

State of Florida



Public Service Commission
CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

RECEIVED FI

01 JAN 22 AM 11

-M-E-M-O-R-A-N-D-U-M-

COMMISSION
CLERK

DATE: JANUARY 22, 2004

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK &
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (MERTA, KENNY, MAUREY, *SM* *R* *CK* *CS* *192*
WHEELER, SPRINGER *max* *DM*
OFFICE OF THE GENERAL COUNSEL (FLEMING) *Ref* *ACM*

RE: DOCKET NO. 030954-GU - PETITION FOR RATE INCREASE BY
INDIANTOWN GAS COMPANY.

AGENDA: 02/03/2004 - REGULAR AGENDA - DECISION ON INTERIM RATES -
PARTICIPATION IS AT THE COMMISSIONERS' DISCRETION

CRITICAL DATES: 60-DAY SUSPENSION DATE: FEBRUARY 15, 2004
5 MONTH EFFECTIVE DATE: MAY 15, 2004

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: Attachments not electronically submitted
S:\PSC\ECR\WP\030954.RCM
030954 Interim Attachments 1-5.123
030954 Interim Attachments 6A-7.123

CASE BACKGROUND

This proceeding commenced on December 15, 2003, with the filing of a petition for a permanent rate increase by Indiantown Gas Company, Inc. (Indiantown or the Company). Indiantown requested an increase of \$306,751 in additional annual revenues. The Company based its request on a 13-month average rate base of \$755,812 for a projected test year ending December 31, 2004. The requested overall rate of return is 10.09% based on an 11.50% return on equity.

In its initial filing, the Company also requested an interim increase of \$131,896. It calculated the interim increase request using a 13-month average rate base of \$642,589 and an overall rate

DOCUMENT NUMBER-DATE

00966 JAN 22 04

FPSC-COMMISSION CLERK

of return of 8.49% based on a return on equity of 10.50%. The interim test year is the period ended December 31, 2002. However, upon reviewing the filing an error was found in the calculation of the cost rate for long-term debt. After correcting for this error, the overall cost of capital is 9.14% based on the Company's proposed capital structure. On December 31, 2003, the Company filed certain revised MFR schedules and amended its requested interim increase to \$138,602. The oversight was specific to the interim request and will have no impact on the Company's request for permanent rate relief.

By Order No. 4933, issued August 27, 1970, in Docket No. 70377-GU, In Re: Application of Indiantown Gas Company, Inc. for approval of rate schedules for the sale of natural gas, p. 1, the Commission approved initial rates and charges for Indiantown on a temporary basis. The Commission, in Order No. 5578, issued November 9, 1972, in Docket No. 70377, In Re: Application of Indiantown Gas Company, Inc., for approval of rate schedules for the sale of natural gas, p. 1, made the previously authorized temporary rates permanent. Indiantown has never had a rate case. However, by Order No. PSC-02-1666-PAA-GU, issued November 26, 2002, in Docket No. 020470-GU, In re: Request for limited proceeding by Indiantown Gas Company for approval of Natural Gas Tariff, Original Volume No. 2, implementing restructured rates, p. 7, the Commission approved a revenue-neutral restructuring of the Company's rates based on the 2001 test year billing determinants. The restructured rates became effective December 5, 2002. In addition, the Order established an authorized return on equity of 11.50% with a range of plus or minus 100 basis points, limited Indiantown's common equity ratio to not more than 60%, and ordered a refund of overcollection of regulatory assessment fees.

Pursuant to Section 366.06(4), Florida Statutes, Indiantown requested to proceed under the rules governing Proposed Agency Action (PAA). Under that section, the Commission must enter its vote on the PAA within 5 months of the date on which a complete set of minimum filing requirements (MFRs) are filed with the Commission. The Commission has jurisdiction over this request for a rate increase and interim rate increase under Sections 366.06(2) and (4), and 366.071, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the request for a permanent increase in rates and charges be suspended for Indiantown?

