustment to move that amount out of its deferred revenue account and directly into retained earnings on its balance sheet. Consequently, the tax effect of that transfer by-passed the retained earnings, thereby overstating retained earnings/common equity by $11,208. This $11,208 is the result of applying the effective composite tax rate to the Year 2001, thirteen-month average Gulf Correctional Institution prepaid revenue of $30,770. Therefore, we find that Common Equity should be reduced by $11,208 and a corresponding adjustment of $11,208 should be made to accrued taxes - income, increasing accrued taxes - income, resulting in decreased Working Capital Allowance and Rate Base.

The appropriate amount of projected test year Depreciation and Amortization Expense is $239,325. This is a calculation based on decisions discussed above.

In its MFRs, St. Joe shows per book projected test year 2001 Taxes Other Than Income of $154,577. The company made adjustments to reduce its Taxes Other for taxes related to its Purchased Gas Adjustment by $29,059, Regulatory Assessment Fees of $4,843, and Gross Receipts Taxes of $24,216. The result is company Adjusted Taxes Other of $125,518. To this $125,518, we find appropriate four adjustments that total $35,853.

The four adjustments are described as follows:

1. <u>State Intangible Taxes</u> - The company included state intangible taxes of $5,300 in its MFRs. It was determined that the entire $5,300 relates to intangible tax paid by St. Joe as agent for its stockholders. We find that intangible tax paid on behalf of its shareholders should be disallowed and therefore that Taxes Other - Intangible Taxes should be reduced by $5,300.

2. <u>Regulatory Assessment Fees</u> - Our adjustment to recognize $50,922 of the deferred credit related to FCPC results in Regulatory Assessment Fees of $255 ($50,922*.005).

3. <u>Property Taxes</u> - The company included real and personal property taxes of $50,000 in its MFRs. The real property taxes relate to St. Joe's office, warehouse, and its measuring and regulating station at St. Joe Beach. The personal property taxes relate to its mains and are assessed by both Gulf County and Bay County. On examining Years 1999, 2000, and 2001 by parcel, it was determined that there were likely increases in real property taxes and actual decreases in personal property taxes. The actual decreases in personal property taxes were unknown at the time of filing. As a result of information received by the company subsequent to filing its MFRs, Year 2001 property taxes are now estimated at $46,245.68, rather than the $50,000 in its MFRs. We find that an adjustment of $3,754.32 is therefore appropriate.

4. <u>Gross Receipts Taxes</u> - Following the company's adjustment to remove $24,216 in Gross Receipts Tax related to Purchased Gas Adjustment Revenue, the Company Adjusted Gross Receipts Tax was

$27,054. We have determined that the Gross Receipts Taxes should be unbundled and separately stated on customer bills. To adjust for separately stating the tax, we find that Gross Receipts Tax must be reduced to zero, an adjustment of $27,054.

In summary, we find that Taxes Other Than Income should be reduced by $35,853 from $125,518 to $89,665.

The company shows Year 2001 income taxes of $(59,348). Our adjustments to revenues and expenses increase tax expense by $45,925. Our interest reconciliation adjustment which results from our adjustments to the company's capital structure decreases income tax expense by $(15,589). The result is a net $30,336 increase to income tax expense. We find that the company's $(59,348) should be increased by $30,336 to result in an income tax expense of $(29,012).

We find the appropriate level of total operating expenses for the projected test year is $1,081,810. This is a fallout calculation based on the decisions in the preceding discussions.

We find the appropriate amount of projected test year Net Operating Income is $34,048. This is a fallout calculation based on the decisions in preceding discussions.

OTHER

In Order No. PSC-96-1188-FOF-GU, we found that the company overearned a total of $261,318 for 1994 and 1995. The company submitted a proposal to dispose of the overearnings which we accepted. Based on the proposal, we ordered the company in part: 1) to amortize off the books, over a 25-year period beginning January 1, 1997, $261,318 in excess earnings for 1994 and 1995; and 2) if the company files with the Commission a petition to increase its rates, that has the effect of increasing revenues, then the company agrees to refund over a 60-month period commencing with the new rate change, the remaining unamortized balance of excess earnings to be established at the conclusion of the rate proceeding, without interest.

The rate increase will go into effect on June 15, 2001, and the unamortized balance at the end of May 2001, will be approximately $215,152. Therefore, the company should begin refunding $43,030 annually by crediting the customers' bills, commencing with the rate change in this docket. The $215,152 is currently reflected in common equity, net of tax, at approximately $124,024. We find that this item should be moved out of common equity, and that one year's amortization should be recognized. These changes result in a reduction to common equity of $99,220 and a corresponding increase to zero cost deferred refunds of $99,220.

REVENUE DEFICIENCY

The company's calculations result in a proposed revenue expansion factor of 60.4989% and a net operating income multiplier of 1.6529. There are two differences between our calculation and the company's calculation.

The first difference is that we omitted the 2.5% Gross Receipts Tax factor in our calculation, as we have found that the Gross Receipts Tax should be unbundled and shown separately on the customers' bills. To accomplish this, the 2.5% has been removed from our calculation of the revenue expansion factor.

The second difference is that the company used a 34% federal income tax rate, whereas we developed an effective federal income rate of 32.3690%, by calculating income tax expense using the graduated federal tax rates.

The result of the two differences changes the revenue expansion factor from 60.4989% to 63.5917% and the net operating income multiplier from 1.6529 to 1.5725. Calculation of the revenue expansion factor/net operating income multiplier as filed and as reflecting our calculations is shown on Attachment 4.

We find that the appropriate projected test year revenue deficiency is $327,149. This is a fallout calculation based on the decisions discussed above.

INTERIM INCREASE

Any interim increase is reviewed when final rates are derived to determine if any portion should be returned to the ratepayers. In this case, the test period for permanent rates includes the interim period so the rate case revenue requirements for final rates should be used for affirmation of the interim increase.

In this docket, the requested interim test year was the 12 months ended December 31, 1999. We granted the interim increase of $355,984 to St. Joe on February 6, 2001. Interim rates went into effect March 8, 2001, approximately ten weeks after the beginning of the 2001 projected test year, and will continue for approximately three more months of the projected test year.

Final rates include two adjustments that pertain exclusively to the latter part of the test period for permanent rates which is beyond the period interim rates are in effect. The largest adjustment, for the amortization of FCPC deferred credits, increased the company's revenue for permanent rates, but not for interim rates. Similarly, the adjustment for rate case expense did not apply to interim rates. The net of tax effect of these two adjustments were removed from final revenue requirements to determine the appropriate revenue requirements for interim rates.

Since the test period for permanent rates includes the period interim rates are in effect and the increase recommended for final rates, adjusted for issues beyond the period interim rates are in effect, exceeds the interim increase awarded, we find that no refund of interim is required.

REPORTING REQUIREMENTS

St. Joe will be required to submit, within 60 days after the date of the PAA order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records that will be required as a result of the our findings in this rate case.

RATE DESIGN AND COST OF SERVICE

The appropriate billing determinants to be used in the projected test year are shown on Attachment 6, page 15.

The appropriate cost of service methodology to be used in allocating costs to the rate classes is reflected in our cost of service study, contained in Attachment 6. The study reflects the adjustments made to rate base, operation and maintenance expense, net operating income, and projected test year base rate revenues.

All new rates and charges shall be effective for meter readings on or after 30 days from the date of the vote approving the rates and charges. Attachment 6, page 15, details the development of customer and per therm energy charges, and Page 1 of Attachment 7 summarizes the present and new rates by rate class. St. Joe's appropriate Miscellaneous Charges are shown on Attachment 7, page 2. Pages 4 through 8 of Attachment 7 contain monthly bill comparisons for various levels of usage by rate class.

Pursuant to Section 366.06(4), Florida Statutes, if the Commission's action is protested by a party other than the utility, the utility may put its requested rates into effect under bond, escrow or corporate undertaking subject to refund. If the utility does put the rate into effect in this manner, it must first give notice to the Commission and file the appropriate tariffs. The utility must keep accurate records of amounts received in accordance with Section 366.06(3), Florida Statutes.

Residential Rate

We find that the residential class customer charge be increased from its present level of $6.00 per month to $9.00. Currently, the residential customer charges for Florida investor-owned gas utilities range from $5.00 to $10.00 monthly, and we believe that a $9.00 customer charge is reasonable for St. Joe. The energy charge for residential customers is currently 24.146 cents per therm. The new rates result in a charge of 38.086 cents per therm.

Page 3 of Attachment 7 contains a comparison of monthly base rate and purchased gas charges for various levels of consumption for the residential class. The average residential consumption for St. Joe is approximately 30 therms per month. The average customer will therefore see a 54% increase in the base rate portion of their monthly bill. This translates to an 18.5% increase in the combined base rate and purchased gas portion of the average residential bill, based on the purchased gas adjustment factor effective March 2001.

The current base rates include the state Gross Receipts Tax of 2.5%. The Gross Receipts Tax has been removed from the new rates, as ordered herein, and will be billed as a separate line item on customer bills.