RECOMMENDATION: Yes. Staff recommends that the requested permanent increase in rates and charges of \$306,751 be suspended for Indiantown. (MERTA)

STAFF ANALYSIS: Indiantown filed its petition and a complete set of MFRs on December 15, 2003. The Company requested a permanent rate increase of \$306,751 which would produce a 10.09% overall return on its 13-month average adjusted rate base. This overall rate of return was calculated using a 11.50% return on equity. The Company also requested interim rate relief in accordance with Section 366.071, Florida Statutes. In order to allow staff time to complete its review of the Company's MFRs, staff recommends that the proposed rates be suspended.

The Commission must take action to suspend the permanent rates and act on the interim request within 60 days of the filing, which is on or before February 15, 2004. The permanent rates will take effect May 15, 2004, absent Commission vote.

ISSUE 2: Is Indiantown's proposed interim test year rate base of \$642,589 appropriate?

RECOMMENDATION: No. The appropriate interim test year rate base for Indiantown is \$572,394. (MERTA)

STAFF ANALYSIS: As stated above, Indiantown has never had a rate case. Therefore, there are no adjustments to be made consistent with a prior rate case. Staff reviewed the current filing to determine whether Florida Statutes, rules, and Commission practice and philosophy were followed. Staff believes the filing is consistent with Commission practices with the exception of the following adjustments which are shown on Attachments 1 and 1A.

Adjustment 1: Allocation of Materials & Supplies - The Company recorded \$22,149 in Materials and Supplies. In addition to providing natural gas transportation service, the Company also sells appliances and provides propane distribution. Staff reduced working capital by \$16,794 to remove materials and supplies related to these nonutility operations.

Adjustment 2: Purchased Gas Adjustment (PGA) Overrecovery - The Company made an adjustment to exclude a PGA overrecovery of \$53,401 from working capital. Commission practice is to include overrecoveries, which are liabilities, in working capital. The rationale for including overrecoveries as a reduction to working capital is to provide the Company with an incentive to make its projections for the cost recovery clause as accurate as possible and to avoid large overrecoveries. See Order No. PSC-96-1404-FOF-GU, issued November 20, 1996, Docket No. 960502-GU, In Re: Application for rate increase by City Gas Company of Florida, p. 14. Further, Indiantown's participation in the PGA proceedings was terminated pursuant to Order No. PSC-02-1655-TRF-GU, issued November 26, 2002, Docket No. 020471-GU, In Re: Petition for authority to convert all remaining sales customers to transportation service and to terminate merchant function by Indiantown Gas Company, p. 5. Hence, in the future, over and underrecoveries will no longer exist. Therefore, staff reversed the Company's adjustment and included the overrecovery in working capital thereby reducing rate base by \$53,401.

Based on the above, staff recommends an interim test year rate base of \$572,394.

ISSUE 3: Is Indiantown's proposed interim test year net operating income of (\$27,273) appropriate?

RECOMMENDATION: No. The appropriate interim test year net operating income for Indiantown is (\$57,415) (MERTA, KENNY, WHEELER, SPRINGER)

STAFF ANALYSIS: Staff reviewed the net operating income in the current interim filing to determine if it is consistent with Florida Statutes and Commission rules, practices and philosophy. Staff believes the filing is consistent Commission practices with the exception of the following adjustments which are shown on Attachment 2.

Adjustment 3: Annualize Revenues - By Order No. PSC-02-1666-PAA-GU, the Commission approved a revenue-neutral restructuring of the Company's rates. The restructured rates became effective in December 2002.

The Company calculated base rate revenues of \$344,845 for the interim test year ended December 31, 2002. The calculation was based on a weighted average of the rates that were in effect for the first 11 months of 2002 and the restructured rates in effect for December 2002. Section 366.071(5)(b)1., Florida Statutes, requires that any rate changes during the test period must be annualized for the purposes of determining the interim rate increase. Therefore, the restructured rates should have been applied to the billing determinants to calculate the base rate revenues for the interim test year. This calculation results in interim test year service revenues of \$319,727, a decrease of \$25,118.

The Company bills gross receipts tax (GRT) separately as a line item on its customers' bills. Therefore, the calculation of revenues does not include GRT.