Contract Transportation Service Rate

In its filing, St. Joe proposed a reduction to the company's Contract Transportation (CTS) Rate, citing the competitive alternatives available to customers in this transportation-only class. The proposed CTS is available to customers whose use exceeds 500,000 therms per year. The only customer eligible for service under the proposed CTS rate, Arizona Chemical Company, represents approximately 84% of St. Joe's therm sales and 40% of its base revenues at present rates for the test period.

We recognize the need to offer competitive rates to St. Joe's CTS customer. The CTS rate is currently 4.070 cents per therm. The new rates reflect a decrease to the CTS rate to 3.676 cents per therm. This represents a 6.3% revenue decrease to the class, including the effect of separately billing the Gross Receipts Tax.

Commercial and Large Commercial Service Rate Classes

St. Joe's current Large Commercial rate schedule is available to customers who use between 2,000 and 50,000 therms per year. Under St. Joe's proposal, this rate schedule is divided into two new rate schedules: Commercial Service for those customers who use between 2,000 and 25,000 therms annually, and Large Commercial Service for those customers who use between 25,000 and 500,000 therms annually. We believe this change is appropriate, and is consistent with other proposed changes to St. Joe's rate schedules.

Firm Transportation Service Rate Class

St. Joe proposed a new Firm Transportation (FTS) rate schedule that will be available to transportation-only customers who use between 25,000 and 500,000 therms per year. There is currently one customer eligible for this new class. This customer currently takes service under St. Joe's Contract Transportation Service (CTS) rate.

The CTS rate is currently available to any transportation customer who uses more than 150,000 therms per year. St. Joe has proposed to change the applicability of this class to make it available only to customers who use in excess of 500,000 therms per year. St. Joe believes that there are differences in the cost to serve these larger customers and in their ability to seek alternatives to gas service. We agree and find it is appropriate to separate the existing CTS class into the new FTS class and the redefined CTS class.

Based on the foregoing, it is

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

ORDERED that all matters contained in the schedules attached hereto are incorporated herein by reference. It is further

ORDERED that St. Joe Natural Gas Company, Inc., is authorized to collect increased revenues of $327,149. It is further

ORDERED that no refund of the interim increase approved by Order No. PSC-01-0465-PCO-GU, issued February 26, 2001, shall be required. It is further

ORDERED that St. Joe Natural Gas Company, Inc., shall file revised tariffs reflecting the increased rates and charges approved in this Order and all other documents described herein, within 60 days from the date of this Order. It is further

ORDERED that the rate increase shall be effective on billings rendered for all meter readings taken on or after June 14, 2001. It is further

ORDERED that St. Joe Natural Gas Company, Inc., shall redesign its billing statements to separately state the 2.5% Florida Gross Receipts Tax. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 8th day of June, 2001.

Blanca S. Bayó

BLANCA S. BAYÓ, 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 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on June 29, 2001.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

COMPARATIVE AVERAGE RATE BASES

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 1
24-May-2001

ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMISSION ADJS.	COMMISSION APPROVED
	PLANT IN SERVICE					
	UTILITY PLANT	$6,215,693				
4	To remove plant no longer in service				(1,628)	
5	To remove cost of anodes				(8,740)	
8	To correct retirements				(5,749)	
10	To remove AFUDC				($90,553)	
	Total Plant-In-Service	$6,215,693	$0	$6,215,693	($106,670)	$6,109,023
9	CONSTRUCTION WORK IN PROGRESS	18,328				
	Total Construction Work In Progress	$18,328	$0	$18,328	$0	$18,328
	TOTAL PLANT	$6,234,021	$0	$6,234,021	($106,670)	$6,127,351
	DEDUCTIONS					
	ACCUM. DEPR.- PLANT IN SERVICE	2,402,461				
4	To remove plant no longer in service				(785)	
5	To remove cost of anodes				(187)	
6	To reflect budgeted retirements				(54,666)	
7	To recover FCPC negative reserve				0	
8	To correct retirements				(271)	
10	To remove AFUDC				(26,746)	
	TOTAL DEDUCTIONS	$2,402,461	$0	$2,402,461	($82,655)	$2,319,806
	NET UTILITY PLANT	$3,831,560	$0	$3,831,560	($24,015)	$3,807,545
	WORKING CAPITAL ALLOWANCE	($1,754,552)	$2,294,095	$539,543	($285,151)	$254,392
	TOTAL RATE BASE	$2,077,008	$2,294,095	$4,371,103	($309,166)	$4,061,937

WORKING CAPITAL

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 1A
24-May-2001

ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMM. ADJS.	COMMISSION APPROVED
	WORKING CAPITAL	(1,754,552)				
	Merchandise, Jobbing & Other		(15,486)			
	Materials & supplies		(14,655)			
	Merchandise		(6,655)			
	Notes Payable		404,615			
	Customer Deposits		27,801			
	Taxes Accrued - General		8,750			
	Accum. Deferred Income Taxes		311,130			
	Other Deferred Credits - FCPC		1,578,595			
17, 35	To eliminate Debit Deferred Taxes and Accrued Taxes - Income				(273,943)	
35	To reflect tax effect of GCI revenues				(11,208)	
	TOTALS	(1,754,552)	2,294,095	539,543	(285,151)	254,392

CAPITAL STRUCTURE

ST JOE NATURAL GAS COMPANY, INC
DOCKET NO 001447-GU
PTY 12/31/01
13 Month Average

Attachment 2
Page 1 of 1

	COMPANY ADJUSTMENTS				COMMISSION ADJUSTMENTS						
	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	SPECIFIC	EQUITY RATIO	PRO RATA	COMMISSION APPROVED	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	$2,077,008	($23,213)		$2,053,795	($174,235)	($511,700)	$21,539	$1,389,399	34 21%	11 50%	3.93%
LONG TERM DEBT	$254,615	(2,846)		251,769		511,700	12,022	775,491	19 09%	8 82%	1 68%
SHORT TERM DEBT	$150,000	(1,676)		148,324			2,336	150,660	3 71%	8 00%	0.30%
CUSTOMER DEPOSITS	$27,801	(311)		27,490	169		436	28,095	0.69%	5 99%	0 04%
DEFERRED CREDITS - FCPC	$1,578,595			1,578,595				1,578,595	38 86%	0 00%	0 00%
DEFERRED TAXES - ZERO COST	$311,130			311,130	(270,652)			40,478	1 00%	0 00%	0 00%
DEFERRED REFUNDS					99,220			99,220	2.44%	0 00%	0 00%
TOTAL	$4,399,149	($28,046)	$0	$4,371,103	($345,498)	$0	$36,332	$4,061,937	100%		5 96%
EQUITY RATIO	83 70%			83 70%				60 00%			

COMPARATIVE NOIs

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 3
Page 1 of 2
24-May-2001

			COMPANY		COMMISSION	
ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMM. ADJS.	COMMISSION APPROVED
	OPERATING REVENUES	$2,050,791				
	To remove PGA revenues		($997,695)			
22	To correct base rate revenues				$29,059	
24	To include interest earned on WC cash				9,835	
35	To impute rev. on Def. Credits - FCPC				50,922	
37	To unbundle GRT from revenues				(27,054)	
	TOTAL REVENUES	$2,050,791	($997,695)	$1,053,096	$62,762	$1,115,858
	OPERATION & MAINTENANCE EXPENSE	1,769,914				
	To remove PGA expenses		(968,636)			
26	To remove gas line locational costs				(20,800)	
27	To add rate case expense				21,138	
28	To remove janitorial expense error				(3,513)	
30	To remove lobbying expenses				(203)	
32	To correct errors due to incorr. trend bases				58	
33	To adjust payroll for change in trend factor				(16,126)	
	TOTAL O & M EXPENSE	$1,769,914	($968,636)	$801,278	($19,446)	$781,832

COMPARATIVE NOIs

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 3
Page 2 of 2
24-May-2001

			COMPANY		COMMISSION	
ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMM. ADJS.	COMMISSION APPROVED
	DEPRECIATION & AMORTIZATION	$243,307				
4	To remove plant no longer in service				(22)	
5	To remove cost of anodes				(280)	
7	To recover FCPC negative reserve				0	
8	To correct retirements				(782)	
10	To remove AFUDC				($2,898)	
	TOTAL DEPRECIATION & AMORT.	$243,307	$0	$243,307	($3,982)	$239,325
	TAXES OTHER THAN INCOME	154,577				
	To remove PGA taxes		(29,059)			
38	To correct account and unbundle GRT				(35,853)	
	TOTAL TAXES OTHER THAN INCOME	$154,577	($29,059)	$125,518	($35,853)	$89,665
	INCOME TAX EXPENSE					
39	Income taxes - current & deferred	(59,348)	0		45,925	
39	Interest Synch/Rec. Adj.		0		(15,589)	
	TOTAL INCOME TAXES	($59,348)	$0	($59,348)	$30,336	($29,012)
	TOTAL OPERATING EXPENSES	$2,108,450	($997,695)	$1,110,755	($28,945)	$1,081,810
	NET OPERATING INCOME	($57,659)	$0	($57,659)	$91,707	$34,048

OPERATIONS AND MAINTENANCE TREND SCHEDULE

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

Schedule 3A
24-May-2001
Page 1 of 6

	TREND RATES:	BASE YEAR + 1 12/31/00	PROJECTED TEST YEAR 12/31/01
# 1	Payroll Only	2.00%	2.00%
# 2	Customer Growth x Inflation	4.04%	3.94%
# 3	Inflation Only (CPI-U)	3.40%	3.30%
# 4	Customer Growth	0.62%	0.62%