Adjustment 4: - Reverse Revenue Adjustments - The Company made a net adjustment of \$5,142 to revenues for PGA true-up, GRT, and Miscellaneous Items. When staff calculated annualized revenues, these items were taken into consideration. Further, as stated above, the restructured rates do not include GRT. Therefore, staff reversed the Company's adjustment and reduced revenues by \$5,142.

Staff recommends revenues of \$320,349, \$319,727 in service revenues plus \$622 in miscellaneous revenues.

Adjustment 5: PGA Revenues, Expenses and Taxes Other - The Company included PGA revenues, expenses, and taxes other than income of \$1,095,519, \$1,057,122 and \$27,388, respectively, in net operating income. These expenses were recovered through the PGA cost recovery clause and not through base rates. Therefore, consistent with Commission practice, staff has reduced revenue by \$1,095,519, expenses by \$1,057,122 and taxes other by \$27,388.

Adjustment 6: Nonrecurring PGA Accounting Expense - The Company included \$5,400 in Account 923, Outside Services, for accounting services related to its PGA filings. Staff reduced expenses by \$5,400 because Indiantown will no longer participate in the PGA and the filings will not be required.

Adjustment 7: Taxes Other Than Income - The Company has included \$35,483 of gross receipts tax in its calculation of taxes other than income. The calculated revenues do not include gross receipts tax. Therefore, the entire amount of gross receipts tax should be excluded. In Adjustment 4, staff has removed gross receipts tax of \$27,388 related to PGA revenues. Therefore, staff has decreased gross receipts tax by an additional \$8,095 to remove the remaining amount of gross receipts tax included in taxes other than income.

The Company has included \$7,495 of regulatory assessment fees (RAF) in its calculation of taxes other than income. Based on staff's calculated revenues, RAF should reflect a balance of \$1,602. Therefore, staff has decreased RAF by \$5,893.

Adjustment 8: Tax Effect of Other Adjustments - Staff made an adjustment to decrease the Company's income tax expense by \$4,305. This adjustment is a fallout based on other income and expense adjustments.

Adjustment 9: Interest Reconciliation Adjustment - Staff made an adjustment to increase the Company's income tax expense by \$886. This adjustment represents staff's adjustments based on the recommended capital structure and cost rates.

Adjustment 10: Adjustment using a 15% Federal Tax Rate - The Company calculated income tax expense using a 34% tax rate. Based on the Company's taxable income, staff has determined that the

DOCKET NO. 030954-GU
DATE: January 22, 2003

appropriate federal tax rate is 15%. Therefore, staff adjusted income tax expense to reflect the appropriate amount.

Based on the net effect of the adjustments discussed above, staff recommends interim test year net operating income of (\$57,415).

ISSUE 4: Are Indiantown's proposed return on equity of 10.50% and overall cost of capital of 9.14% appropriate for purposes of determining interim rates?

RECOMMENDATION: Yes and no. While the appropriate return on equity for purposes of determining interim rates is 10.50%, the appropriate overall cost of capital is 9.10%. (MAUREY)

STAFF ANALYSIS: Pursuant to Section 366.071(2)(a), Florida Statutes, the appropriate return on equity (ROE) for purposes of determining an interim rate increase is the minimum of the Company's currently authorized ROE range. The Commission established Indiantown's current authorized ROE of 11.50% in Order No. PSC-02-1666-PAA-GU. For purposes of its interim rate increase, the Company correctly used the minimum of its authorized ROE range of 10.50%.

The Company's per book amounts were taken directly from Schedule F-8 of Indiantown's MFR filing. The Company made a specific adjustment to remove non-utility investment specifically from common equity. The result of this adjustment is an equity ratio of 61.2% as a percentage of investor capital.

Adjustment 11: Adjustment to Comply with Commission-Ordered 60% Equity Ratio Cap - While staff agrees with the adjustment to remove non-utility investment from common equity, the resulting equity ratio as a percentage of investor capital exceeds the equity ratio cap of 60.0% set forth in Order No. PSC-02-1666-PAA-GU. To meet the requirement of the Order, staff made an adjustment to decrease common equity and increase long-term debt by \$7,800.

As discussed in the Case Background, Indiantown filed certain revised MFR schedules to correct for an error in the calculation of the cost rate for long-term debt. In its original filing, the Company used a cost rate of 5.49% for long-term debt in the determination of the overall cost of capital of 8.49% for purposes of determining its requested interim rate increase. The correct cost rate for long-term debt is 7.20%. Using the 7.20% cost rate for long-term debt results in an overall cost of capital of 9.14%, all other aspects of the Company's filing held constant.

Finally, as discussed in Issue 2, staff has made certain adjustments which have resulted in a net reduction to Indiantown's proposed interim rate base. To reconcile capital structure and the

DOCKET NO. 030954-GU
DATE: January 22, 2003

recommended rate base, a pro rata adjustment was made over all sources of capital.

Based upon the proper components, amounts, and cost rates associated with the capital structure for the interim test year ended December 31, 2002, the weighted average cost of capital is 9.10%. Attachment 3 details staff's recommendation.

DOCKET NO. 030954-GU
DATE: January 22, 2003

ISSUE 5: Is Indiantown's proposed interim revenue expansion factor of 1.6114 appropriate?

RECOMMENDATION: No. The appropriate revenue expansion factor is 1.2512. (KENNY, MERTA)

STAFF ANALYSIS: Staff reviewed the Company's calculations and determined the Company calculated the revenue expansion factor based on a 34% federal income tax rate. Staff has determined that based on the Company's taxable income, the appropriate federal income tax rate should be 15%. Therefore, the appropriate revenue expansion factor is 1.2512 as shown on Attachment 4.

ISSUE 6: Should Indiantown's requested interim revenue increase of \$138,602 be granted?

RECOMMENDATION: No. After making the above adjustments, the interim revenue increase for Indiantown should be \$137,014. (MERTA, KENNY, MAUREY)

STAFF ANALYSIS: The Company requested \$138,602 in interim revenue relief for the historical test year ended December 31, 2002. Based on the Company's calculations and adjustments, this would have allowed the Company to earn an overall rate of return of 9.14%. Based on the previously discussed staff adjustments, staff has determined the interim rate base is \$572,394, the net operating income is (\$57,415), and the overall rate of return is 9.10%. Based on the Company's filing, modified by the aforementioned adjustments, staff recommends the Company is entitled to \$137,014 in interim relief as shown on Attachment 5.

ISSUE 7: How should the interim revenue increase for Indiantown be distributed among the rate classes?

RECOMMENDATION: Any interim revenue increase approved should be applied evenly across the board to all rate classes based on their base rate revenues, as required by Rule 25-7.040, Florida Administrative Code, and should be recovered on a cents-per-therm basis. The interim rates should be made effective for all meter readings made on or after thirty days from the date of the vote approving any interim increase. The Company should give notice to customers of the interim increase commencing with the first bill for service that reflects the increase. (WHEELER, SPRINGER)

STAFF ANALYSIS: As shown on Attachments 6A & 6B, staff has determined the cents-per-therm increases to be applied to each rate class based on staff's recommended interim increase of \$137,014. The increases were calculated using the methodology contained in Rule 25-7.040, Florida Administrative Code, which requires that any increase be applied evenly across the board to all rate classes based on their base rate revenues. Attachment 7 contains monthly bill amounts for each rate class comparing the present rates with the staff-recommended interim rates.

The interim rates should be made effective for all meter readings made on or after thirty days from the date of the Commission vote approving any interim increase. The Company should be required to give appropriate notice to customers commencing with the first bill for service that reflects the approved interim increase that explains the nature, purpose, and effect of the increase. A copy of the notice should be submitted to the Division of Economic Regulation for approval prior to its use.

ISSUE 8: What is the appropriate security to guarantee the amount collected subject to refund?