ACCOUNT		BASE YEAR 1999	BASE + 1 2000	PROJECTED TEST YEAR 2001	TREND BASIS APPLIED
DISTRIBUTION EXPENSE					
807	Purchased Gas Expenses				
	Payroll trended	10,067	10,268	10,474	1
	Other trended	0	0	0	1
	Total	10,067	10,268	10,474	
870	Operation Supervision & Engineering				
	Payroll trended	39,606	40,398	41,206	1
	Other trended	0	0	0	1
	Other not trended		0	0	1
	Total	39,606	40,398	41,206	
871	Distribution Load Dispatching				
	Payroll trended	47,890	48,848	49,825	1
	Other trended	385	401	417	2
	Total	48,275	49,248	50,241	
873	Compressor Station Fuel & Power				
	Payroll trended	0	0	0	
	Other trended	0	0	0	
	Total	0	0	0	
874	Main & Service Expense				
	Payroll trended	36,471	37,200	37,944	1
	Other trended	3,269	3,401	3,535	2
	Other not trended			41,600	
	Staff adjustment			(20,800)	
	Total	39,740	40,601	62,279	
875	Measuring & Regulating Station General				
	Payroll trended	5,092	5,194	5,298	1
	Other trended	337	351	365	2
	Total	5,429	5,544	5,662	
876	Measure & Regulating Station Industrial				
	Payroll trended	5,163	5,266	5,372	1
	Other trended	2,614	2,720	2,829	2
	Total	7,777	7,986	8,201	

Schedule 3A
Page 2 of 6

877 Measure & Regulating Station City Gate				
Payroll trended	6,722	6,856	6,994	1
Other trended	2,282	2,374 0	2,470	2
Other not trended	0	0	0	
Total	9,004	9,231	9,464	
878 Meter & House Regulator Expense				
Payroll trended	16,767	17,102	17,444	1
Other trended	10,244	10,658	11,078	2
	0	0	0	
Total	27,011	27,760	28,522	
879 Customer Installations Expense				
Payroll trended	46,924	47,862	48,820	1
Other trended	20,435	21,261	21,827	2
Staff adjustment	0	0	272	
Total	67,359	69,123	70,919	
880 Other Expense Maps & Records				
Payroll trended	2,993	3,053	3,114	1
Other trended	11,743	12,142	12,543	3
Other trended	0	0	0	
Total	14,736	15,195	15,657	
881 Rents				
Payroll trended	0	0	0	
Other trended	0	0	0	3
	0	0	0	
Total	0	0	0	
Total Distribution Expense	$269,004	$275,356	$302,626	

MAINTENANCE EXPENSE

885 Maintenance Supervision & Engineering				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
886 Maintenance of Structures & Improvements				
Payroll trended	1,353	1,380	1,408	1
Other trended	81	84	88	2
Other not trended				
Total	1,434	1,464	1,495	
887 Maintenance of Mains				
Payroll trended	1,819	1,855	1,892	1
Other trended	6,504	6,767	7,033	2
Other not trended				
Total	8,323	8,622	8,926	

888 Maintenance of Compressor Station Equip.				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
889 Maintenance of Meas. & Reg Station General				
Payroll trended	1,549	1,580	1,612	1
Other trended	95	99	103	2
Other not trended				
Total	1,644	1,679	1,714	
890 Maintenance of Meas. & Reg. Station Industrial				
Payroll trended	1,025	1,046	1,066	1
Other trended	219	228	237	2
Other not trended				
Total	1,244	1,273	1,303	
891 Maintenance of Meas. & Reg. Station City Gate				
Payroll trended	455	464	473	1
Other trended	582	606	629	2
Other not trended				
Total	1,037	1,070	1,103	
892 Maintenance of Services				
Payroll trended	6,890	7,028	7,168	1
Other trended	2,508	2,609	2,712	2
Other not trended				
Total	9,398	9,637	9,880	
893 Maintenance of Meters & House Regulators				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Total	0	0	0	
894 Maintenance of Other Equipment				
Payroll trended	0	0	0	1
Other trended	0	0	0	1
Other not trended				
Total	0	0	0	
Total Maintenance Expense	$23,080	$23,745	$24,422	

CUSTOMER ACCOUNT EXPENSE

901 Supervision				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
902 Meter Reading Expense				
Payroll trended	17,131	17,474	17,823	1
Other trended	0	0	0	2
Total	17,131	17,474	17,823	

903 Customer Records & Collections				
Payroll trended	81,136	82,759	84,414	1
Other trended	7,928	8,248	8,573	2
Total	89,064	91,007	92,987	
904 Uncollectible Accounts				
Payroll trended	0	0	0	
Other trended	6,117	6,364	6,615	2
Total	6,117	6,364	6,615	
908 Customer Assistance Expenses				
Payroll trended	0	0	0	
Other trended	1,016	1,057 0	1,100	2
Total	1,016	1,057	1,100	
Total Customer Account Expense	$113,328	$115,902	$118,525	
SALES EXPENSE				
911 Supervision				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
912 Selling & Demonstrating Expense				
Payroll trended	0	0	0	1
Payroll not trended	0	0	0	3
Total	0	0	0	
913 Advertising Expense				
Payroll trended	0	0	0	
Other trended	2,563	2,650	2,740	3
Other not trended				
Total	2,563	2,650	2,740	
916 Miscellaneous Sales Expense				
Payroll trended	0	0	0	1
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
Total Sales Expense	$2,563	$2,650	$2,740	

ADMINISTRATIVE & GENERAL EXPENSES

Schedule 3A
Page 5 of 6

920 Administrative & General Salanes				
Payroll trended	35,322	36,028	36,749	1
Other trended	0	0	0	1
Other not trended	0	0	0	1
Total	35,322	36,028	36,749	
921 Office Supplies & Expenses				
Payroll trended	0	0	0	
Other trended	14,022	14,588	15,163	2
Other trended	0	3,380	3,513	2
Staff adjustment			(3,513)	
Total	14,022	17,968	15,163	
922 Administrative Exp. Transferred-Credit				
Payroll trended	0	0	0	
Other trended	0	0	0	2
Other not trended				
Total	0	0	0	
923 Outside Services Employed				
Payroll trended	0	0	0	
Other trended	21,547	22,280	23,301	3
Staff adjustment			(286)	
Total	21,547	22,280	23,015	
924 Property Insurance				
Payroll trended	0	0	0	
Other trended	31,655	32,731	33,811	3
Other not trended				
Total	31,655	32,731	33,811	
925 Injunes & Damages				
Payroll trended	0	0	0	1
Other not trended	0	0	0	
Total	0	0	0	
926 Employee Pensions/Benefits				
Payroll trended	8,056	8,217	8,381	1
Other trended	61,822	63,924	66,033	3
Other not trended		50,000	50,000	
Total	69,878	122,141	124,415	
927 Franchise Requirements				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	

928 Regulatory Commission Expense				
Payroll trended	17,758	18,113	18,475	1
Other trended	0	0	0	
Staff adjustments			21,138	
Total	17,758	18,113	39,613	
929 Duplicate Charges				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
930.1 General Advertising Expenses				
Payroll trended	0	0	0	
Other trended	0	0	0	
Other not trended				
Total	0	0	0	
930.2 Miscellaneous General Expenses				
Payroll trended	0	0	0	
Other trended	33,717	34,863	36,014	3
Other not trended	0	0	0	
Staff adjustments			(203)	
Total	33,717	34,863	35,811	
933 Transportation Expenses				
Payroll trended	550	561 0	572	1
Other trended	16,456	17,121	17,795	2
Other not trended	0	0	0	
Total	17,006	17,682	18,368	
935 Maintenance of General Plant				
Payroll trended	655	668	681	1
Other trended	5,454	5,674	5,826	2
Staff adjustment			72	
Total	6,109	6,342	6,579	
Total Administrative & General Expenses	$247,014	$308,150	$333,525	
TOTAL OPERATION & MAINTENANCE EXPENSES	$654,989	$725,803	$781,838	
Payroll trended	391,394	407,050	423,332	
Other trended	263,595	273,201	282,839	
Other not trended	0	53,380	95,113	
Staff adjustments		(7,828)	(19,446)	
Rounding difference to NOI schedule			($6)	
Total Operation & Maintenance Expenses	$654,989	$725,803	$781,832	

NET OPERATING INCOME MULTIPLIER

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 4
24-May-2001

DESCRIPTION	COMPANY PER FILING	COMMISSION
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	2.5000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.0000%	0.0000%
NET BEFORE INCOME TAXES	97.0000%	99.5000%
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.3350%	5.4725%
NET BEFORE FEDERAL INCOME TAXES	91.6650%	94.0275%
FEDERAL INCOME TAX RATE	34.0000%	32.3690%
FEDERAL INCOME TAX	31.1661%	30.4358%
REVENUE EXPANSION FACTOR	60.4989%	63.5917%
NET OPERATING INCOME MULTIPLIER	1.6529	1.5725