RECOMMENDATION: The appropriate security to guarantee the funds collected subject to refund is an irrevocable letter of credit, a surety bond, or an escrow agreement. With respect to these three forms of security, staff recommends Indiantown pursue the method that is least expensive for the Company. (MAUREY)

STAFF ANALYSIS: Pursuant to Section 366.071(2)(b) and (c), Florida Statutes, revenues collected under interim rates are subject to refund with interest and shall be secured under bond or corporate undertaking pending final resolution of the requested relief. As discussed in Issue 6, the recommended annual interim increase is \$137,014. For purposes of the analysis in this proceeding, staff used \$68,507. This amount represents six months of additional revenue that Indiantown would be allowed to collect under interim rates. Based upon staff's analysis of the Company's financial condition, staff does not believe Indiantown has the financial capability to support a corporate undertaking in the amount proposed.

The criteria for a corporate undertaking include sufficient liquidity, ownership equity, profitability, and interest coverage to guarantee any potential refund. The 2000, 2001, and 2002 financial statements of Indiantown were used to determine the financial condition of the Company. The analysis for this period shows that the Company has relatively stable but minimal liquidity and adequate but declining equity capitalization. In addition, the Company has insufficient interest coverage and has experienced three consecutive years of net losses. Although the Company's 2003 financial statements are not yet publicly available, it is known that the Company experienced another net loss for the year which has further eroded both its equity capitalization and interest coverage ratios.

For these reasons, staff recommends the Company secure an irrevocable letter of credit, surety bond, or escrow agreement to guarantee the funds collected subject to refund. If the security provided is an irrevocable letter of credit or surety bond, said instrument should be in the amount of \$68,507, the named beneficiary should be the Florida Public Service Commission on behalf of the customers of Indiantown Gas Company, and the instrument should remain in effect until a final Commission order

is issued regarding the resolution of the Company's request for permanent rate relief.

Alternatively, the Company could establish an escrow agreement with an independent financial institution. If security is provided through an escrow agreement, the following conditions should be part of the agreement:

- 1) No refunds in the escrow account may be withdrawn by the Company without express approval of the Commission.
- 2) The escrow account shall be an interest bearing account.
- 3) If a refund to the customers is required, all interest earned by the escrow account shall be distributed to the customers.
- 4) If a refund to the customers is not required, the interest earned by the escrow account shall revert to the Company.
- 5) All information on the escrow account shall be available from the holder of the escrow account to a Commission representative at all times.
- 6) The amount of revenue subject to refund shall be deposited in the escrow account within seven days of receipt.
- 7) This escrow account is established by the direction of the Florida Public Service Commission for the purpose(s) set forth in its order requiring such account. Pursuant to Cosentino v. Elson, 263 So. 2d 253 (Fla. 3d DCA 1972), escrow accounts are not subject to garnishments.
- 8) The Director of the Division of Commission Clerk and Administrative Services must be a signatory to the escrow agreement.

DOCKET NO. 030954-GU
DATE: January 22, 2003

The Company should deposit 30.0% of gas revenues collected into the escrow account each month to secure for a possible refund. In no instance should the maintenance and administrative costs associated with the refund be borne by the customers. These costs are the responsibility of, and should be borne by, the Company.

This brief financial analysis is only appropriate for deciding if the Company can support a corporate undertaking in the amount proposed and should not be considered a finding regarding staff's positions on other issues in this proceeding.

DOCKET NO. 030954-GU
DATE: January 22, 2003

ISSUE 9: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open to process the revenue increase request of the Company. (K. FLEMING)

STAFF ANALYSIS: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.

COMPARATIVE AVERAGE RATE BASES

ATTACHMENT 1
21-Jan-04INDIANTOWN GAS COMPANY, INC.
DOCKET NO. 030954-GU
TYE 12/31/02 INTERIM

ADJ. NO.	COMPANY			STAFF	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
PLANT IN SERVICE					
UTILITY PLANT	1,205,273				
COMMON PLANT ALLOCATED	0	(23,247)			
ACQUISITION ADJUSTMENT	0				
PLANT HELD FOR FUTURE USE	0				
CONSTRUCTION WORK IN PROGRESS	15,142				
TOTAL PLANT	1,220,415	(23,247)	1,197,168	0	1,197,168
DEDUCTIONS					
ACCUM. DEPR.- PLANT IN SERVICE	639,362				
Remove Common Plant Allocation		(6,836)			
CUSTOMER ADVANCES FOR CONSTR.	0				
TOTAL DEDUCTIONS	639,362	(6,836)	632,526	0	632,526
NET UTILITY PLANT	581,053	(16,411)	564,642	0	564,642
WORKING CAPITAL ALLOWANCE	183,828	(105,881)	77,947	(70,195)	7,752
TOTAL RATE BASE	764,881	(122,292)	642,589	(70,195)	572,394

COMPARATIVE WORKING CAPITAL COMPONENTS

ATTACHMENT 1A

21-Jan-04

INDIANTOWN GAS COMPANY, INC.

DOCKET NO. 030954-GU

TYE 12/31/02 INTERIM

ADJ. NO.	COMPANY AS FILED			STAFF	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	WORKING CAPITAL	183,828			
	Nonutility Property	(38,354)			
	Accum. Depr. - Nonutility Property	0			
	Accounts Rec-Propane	(69,754)			
	Transporter Fuel-Rec	(8,683)			
	Accounts Rec-Misc	(49,626)			
	Propane Inventory	(25,857)			
	Appliance Inventory	(17,642)			
	Prepayments	(1,039)			
	Suspense Account	419			
	Unrecovered Gas Cost	53,401			
1	Decrease Materials & Supplies for Nonutility Allocation			(16,794)	
2	Decrease for PGA Overrecovery			(53,401)	
	Accounts Payable	11,837			
	Customer Deposits-Propane	22,324			
	Customer Deposits	17,093			
	TOTALS	<u>183,828</u>	<u>(105,881)</u>	<u>77,947</u>	<u>(70,195)</u>
					<u>7,752</u>

21-Jan-04

INDIANTOWN GAS COMPANY, INC.
DOCKET NO. 030954-GU
TYE 12/31/02 INTERIM

ADJ. NO.		COMPANY		STAFF		
		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	OPERATING REVENUES	1,446,128				
3	Annualize revenue				(25,118)	
4	Reverse Co. revenue adjustments				(5,142)	
5	Remove PGA revenue				(1,095,519)	
	TOTAL REVENUES	1,446,128	0	1,446,128	(1,125,779)	320,349
	OPERATING EXPENSES:					
	COST OF GAS	1,057,122				
5	Remove Cost of Gas				(1,057,122)	
	OPERATION & MAINTENANCE EXPENSE	325,094				
6	Remove Nonrecurring Accounting Expense				(5,400)	
	TOTAL O & M EXPENSE	1,382,216	0	1,382,216	(1,062,522)	319,694

COMPARATIVE NOIs

ATTACHMENT 2

Page 2 of 2

INDIANTOWN GAS COMPANY, INC.
DOCKET NO. 030954-GU
TYE 12/31/02 INTERIM

21-Jan-04

ADJ. NO.	TOTAL PER BOOKS	COMPANY		STAFF	
		COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
DEPRECIATION & AMORTIZATION	50,404				
Remove Nonutility Plant Depreciation		(2,046)			
TOTAL DEPRECIATION & AMORT.	50,404	(2,046)	48,358	0	48,358
TAXES OTHER THAN INCOME	67,305				
5 Remove GRT related to PGA				(27,388)	
7 Remove remaining GRT				(8,095)	
7 Reduce RAF for the effect of Revenue adj.				(5,893)	
TOTAL TAXES OTHER THAN INCOME	67,305	0	67,305	(41,376)	25,929
INCOME TAX EXPENSE	1,630				
9 Interest Synch/Rec. Adj		(1,613)		886	
Adjust to Calculated Amount		(24,495)			
8 Decrease income tax exp for other adjustments				(4,305)	
10 Adjust using 15%Tax Rate				11,680	
TOTAL INCOME TAXES	1,630	(26,108)	(24,478)	8,261	(16,217)
TOTAL OPERATING EXPENSES	1,501,555	(28,154)	1,473,401	(1,095,637)	377,764
NET OPERATING INCOME	(55,427)	28,154	(27,273)	(30,142)	(57,415)

INDIANTOWN GAS COMPANY, INC.