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

ST. JOE NATURAL GAS COMPANY, INC.
DOCKET NO. 001447-GU
PTY 12/31/01

ATTACHMENT 5
24-May-2001

	COMPANY ADJUSTED	COMMISSION
RATE BASE (AVERAGE)	$4,371,103	$4,061,937
RATE OF RETURN	X 6.32%	X 5.96%
REQUIRED NOI	$276,254	$242,091
Operating Revenues	1,053,096	1,115,858
Operating Expenses:		
Operation & Maintenance	801,278	781,832
Depreciation & Amortization	243,307	239,325
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	125,518	89,665
Income Taxes	(59,348)	(29,012)
Total Operating Expenses	1,110,755	1,081,810
ACHIEVED NOI	(57,659)	34,048
NET NOI DEFICIENCY	333,913	208,044
REVENUE TAX FACTOR	1.6529	1.5725
REVENUE DEFICIENCY	$551,924	$327,149

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

COMPANY NAME: **St. Joe Natural Gas Company**
DOCKET NO. **001447-GU**

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT	0		0	0	100% capacity
INTANGIBLE PLANT:	13,149		13,149	0	100% capacity
PRODUCTION PLANT	0		0	0	100% capacity
DISTRIBUTION PLANT:					
374 Land and Land Rights	22,518		22,518		100% capacity
375 Structures and Improvements	21,394		21,394		100% capacity
376 Mains	3,587,051		3,587,051		100% capacity
377 Comp.Sta.Eq.	0		0		100% capacity
378 Meas.& Reg.Sta.Eq.-Gen	91,519		91,519		100% capacity
379 Meas.& Reg.Sta.Eq.-CG	452,423		452,423		100% capacity
380 Services	716,255	716,255			100% customer
381-382 Meters	347,499	347,499			100% customer
383-384 House Regulators	153,266	153,266			100% customer
385 Industrial Meas.& Reg.Eq.	20,888		20,888		100% capacity
386 Property on Customer Premises	0	0	0	0	ac 374-385
387 Other Equipment	47,739	10,734	37,005	0	ac 374-386
Total Distribution Plant	5,460,552	1,227,754	4,232,798	0	
GENERAL PLANT:	635,324	317,662	317,662		50% customer,50% capacity
TOTAL DIST/INTANGIBLE/GENERAL PLANT	6,109,025	1,545,416	4,563,609		
PLANT ACQUISITIONS:	0		0		100% capacity
GAS PLANT FOR FUTURE USE:	0		0		"
CWIP:	18,328	4,121	14,207	0	dist.plant
TOTAL PLANT	6,127,353	1,549,537	4,577,816	0	

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COST OF SERVICE
CLASSIFICATION OF RATE BASE
(PAGE 2 OF 2: ACCUMULATED DEPRECIATION)

Attachment 6
Page 2 of 15

COMPANY NAME: St. Joe Natural Gas Company
DOCKET NO.: 001447-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	related plant
INTANGIBLE PLANT:	13,149	13,149	0	0	rel.plant account
PRODUCTION PLANT	0	0	0	0	rel.plant account
DISTRIBUTION PLANT:					
375 Structures and Improvements	10,223	0	10,223	0	rel.plant account
376 Mains	1,259,340	0	1,259,340	0	rel.plant account
377 Compressor Sta. Eq.	0	0	0	0	rel.plant account
378 Meas.& Reg.Sta. Eq.-Gen	5,909	0	5,909	0	rel.plant account
379 Meas.& Reg.Sta. Eq.-CG	125,577	0	125,577	0	rel.plant account
380 Services	322,035	322,035	0	0	rel.plant account
381-382 Meters	194,894	194,894	0	0	rel.plant account
383-384 House Regulators	50,754	50,754	0	0	rel.plant account
385 Indust.Meas.& Reg.Sta.Eq.	12,572	0	12,572	0	rel.plant account
386 Property on Customer Premises	0	0	0	0	rel.plant account
387 Other Equipment	17,718	3,984	13,734	0	rel.plant account
Total A.D. on Dist. Plant	1,999,022	571,667	1,427,355	0	
GENERAL PLANT:	307,635	153,818	153,818	0	general plant
PLANT ACQUISITIONS:	0	0	0	0	plant acquisitions
RETIREMENT WORK IN PROGRESS:	0	0	0	0	distribution plant
TOTAL ACCUMULATED DEPRECIATION	2,319,806	738,633	1,581,173	0	
NET PLANT (Plant less Accum.Dep.)	3,807,547	810,903	2,996,644	0	
less: CUSTOMER ADVANCES	0	0	0		50% cust 50% cap
plus: WORKING CAPITAL	254,392	150,370	100,269	3,753	oper. and maint. exp.
Equals: TOTAL RATE BASE	4,061,939	961,273	3,096,913	3,753	

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COST OF SERVICE
CLASSIFICATION OF EXPENSES
(PAGE 1 OF 2)

Attachment 6
Page 3 of 15

COMPANY NAME: St. Joe Natural Gas Company
DOCKET NO 001447-GU

OPERATION AND MAINTENANCE EXPENSES	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0	0	0	0	ac 301-320
PRODUCTION PLANT	0		0	0	100% capacity
DISTRIBUTION:					
870 Operation Supervision & Eng.	41,206	19,230	21,976	0	ac 871-879
871 Dist.Load Dispatch	50,241		50,241		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	62,279	10,366	51,913	0	ac376+ac380
875 Meas.& Reg. Sta Eq -Gen	5,662	0	5,662	0	ac 378
876 Meas.& Reg. Sta Eq -Ind	8,201	0	8,201	0	ac 385
877 Meas.& Reg. Sta.Eq -CG	9,464	0	9,464	0	ac 379
878 Meter and House Reg.	28,522	28,522	0	0	ac381+ac383
879 Customer Instal.	70,919	70,919	0	0	ac 386
880 Other Expenses	26,131	11,433	14,698	0	dist. expenses exc other
881 Rents	0		0		100% capacity
885 Maintenance Supervision	0	0	0	0	ac886-894
886 Maint. of Struct. and Improv	1,495	0	1,495	0	ac375
887 Maintenance of Mains	8,926	0	8,926	0	ac376
888 Maint. of Comp.Sta.Eq.	0	0	0	0	ac 377
889 Maint. of Meas.& Reg. Sta.Eq.-Gen	1,714	0	1,714	0	ac 378
890 Maint. of Meas.& Reg. Sta.Eq.-Ind.	1,303	0	1,303	0	ac 385
891 Maint. of Meas.& Reg.Sta.Eq.-CG	1,103	0	1,103	0	ac 379
892 Maintenance of Services	9,880	9,880	0	0	ac 380
893 Maint. of Meters and House Reg.	0	0	0	0	ac381-383
894 Maint. of Other Equipment	0	0	0	0	ac387
Total Distribution Expenses	327,046	150,350	176,696	0	327,046
CUSTOMER ACCOUNTS:					
901 Supervision	0	0			100% customer
902 Meter-Reading Expense	17,823	17,823			100% customer
903 Records and Collection Exp.	92,987	92,987			100% customer
904 Uncollectible Accounts	6,615			6,615	100% commodity
905 Misc. Expenses	0	0			100% customer
Total Customer Accounts	117,425	110,810	0	6,615	
(907-910) CUSTOMER SERV.& INFO. EXP.	1,100	1,100			100% customer
(911-916) SALES EXPENSE	2,740	2,740			100% customer
(932) MAINT. OF GEN. PLANT	72	36	36	0	general plant
(920-931) ADMINISTRATION AND GENERAL	333,449	197,100	131,430	4,919	O&M excl. A&G
TOTAL O&M EXPENSE	781,832	462,136	308,161	11,534	
	781,832				

COST OF SERVICE
CLASSIFICATION OF EXPENSES
(Page 2 of 2)

Attachment 6
Page 4 of 15

COMPANY NAME St. Joe Natural Gas Company
DOCKET NO 001447-GU

DEPRECIATION AND AMORTIZATION EXPENSE:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	CLASSIFIER
Depreciation Expense	$239,325	$50,970	$188,355	$0		net plant
Amort. of Other Gas Plant	$0		$0			100% capacity
Amort. of Property Loss	$0		$0			100% capacity
Amort. of Limited-term Inv	$0	$0	$0	$0		intangible plant
Amort. of Acquisition Adj.	$0	$0	$0	$0		intan/dist/gen plant
Amort. of Conversion Costs	$0			$0		100% commodity
Total Deprec. and Amort. Expense	$239,325	$50,970	$188,355	$0	$0	
TAXES OTHER THAN INCOME TAXES:						
Revenue Related (grt and reg assess fees)	$7,302				$7,302	100% revenue
Other (payroll, intangible, property taxes)	$83,999	$17,889	$66,110	$0		net plant
Total Taxes other than Income Taxes	$91,301	$17,889	$66,110	$0	$7,302	
REV.CRDT TO COS (NEG.OF OTHR OPR.REV) *	($106,310)	($45,553)			($60 757)	
RETURN (REQUIRED NOI)	$242,092	$57,292	$184,576	$224		rate base
INCOME TAXES	$88,462	$20,935	$67,445	$82	$0	return(noi)
TOTAL OVERALL COST OF SERVICE	$1,338,702	$563,869	$814,848	$11,840	($53,456)	

* Miscellaneous rev $5,553 Interest revenue: $9,835 Imputed FCPC revenues: $50,922.