FPSC Adjusted Capital Structure

TYE 12/31/02 INTERIM

DOCKET NO. 030954-GU

13 Month Average

ATTACHMENT 3

12 Month Average

	COMPANY ADJUSTMENTS			STAFF ADJUSTMENTS						
	PER BOOKS	SPECIFIC	PRO RATA	ADJUSTED PER BOOKS	SPECIFIC	PRO RATA	STAFF ADJUSTED	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	522,454	(139,385)	0	383,069	(7,800)	(40,994)	334,275	58.40%	10.50%	6.13%
LONG TERM DEBT	242,427	0	0	242,427	7,800	(27,334)	222,893	38.94%	7.20%	2.80%
SHORT TERM DEBT	0		0	0		0	0	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	17,093	0	0	17,093		(1,867)	15,226	2.66%	6.20%	0.16%
OTHER DEFERRED CREDIT - FC	0			0			0	0.00%	0.00%	0.00%
OTHER DEFERRED CREDIT - GC	0			0			0	0.00%	0.00%	0.00%
DEFERRED INCOME TAX	0			0			0	0.00%	0.00%	0.00%
	\$781,974	(\$139,385)	\$0	\$642,589	\$0	(\$70,195)	\$572,394	100%		9.10%

NET OPERATING INCOME MULTIPLIER

INDIANTOWN GAS COMPANY, INC.
DOCKET NO. 030954-GU
TYE 12/31/02 INTERIM

ATTACHMENT 4
21-Jan-04

<u>DESCRIPTION</u>	<u>COMPANY PER FILING</u>	<u>STAFF</u>
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.0000%	0.0000%
NET BEFORE INCOME TAXES	<u>99.5000%</u>	<u>99.5000%</u>
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4725%	5.4725%
NET BEFORE FEDERAL INCOME TAXES	<u>94.0275%</u>	<u>94.0275%</u>
FEDERAL INCOME TAX RATE	34.0000%	15.0000%
FEDERAL INCOME TAX	31.9694%	14.1041%
REVENUE EXPANSION FACTOR	<u>62.0582%</u>	<u>79.9234%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.6114</u>	<u>1.2512</u>

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

INDIANTOWN GAS COMPANY, INC.
DOCKET NO. 030954-GU
TYE 12/31/02 INTERIM

ATTACHMENT 5
21-Jan-04

	COMPANY ADJUSTED	STAFF
RATE BASE (AVERAGE)	\$642,589	\$572,394
RATE OF RETURN	X 9.14%	X 9.10%
REQUIRED NOI	\$58,733	\$52,091
Operating Revenues	1,446,128	320,349
Operating Expenses:		
Operation & Maintenance	1,382,216	319,694
Depreciation & Amortization	48,358	48,358
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	67,305	25,929
Income Taxes	(24,478)	(16,217)
Total Operating Expenses	1,473,401	377,764
ACHIEVED NOI	(27,273)	(57,415)
NET REVENUE DEFICIENCY	86,006	109,506
Revenue Tax Factor	1.6114	1.2512
TOTAL REVENUE DEFICIENCY	\$138,602	\$137,014

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
ALLOCATION OF RECOMMENDED INTERIM INCREASE
DOCKET NO. 030954-GU

ATTACHMENT 6A

		PRESENT BASE RATE REVENUE				RECOMMENDED INTERIM INCREASE			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
					(4)+(5)	(6)X(8)	(7)/(6)	(7)/(3)	
RATE CODE	RATE SCHEDULE	BILLS	THERM SALES	CUSTOMER CHARGE	ENERGY CHARGE	TOTAL	\$ INCREASE	% INCREASE	INCREASE CENTS PER THERM
TS-1	TRANSPORTATION SERVICE 1	7,585	154,689	\$68,265	\$21,301	\$89,566	\$38,382	42.85	24.812
TS-2	TRANSPORTATION SERVICE 2	293	99,294	\$6,153	\$6,162	\$12,315	\$5,277	42.85	5.315
TS-3	TRANSPORTATION SERVICE 3	24	30,427	\$1,200	\$1,692	\$2,892	\$1,239	42.85	4.074
TS-4	TRANSPORTATION SERVICE 4	24	4,767,009	\$36,000	\$178,954	\$214,954	\$92,115	42.85	1.932
TS-5	TRANSPORTATION SERVICE 5	0	0	\$0	\$0	\$0	\$0	42.85	1.363
TOTAL		<u>7.926</u>	<u>5,051,419</u>	<u>\$111,618</u>	<u>\$208,109</u>	<u>\$319,727</u>	<u>\$137,014</u>		