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COMPANY NAME: St. Joe Natural Gas Company
DOCKET NO. 001447-GU

SUMMARY:	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE
ATTRITION	0	0	0	0	0
OPERATION AND MAINTENANCE EXPENSE	781,832	462,136	308,161	11,534	0
less O&M direct assignments	(119,111)	(48,768)	(70,343)	0	0
NET O&M	662,721	413,368	237,818	11,534	0
DEPRECIATION EXPENSE	239,325	50,970	188,355	0	0
AMORT. OF OTHER GAS PLANT	0	0	0	0	0
AMORT. OF PROPERTY LOSS	0	0	0	0	0
AMORT OF LIMITED-TERM INVESTMENT	0	0	0	0	0
AMORT. OF ACQUISITION ADJUSTMENT	0	0	0	0	0
AMORT. OF CONVERSION COSTS	0	0	0	0	0
TAXES OTHER THAN INCOME TAXES	91,301	17,889	66,110	0	7,302
RETURN	242,092	57,292	184,576	224	0
INCOME TAXES	88,462	20,935	67,445	82	0
REV. CRD. TO COS *	(106,310)	(45,553)	0	0	(60,757)
TOTAL COST OF SERVICE	1,336,702	563,669	814,648	11,840	(53,455)
RATE BASE	4,061,939	961,273	3,096,913	3,753	
less Rate Base direct assignments	(3,070,974)	(649,337)	(2,421,637)	0	0
NET RATE BASE	990,965	311,936	675,276	3,753	0

KNOWN DIRECT & SPECIAL ASSIGNMENTS

RATE BASE ITEMS (PLANT- ACC.DEP)	TOTAL	CUSTOMER	CAPACITY	COMMODITY
381-382 METERS	152,605	152,605	0	0
383-384 HOUSE REGULATORS	102,512	102,512	0	0
385 INDUSTRIAL MEAS.& REG.EQ.	8,316	0	8,316	0
376 MAINS	2,327,711		2,327,711	
380 SERVICES	394,220	394,220		
378 MEAS.& REG.STA.EQ.-GEN.	85,610		85,610	
TOTAL RATE BASE DIRECT ASSIGNMENTS	3,070,974	649,337	2,421,637	

O&M ITEMS	TOTAL	CUSTOMER	CAPACITY	COMMODITY
892 Maint. of Services O&M ITEMS	9,880	9,880		
876 MEAS.& REG.STA.EQ.IND.	8,201	0	8,201	0
878 METER & HOUSE REG.	28,522	28,522	0	0
890 MAINT.OF MEAS.& REG.STA.EQ.-IND.	1,303	0	1,303	0
893 MAINT.OF METERS AND HOUSE REG.	0	0	0	0
874 MAINS AND SERVICES	62,279	10,366	51,913	
887 MAINT OF MAINS	8,926		8,926	
TOTAL O&M DIRECT ASSIGNMENTS	119,111	48,768	70,343	0

* Miscellaneous rev.: $5,553 Interest revenue: $9,835 Imputed FCPC revenues: $50,922.

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COST OF SERVICE
DEVELOPMENT OF ALLOCATION FACTORS

Attachment 6
Page 6 of 15

COMPANY NAME **St. Joe Natural Gas Company**
DOCKET NO **001447-GU**

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
CUSTOMER COSTS						
No of Customers - SALES	3,507	3,250	215	37	1	3
No. of Customers - TRANSPORT	0	0	0	0	0	0
TOTAL	3,507	3,250	215	37	1	3
Weighting	NA	1.00	1.00	7.80	21 90	77 49
Weighted No of Customers	4,011.39	3,250.33	214.83	291.85	21.90	232 47
Allocation Factors	100.00%	81.03%	5.36%	7.28%	0.55%	5.80%
Allocation Factors Excluding CTS	100 00%	86.01%	5.69%	7.72%	0 58%	N/A
CAPACITY COSTS						
Peak & Avg. Month Sales Vol (therms)	2,127,765	312,197	26,846	53,367	77,034	1,658,321
Allocation Factors	100.00%	14.673%	1.262%	2.508%	3.620%	77.937%
Allocation Factors Excluding CTS	100 00%	67%	6%	11%	16%	N/A
MAIN ALLOCATION DOLLARS	2,399,502	874,598	93,183	156,296	204,635	1,070,790
Allocation Factors	100.00%	36.45%	3.88%	6.51%	8.53%	44.63%
Allocation Factors Excluding CTS	100.00%	65.82%	7.01%	11.76%	15.40%	N/A
COMMODITY COSTS						
Annual Sales Vol.(therms)	11,483,243	1,126,382	99,690	220,733	338,278	9,698,160
Allocation Factors	100.00%	9.81%	0.87%	1.92%	2.95%	84.45%
Allocation Factors Excluding CTS	100.00%	63.10%	5.58%	12.37%	18 95%	N/A
REVENUE-RELATED COSTS						
Tax on Cust., Cap., & Commod.	12,893	8,201	681	592	309	3,110
Allocation Factors	100.00%	63.61%	5.28%	4.59%	2.40%	24.12%
Allocation Factors Excluding CTS	100.00%	83.83%	6 96%	6 05%	3 16%	N/A

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COST OF SERVICE
ALLOCATION OF RATE BASE TO CUSTOMER CLASSES

Attachment 6
Page 7 of 15

COMPANY NAME. **St. Joe Natural Gas Company**
DOCKET NO. **001447-GU**

RATE BASE BY CUSTOMER CLASS	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
DIRECT AND SPECIAL ASSIGNMENTS.						
Customer						
Meters	152,605	129,639	8,569	11,640	873	1 883
House Regulators	102,512	84,401	5,579	7,578	569	4,385
Services	394,220	338,226	22,355	30,370	2,279	990
General Plant	163,845	140,926	9,315	12,654	950	0
All Other	148,091	127,377	8,419	11,437	858	0
Total	961,273	820,570	54,238	73,680	5,529	7,258
Capacity						
Industrial Meas.& Reg. Sta. Eq.	8,316	3,920	337	670	967	2,422
Meas &Reg.Sta.Eq.-Gen.	85,610	56,822	4,886	9,713	14,021	168
Mains	2,327,711	848,431	90,395	151,620	198,512	1,038,753
General Plant	163,845	24,040	2,067	4,109	5,932	127,696
All Other	511,432	146,146	15,571	26,117	34,195	289,403
Total	3,096,913	1,079,358	113,256	192,230	253,627	1,458,442
Commodity						
Account #						
Account #						
Account #						
All Other	3,753	368	33	72	111	3,170
Total	3,753	368	33	72	111	3,170
TOTAL	4,061,939	1,900,297	167,525	265,981	259,266	1,468,869

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COST OF SERVICE
ALLOCATION OF EXPENSES TO CUSTOMER CLASSES

Attachment 6
Page 6 of 15

COMPANY NAME: St. Joe Natural Gas Company
DOCKET NO. 001447-GU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
Customer	513,106	460,654	28,993	19,386	956	3,116
Capacity	496,517	211,325	22,996	19,112	5,336	237,741
Commodity	11,534	1,118	99	219	336	9,762
Revenue	0	0	0	0	0	0
Total	1,021,157	673,097	52,089	38,717	6,629	250,619

OPERATIONS AND MAINTENANCE EXPENSE: DIRECT AND SPECIAL ASSIGNMENT	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
Customer						
878 Meters and House Regulators	28,522	19,790	1,308	1,777	133	514
893 Maint. of Meters & House Reg.	0	0	0	0	0	0
874 Mains & Services	10,366	8,476	560	761	57	511
892 Maint. of Services	9,880	7,279	481	654	49	648
All Other	413,368	382,370	23,819	12,357	429	162
Total	462,136	417,915	26,168	15,549	668	1,835
Capacity						
876 Measuring & Reg. Sta Eq.- I	8,201	5,072	436	867	1,252	574
890 Maint. of Meas.& Reg.Sta.Eq.-I	1,303	867	75	148	214	0
874 Mains and Services	51,913	32,756	2 258	488	(1 021)	18 685
887 Maint. of Mains	8,926	5,338	569	954	1,249	816
All Other	237,818	71,491	10,539	1,370	570	152,590
Total	308,161	115,524	13,876	3,827	2,263	172,666
Commodity						
920 Mis Expense	25					25
Account #						
Account #						
All Other	11,509	1,118	99	219	336	9,737
Total	11,534	1,118	99	219	336	9,762
TOTAL O&M	781,832	534,557	40,144	19,596	3,268	184,262
DEPRECIATION EXPENSE:						
Customer	50,970	42,738	2,825	3,838	288	1,281
Capacity	188,355	95,801	9,120	15,285	3,073	65,076
Total	239,325	138,539	11,945	19,123	3,361	66,357
AMORT. OF GAS PLANT:						
Capacity						
AMORT. OF PROPERTY LOSS:						
Capacity						
AMORT OF LIMITED TERM INVEST.						
Capacity						
AMORT. OF ACQUISITION ADJ.:						
Customer	0	0	0	0	0	0
Capacity	0	0	0	0	0	0
Total	0	0	0	0	0	0
AMORT. OF CONVERSION COSTS:						
Commodity	0	0	0	0	0	0

COST OF SERVICE
ALLOCATION OF EXPENSES TO CUSTOMER CLASSES

Attachment 6
Page 9 of 15

COMPANY NAME: **St. Joe Natural Gas Company**
DOCKET NO : **001447-GU**

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
TAXES OTHER THAN INCOME TAXES:						
Customer	17,889	15,387	1,017	1,382	104	0
Capacity	66,110	32,439	2,791	5,536	7,989	17,355
Subtotal	83,999	47,826	3,808	6,917	8,092	17,355
Revenue	7,302	(4,779)	(397)	(345)	(180)	13,003
Total	91,301	43,047	3,411	6,572	7,912	30,358
RETURN (NOI)						
Customer	57,292	30,387	2,008	2,728	205	21,963
Capacity	184,576	88,068	7,529	14,872	21,194	52,913
Commodity	224	45	4	9	13	153
Total	242,092	118,499	9,541	17,610	21,412	75,029
INCOME TAXES						
Customer	20,935	5,678	375	510	38	14,334
Capacity	67,445	20,648	1,754	3,443	4,838	36,763
Commodity	82	(12)	(1)	(2)	(4)	101
Total	88,462	26,313	2,128	3,950	4,872	51,198
REVENUE CREDITED TO COS:						
Customer	(45,553)	(42,276)	(2,791)	(486)	N/A	N/A
Revenue	(60,757)	(38,646)	(3,209)	(2,790)	(1,456)	(14,656)
TOTAL COST OF SERVICE:						
Customer	563,669	469,830	29,603	23,520	1,303	39,413
Capacity	814,648	352,479	35,071	42,963	39,357	344,772
Commodity	11,840	1,150	102	225	346	10,016
Subtotal	1,390,157	823,459	64,776	66,708	41,006	394,201
Revenue	(53,455)	(43,426)	(3,606)	(3,135)	(1,636)	(1,653)
Total	1,336,702	780,034	61,170	63,574	39,370	392,548

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COST OF SERVICE
DERIVATION OF REVENUE DEFICIENCY

Attachment 6
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COMPANY NAME: St Joe Natural Gas Company
DOCKET NO. 001447-GU

COST OF SERVICE BY CUSTOMER CLASS	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
CUSTOMER COSTS	563,669	469,830	29,603	23,520	1,303	39,413
CAPACITY COSTS	814,642	352,479	35,071	42,963	39,357	344,772
COMMODITY COSTS	11,839	1,150	102	225	346	10,016
REVENUE COSTS	(53,455)	(43,426)	(3,606)	(3,135)	(1,636)	(1,653)
TOTAL	1,336,695	780,034	61,170	63,574	39,370	392,548
less: REVENUE AT PRESENT RATES * (in the projected test year)	1,034,072	493,096	59,171	36,963	25,111	419,731
equals: GAS SALES REVENUE DEFICIENCY	302,623	286,938	1,999	26,611	14,259	(27,183)
plus: Deficiency due to revenue expansion						
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
plus: DEFICIENCY IN OTHER OPERATING REV.	24,530	22,767	1,502	261	0	0
equals: TOTAL BASE-REVENUE DEFICIENCY	327,153	309,705	3,501	26,872	14,259	(27,183)
Total Revenue requirement	1,336,695					

* Reduced to reflect removal of 2.5% gross receipts tax.

UNIT COSTS:						
Customer	$13.395	$12.046	$11.483	$52.383	$108.594	$1,094.806
Capacity	0.383	1.129	1.306	0.805	0.511	0.208
Commodity	0.0010	0.0010	0.0010	0.0010	0.0010	0.0010

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COST OF SERVICE
RATE OF RETURN BY CUSTOMER CLASS
(PAGE 1 OF 2: PRESENT RATES)

COMPANY NAME: St Joe Natural Gas Company
DOCKET NO. 001447-GU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
REVENUES: (projected test year)						
Gas Sales (due to growth)	1,034,072	493,096	59,171	36,963	25,111	419,731
Other Operating Revenue	81,780	58,155	4,498	3,015	1,456	14,656
Total	1,115,852	551,251	63,669	39,978	26,567	434,387
EXPENSES:						
Purchased Gas Cost	N/A	N/A	N/A	N/A	N/A	N/A
O&M Expenses	781,826	534,557	40,144	19,595	3,268	184,262
Depreciation Expenses	239,325	138,539	11,945	19,123	3,361	66,357
Amortization Expenses	0	0	0	0	0	0
Taxes Other Than Income--Fixed	83,999	47,826	3,808	6,917	8,092	17,355
Taxes Other Than Income--Revenue	5,666	2,799	323	203	135	2,206
Total Exp. excl. Income Taxes	1,110,816	723,722	56,220	45,837	14,856	270,180
INCOME TAXES:	(29,012)	(13,573)	(1,197)	(1,900)	(1,852)	(10,491)
NET OPERATING INCOME:	34,048	(158,898)	8,646	(3,960)	13,563	174,698
RATE BASE:	4,061,939	1,900,297	167,525	265,981	259,266	1,468,869
RATE OF RETURN	0.84%	-8.36%	5.16%	-1.49%	5.23%	11.89%

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COST OF SERVICE
RATE OF RETURN BY CUSTOMER CLASS
(Page 2 of 2: APPROVED RATES)

Attachment 6
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COMPANY NAME: St Joe Natural Gas Company
DOCKET NO. 001447-GU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
REVENUES:						
Gas Sales	1,336,695	780,034	61,170	63,574	39,370	392,548
Other Operating Revenue	106,310	80,922	6,000	3,276	1,456	14,656
Total	1,443,005	860,956	67,170	66,849	40,826	407,204
EXPENSES:						
Purchased Gas Cost	0	0	0	0	0	0
O&M Expenses	781,826	534,557	40,144	19,595	3,268	184,262
Depreciation Expenses	239,325	138,539	11,945	19,123	3,361	66,357
Amortization Expenses	0	0	0	0	0	0
Taxes Other Than Income--Fixed	83,999	47,826	3,808	6,917	8,092	17,355
Taxes Other Than Income--Revenue	7,302	(4,779)	(397)	(345)	(180)	13,003
Total Exp. excl. Income Taxes	1,112,452	716,144	55,500	45,289	14,541	280,977
PRE TAX NOI:	330,554	144,812	11,670	21,560	26,284	126,227
INCOME TAXES:	88,462	26,313	2,128	3,950	4,872	51,198
NET OPERATING INCOME:	242,092	118,499	9,541	17,610	21,412	75,029
RATE BASE:	4,061,939	1,900,297	167,525	265,981	259,266	1,468,869
RATE OF RETURN	5.96%	6.24%	5.70%	6.62%	8.26%	5.11%

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COST OF SERVICE SUMMARY
RATE DESIGN

Attachment 6
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COMPANY NAME: St Joe Natural Gas Company
DOCKET NO. 001447-GU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
PRESENT RATES (projected test year)						
GAS SALES (due to growth)	1,034,072	493,096	59,171	36,963	25,111	419,731
OTHER OPERATING REVENUE	81,780	58,155	4,498	3,015	1,456	14,656
TOTAL	1,115,852	551,251	63,669	39,978	26,567	434,387
RATE OF RETURN	0.84%	-8.36%	5.16%	-1.49%	5.23%	11 89%
INDEX	1.0	(9.98)	6.16	(1.78)	6 24	14 19
PROPOSED RATES						
GAS SALES	1,336,695	780,034	61,170	63,574	39,370	392,548
OTHER OPERATING REVENUE	106,310	80,922	6,000	3,276	1,456	14,656
TOTAL	1,443,005	860,956	67,170	66,849	40,826	407,204
TOTAL REVENUE INCREASE	327,153	309,705	3,501	26,872	14,259	(27,183)
PERCENT INCREASE	29 32%	56.18%	5.50%	67.22%	53 67%	-6 26%
RATE OF RETURN	5.96%	6.24%	5.70%	6.62%	8.26%	5 11%
INDEX	1 00	1.05	0 96	1.11	1 39	0 86

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COST OF SERVICE SUMMARY
CALCULATION OF COMMISSION APPROVED RATES
COMPANY NAME: St Joe Natural Gas Company
DOCKET NO. 001447-GU

	TOTAL	RESIDENTIAL	SMALL COMMERCIAL	COMMERCIAL	FIRM TRANSPORT.	CONTRACT TRANSPORT.
TOTAL TARGET REVENUES	1,443,005	860,956	67,170	66,849	40,826	407,204
LESS:OTHER OPERATING REVENUE *	106,310	80,922	6,000	3,276	1,456	14,656
REVENUE TO BE RECOVERED THROUGH BASE RATES	1,336,695	780,034	61,170	63,574	39,370	392,548
LESS:CUSTOMER CHARGE REVENUES						
PROPOSED CUSTOMER CHARGES		$9.00	$9 00	$40.00	$1,000.00	$1,000 00
TIMES. NUMBER OF BILLS: SALES	42,079	39,004	2,578	449	12	36
EQUALS CUSTOMER CHARGE REVENUES	440,198	351,036	23,202	17,960	12,000	36,000
EQUALS: PER-THERM TARGET REVENUES	896,497	428,998	37,968	45,614	27,370	356,548
DIVIDED BY: NUMBER OF THERMS	11,483,243	1,126,382	99,690	220,733	338,278	9,698,160
EQUALS: PER-THERM RATES (Unrounded)		0.38086	0.38086	0.20665	0.08091	0.03676
PER-THERM RATES (Rounded)		0.38086	0.38086	0.20665	0.08091	0.03676
PER-THERM-RATE REVENUES (Rounded Rates)	896,451	428,994	37,968	45,614	27,370	356,504
SUMMARY: APPROVED TARIFF RATES						
CUSTOMER CHARGES		$9.00	$9.00	$40.00	$1,000.00	$1,000.00
NON-GAS ENERGY CHARGES (CENTS PER THERM)		38 086	38.086	20.665	8.091	3.676
PURCHASED GAS ADJUSTMENT		85.388	85.388	85.388		
TOTAL CENTS PER THERM (INCLUDING PGA)		123.474	123 474	106.053	8.091	3 676
SUMMARY: PRESENT TARIFF RATES						
CUSTOMER CHARGES		$6.00	$12.00	$35.00	$1,000.00	$1,000.00
NON-GAS ENERGY CHARGES (CENTS PER THERM)		24 146	29.876	10 064	4 070	4 070
PURCHASED GAS ADJUSTMENT		85.388	85.388	85.388		
TOTAL (INCLUDING PGA)		109 534	115.264	95 452	4 070	4 070

SUMMARY:OTHER OPERATING REVENUE	PRESENT CHARGE	PRESENT REVENUE	APPROVED CHARGE	APPROVED REVENUE
CONNECTION RESIDENTIAL	$10 00	$5,800	$30.00	$23,520
CONNECTION COMMERCIAL	$10.00	$150	$60.00	$900
RECONNNECTION RESIDENTIAL	$10.00	$1,650	$30.00	$5,400
RECONNECTION COMMERCIAL	$10 00	$150	$60.00	$900
COLLECTION IN LIEU OF DISCONNECT	$10.00	$0	$15.00	$225
CHANGE OF ACCT	$0 00	$0	$20.00	$375
RETURN CHECK CHARGE	$10 00	640	$25.00	$1,600
LATE FEES	$3 00	$12,633	$3 00	$12,633
TOTAL		$21,023		$45,553
			DIFFERENCE:	$24,530

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* Includes $45,553 from miscellaneous charges, $50,922 for imputed FCPC revenue and interest on cash of $9,835

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ST. JOE NATURAL GAS COMPANY
COMMISSION APPROVED RATES
DOCKET NO. 001447-GU

RATE SCHEDULE	PRESENT RATES	COMMISSION APPROVED RATES
RESIDENTIAL		
CUSTOMER CHARGE	$6.00	$9.00
ENERGY CHARGE (cents/therm)	24.146	38.086
SMALL COMMERCIAL (FORMERLY COMMERCIAL)		
CUSTOMER CHARGE	$12.00	$9.00
ENERGY CHARGE (cents/therm)	29.876	38.086
COMMERCIAL (FORMERLY LARGE COMMERCIAL)		
CUSTOMER CHARGE	$35.00	$40.00
ENERGY CHARGE (cents/therm)	10.064	20.665
LARGE COMMERCIAL (NEW RATE)		
CUSTOMER CHARGE	N/A	$1,000.00
ENERGY CHARGE (cents/therm)	N/A	8.091
LARGE INTERRUPTIBLE		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	3.676
FIRM TRANSPORTATION (NEW RATE)		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	8.091
CONTRACT INTERRUPTIBLE		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	3.676
CONTRACT TRANSPORTATION		
CUSTOMER CHARGE	$1,000.00	$1,000.00
ENERGY CHARGE (cents/therm)	4.070	3.676

ST. JOE NATURAL GAS COMPANY
COMMISSION APPROVED MISCELLANEOUS CHARGES
DOCKET NO. 001447-GU

Attachment 7
Page 2 of 7

SERVICE	PRESENT CHARGES	COMMISSION APPROVED CHARGES
CONNECTION CHARGE - RESIDENTIAL	$10.00	$30.00
CONNECTION CHARGE - COMMERCIAL	$10.00	$60.00
RECONNECTION CHARGE - RESIDENTIAL	$10.00	$30.00
RECONNECTION CHARGE - COMMERCIAL	$10.00	$60.00
COLLECTION IN LIEU OF DISCONNECTION	$10.00	$15.00
CHANGE OF ACCOUNT	$0.00	$20.00
RETURNED CHECK CHARGE	$10.00	$25.00
LATE FEE	$3.00	$3.00

ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

Attachment 7
Page 3 of 7

RESIDENTIAL SERVICE
Average Usage: 29 therms per month

PRESENT RATES	**COMMISSION APPROVED RATES**
Customer Charge	Customer Charge
$6.00	$9.00
Cents per Therm	Cents per Therm
24.146	38.086

Gas Cost Cents/Therm: 85.388

Therm usage Increment 5

Therm Usage	Present Monthly Bill w/o Fuel	Present Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
0	$6.00	$6.00	$9.00	$9.00	50.0%	50.0%	$3.00
5	$7.21	$11.48	$10.90	$15.17	51.2%	32.1%	$3.69
10	$8.41	$16.95	$12.81	$21.35	52.3%	26.0%	$4.40
15	$9.62	$22.43	$14.71	$27.52	52.9%	22.7%	$5.09
20	$10.83	$27.91	$16.62	$33.70	53.5%	20.7%	$5.79
25	$12.04	$33.39	$18.52	$39.87	53.8%	19.4%	$6.48
30	**$13.24**	**$38.86**	**$20.43**	**$46.05**	**54.3%**	**18.5%**	**$7.19**
35	$14.45	$44.34	$22.33	$52.22	54.5%	17.8%	$7.88
40	$15.66	$49.82	$24.23	$58.39	54.7%	17.2%	$8.57
45	$16.87	$55.29	$26.14	$64.56	54.9%	16.8%	$9.27
50	$18.07	$60.76	$28.04	$70.73	55.2%	16.4%	$9.97
55	$19.28	$66.24	$29.95	$76.91	55.3%	16.1%	$10.67
60	$20.49	$71.72	$31.85	$83.08	55.4%	15.8%	$11.36
65	$21.69	$77.19	$33.76	$89.26	55.6%	15.6%	$12.07
70	$22.90	$82.67	$35.66	$95.43	55.7%	15.4%	$12.76
75	$24.11	$88.15	$37.56	$101.60	55.8%	15.3%	$13.45
80	$25.32	$93.63	$39.47	$107.78	55.9%	15.1%	$14.15
85	$26.52	$99.10	$41.37	$113.95	56.0%	15.0%	$14.85
90	$27.73	$104.58	$43.28	$120.13	56.1%	14.9%	$15.55
95	$28.94	$110.06	$45.18	$126.30	56.1%	14.8%	$16.24
100	$30.15	$115.54	$47.09	$132.48	56.2%	14.7%	$16.94
105	$31.35	$121.01	$48.99	$138.65	56.3%	14.6%	$17.64
110	$32.56	$126.49	$50.89	$144.82	56.3%	14.5%	$18.33
115	$33.77	$131.97	$52.80	$151.00	56.4%	14.4%	$19.03
120	$34.98	$137.45	$54.70	$157.17	56.4%	14.3%	$19.72

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

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ST. JOE NATURAL GAS COMPANY
BILL COMPARISON
DOCKET NO. 001447-EU

SMALL COMMERCIAL SERVICE *
(Less than 2,000 therms per year)

PRESENT RATES	COMMISSION APPROVED RATES
Customer Charge $12.00	Customer Charge $9.00
Cents per Therm 29.876	Cents per Therm 38.086

Gas Cost Cents/Therm: 85.388 Therm usage Increment 5

Average Usage: 39 therms per month

Therm Usage	Present Monthly Bill w/o Fuel	Present Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
0	$12.00	$12.00	$9.00	$9.00	-25.0%	-25.0%	($3.00)
5	$13.49	$17.76	$10.90	$15.17	-19.2%	-14.6%	($2.59)
10	$14.99	$23.53	$12.81	$21.35	-14.5%	-9.3%	($2.18)
15	$16.48	$29.29	$14.71	$27.52	-10.7%	-6.0%	($1.77)
20	$17.98	$35.05	$16.62	$33.69	-7.6%	-3.9%	($1.36)
25	$19.47	$40.82	$18.52	$39.87	-4.9%	-2.3%	($0.95)
30	$20.96	$46.58	$20.43	$46.04	-2.6%	-1.2%	($0.54)
35	$22.46	$52.34	$22.33	$52.22	-0.6%	-0.2%	($0.13)
40	**$23.95**	**$58.11**	**$24.23**	**$58.39**	**1.2%**	**0.5%**	**$0.28**
45	$25.44	$63.87	$26.14	$64.56	2.7%	1.1%	$0.69
50	$26.94	$69.63	$28.04	$70.74	4.1%	1.6%	$1.10
55	$28.43	$75.40	$29.95	$76.91	5.3%	2.0%	$1.52
60	$29.93	$81.16	$31.85	$83.08	6.4%	2.4%	$1.93
65	$31.42	$86.92	$33.76	$89.26	7.4%	2.7%	$2.34
70	$32.91	$92.68	$35.66	$95.43	8.3%	3.0%	$2.75
75	$34.41	$98.45	$37.56	$101.61	9.2%	3.2%	$3.16
80	$35.90	$104.21	$39.47	$107.78	9.9%	3.4%	$3.57
85	$37.39	$109.97	$41.37	$113.95	10.6%	3.6%	$3.98
90	$38.89	$115.74	$43.28	$120.13	11.3%	3.8%	$4.39
95	$40.38	$121.50	$45.18	$126.30	11.9%	4.0%	$4.80
100	$41.88	$127.26	$47.09	$132.47	12.4%	4.1%	$5.21
105	$43.37	$133.03	$48.99	$138.65	13.0%	4.2%	$5.62
110	$44.86	$138.79	$50.89	$144.82	13.4%	4.3%	$6.03
115	$46.36	$144.55	$52.80	$151.00	13.9%	4.5%	$6.44

* FORMERLY "COMMERCIAL SERVICE"

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

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COMMERCIAL SERVICE *
(2,000-25,000 therms per year)

PRESENT RATES	**COMMISSION APPROVED RATES**
Customer Charge	Customer Charge
$35.00	$40.00
Cents per Therm	Cents per Therm
10.064	20.665

Average Usage: 492 therms per month

Gas Cost Cents/Therm: 85.388 Therm usage Increment 150

Therm Usage	Present Monthly Bill w/o Fuel	Present Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
200	$55.13	$225.90	$81.33	$252.11	47.5%	11.6%	$26.20
350	$70.22	$369.08	$112.33	$411.19	60.0%	11.4%	$42.10
500	**$85.32**	**$512.26**	**$143.33**	**$570.27**	**68.0%**	**11.3%**	**$58.01**
650	$100.42	$655.44	$174.32	$729.34	73.6%	11.3%	$73.91
800	$115.51	$798.62	$205.32	$888.42	77.7%	11.2%	$89.81
950	$130.61	$941.79	$236.32	$1,047.50	80.9%	11.2%	$105.71
1,100	$145.70	$1,084.97	$267.32	$1,206.58	83.5%	11.2%	$121.61
1,250	$160.80	$1,228.15	$298.31	$1,365.66	85.5%	11.2%	$137.51
1,400	$175.90	$1,371.33	$329.31	$1,524.74	87.2%	11.2%	$153.41
1,550	$190.99	$1,514.51	$360.31	$1,683.82	88.7%	11.2%	$169.32
1,700	$206.09	$1,657.68	$391.31	$1,842.90	89.9%	11.2%	$185.22
1,850	$221.18	$1,800.86	$422.30	$2,001.98	90.9%	11.2%	$201.12
2,000	$236.28	$1,944.04	$453.30	$2,161.06	91.8%	11.2%	$217.02
2,150	$251.38	$2,087.22	$484.30	$2,320.14	92.7%	11.2%	$232.92
2,300	$266.47	$2,230.40	$515.30	$2,479.22	93.4%	11.2%	$248.82
2,450	$281.57	$2,373.57	$546.29	$2,638.30	94.0%	11.2%	$264.72
2,600	$296.66	$2,516.75	$577.29	$2,797.38	94.6%	11.2%	$280.63
2,750	$311.76	$2,659.93	$608.29	$2,956.46	95.1%	11.1%	$296.53
2,900	$326.86	$2,803.11	$639.29	$3,115.54	95.6%	11.1%	$312.43
3,050	$341.95	$2,946.29	$670.28	$3,274.62	96.0%	11.1%	$328.33

* Formerly "LARGE COMMERCIAL SERVICE"

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

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FIRM TRANSPORTATION SERVICE *
(25,000-500,000 therms per year)

PRESENT RATES	COMMISSION APPROVED RATES
Customer Charge	Customer Charge
$1,000.00	$1,000.00
Cents per Therm	Cents per Therm
4.070	8.091

Gas Cost Cents/Therm: N/A   Therm usage Increment 2,000

Therm Usage	Present CTS Monthly Bill w/o Fuel	Present CTS Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
2,000	$1,081	N/A	$1,162	N/A	7.4%	N/A	$80
4,000	$1,163	N/A	$1,324	N/A	13.8%	N/A	$161
6,000	$1,244	N/A	$1,485	N/A	19.4%	N/A	$241
8,000	$1,326	N/A	$1,647	N/A	24.3%	N/A	$322
10,000	$1,407	N/A	$1,809	N/A	28.6%	N/A	$402
12,000	$1,488	N/A	$1,971	N/A	32.4%	N/A	$483
14,000	$1,570	N/A	$2,133	N/A	35.9%	N/A	$563
16,000	$1,651	N/A	$2,295	N/A	39.0%	N/A	$643
18,000	$1,733	N/A	$2,456	N/A	41.8%	N/A	$724
20,000	$1,814	N/A	$2,618	N/A	44.3%	N/A	$804
22,000	$1,895	N/A	$2,780	N/A	46.7%	N/A	$885
24,000	$1,977	N/A	$2,942	N/A	48.8%	N/A	$965
26,000	$2,058	N/A	$3,104	N/A	50.8%	N/A	$1,045
28,000	$2,140	N/A	$3,265	N/A	52.6%	N/A	$1,126
30,000	$2,221	N/A	$3,427	N/A	54.3%	N/A	$1,206
32,000	$2,302	N/A	$3,589	N/A	55.9%	N/A	$1,287
34,000	$2,384	N/A	$3,751	N/A	57.4%	N/A	$1,367
36,000	$2,465	N/A	$3,913	N/A	58.7%	N/A	$1,448
38,000	$2,547	N/A	$4,075	N/A	60.0%	N/A	$1,528
40,000	$2,628	N/A	$4,236	N/A	61.2%	N/A	$1,608

* CUSTOMERS UNDER RECOMMENDED FIRM TRANSPORTATION RATE SCHEDULE ARE CURRENTLY SERVED UNDER THE COMPANY'S EXISTING CONTRACT TRANSPORTATION SERVICE RATE (CTS) RATE SCHEDULE.

- Excludes conservation cost recovery charges.
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- Gas cost effective March 2001.

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CONTRACT TRANSPORTATION SERVICE
(Above 500,000 therms per year)

PRESENT RATES	COMMISSION APPROVED RATES
Customer Charge	Customer Charge
$1,000	$1,000
Cents per Therm	Cents per Therm
4.070	3.676

Gas Cost Cents/Therm: N/A   Therm usage Increment 50,000

Therm Usage	Present Monthly Bill w/o Fuel	Present Monthly Bill with Fuel	Proposed Monthly Bill w/o Fuel	Proposed Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
100,000	$5,070.00	N/A	$4,676.00	N/A	-7.8%	N/A	($394.00)
150,000	$7,105.00	N/A	$6,514.00	N/A	-8.3%	N/A	($591.00)
200,000	$9,140.00	N/A	$8,352.00	N/A	-8.6%	N/A	($788.00)
250,000	$11,175.00	N/A	$10,190.00	N/A	-8.8%	N/A	($985.00)
300,000	$13,210.00	N/A	$12,028.00	N/A	-8.9%	N/A	($1,182.00)
350,000	$15,245.00	N/A	$13,866.00	N/A	-9.0%	N/A	($1,379.00)
400,000	$17,280.00	N/A	$15,704.00	N/A	-9.1%	N/A	($1,576.00)
450,000	$19,315.00	N/A	$17,542.00	N/A	-9.2%	N/A	($1,773.00)
500,000	$21,350.00	N/A	$19,380.00	N/A	-9.2%	N/A	($1,970.00)
550,000	$23,385.00	N/A	$21,218.00	N/A	-9.3%	N/A	($2,167.00)
600,000	$25,420.00	N/A	$23,056.00	N/A	-9.3%	N/A	($2,364.00)
650,000	$27,455.00	N/A	$24,894.00	N/A	-9.3%	N/A	($2,561.00)
700,000	$29,490.00	N/A	$26,732.00	N/A	-9.4%	N/A	($2,758.00)
750,000	$31,525.00	N/A	$28,570.00	N/A	-9.4%	N/A	($2,955.00)
800,000	$33,560.00	N/A	$30,408.00	N/A	-9.4%	N/A	($3,152.00)
850,000	$35,595.00	N/A	$32,246.00	N/A	-9.4%	N/A	($3,349.00)
900,000	$37,630.00	N/A	$34,084.00	N/A	-9.4%	N/A	($3,546.00)
950,000	$39,665.00	N/A	$35,922.00	N/A	-9.4%	N/A	($3,743.00)
1,000,000	$41,700.00	N/A	$37,760.00	N/A	-9.4%	N/A	($3,940.00)
1,050,000	$43,735.00	N/A	$39,598.00	N/A	-9.5%	N/A	($4,137.00)

- Excludes conservation cost recovery charges.
- Present rates include 2.5% state gross receipts tax. Recommended rates have gross receipts tax removed.
- Gas cost effective March 2001.

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