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
STAFF RECOMMENDED RATES
DOCKET NO. 030954-GU

ATTACHMENT 6B

RATE SCHEDULE	PRESENT RATE	STAFF RECOMMENDED INTERIM INCREASE	STAFF RECOMMENDED INTERIM RATE
<u>TRANSPORTATION SERVICE 1</u>			
CUSTOMER CHARGE	\$9.00	\$0.00	\$9.00
ENERGY CHARGE (cents/therm)	13.770	24.812	38.582
<u>TRANSPORTATION SERVICE 2</u>			
CUSTOMER CHARGE	\$21.00	\$0.00	\$21.00
ENERGY CHARGE (cents/therm)	6.206	5.315	11.521
<u>TRANSPORTATION SERVICE 3</u>			
CUSTOMER CHARGE	\$50.00	\$0.00	\$50.00
ENERGY CHARGE (cents/therm)	5.562	4.074	9.636
<u>TRANSPORTATION SERVICE 4</u>			
CUSTOMER CHARGE	\$1,500.00	\$0.00	\$1,500.00
ENERGY CHARGE (cents/therm)	3.754	1.932	5.686
<u>TRANSPORTATION SERVICE 5</u>			
CUSTOMER CHARGE	\$5,500.00	\$0.00	\$5,500.00
ENERGY CHARGE (cents/therm)	3.181	1.363	4.544

C:\123\Indiantown\Rate Case\Indiantown final Interim 123

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
BILL COMPARISONS - PRESENT VS. RECOMMENDED INTERIM RATES
DOCKET NO. 030954-GU

ATTACHMENT 7
Page 1 of 5

TRANSPORTATION SERVICE 1
(0 - 1,000 therms per year)
Average Usage: 20 therms per month

PRESENT RATES

Customer Charge
\$9.00

Energy Charge
(Cents
per Therm)
13.770

RECOMMENDED INTERIM RATES

Customer Charge
\$9.00

Energy Charge
(Cents
per Therm)
38.582

Gas Cost Cents/Therm: 103.000

Therm Usage Increment: 4

Therm Usage	Present	Present	Recommended	Recommended	Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
	Monthly Bill w/o Fuel	Monthly Bill with Fuel	Interim Monthly Bill w/o Fuel	Interim Monthly Bill with Fuel			
4	\$9.55	\$13.67	\$10.54	\$14.66	10.4%	7.3%	\$0.99
8	\$10.10	\$18.34	\$12.09	\$20.33	19.6%	10.8%	\$1.98
12	\$10.65	\$23.01	\$13.63	\$25.99	28.0%	12.9%	\$2.98
16	\$11.20	\$27.68	\$15.17	\$31.65	35.4%	14.3%	\$3.97
20	\$11.75	\$32.35	\$16.72	\$37.32	42.2%	15.3%	\$4.96
24	\$12.30	\$37.02	\$18.26	\$42.98	48.4%	16.1%	\$5.95
28	\$12.86	\$41.70	\$19.80	\$48.64	54.0%	16.7%	\$6.95
32	\$13.41	\$46.37	\$21.35	\$54.31	59.2%	17.1%	\$7.94
36	\$13.96	\$51.04	\$22.89	\$59.97	64.0%	17.5%	\$8.93
40	\$14.51	\$55.71	\$24.43	\$65.63	68.4%	17.8%	\$9.92
44	\$15.06	\$60.38	\$25.98	\$71.30	72.5%	18.1%	\$10.92
48	\$15.61	\$65.05	\$27.52	\$76.96	76.3%	18.3%	\$11.91
52	\$16.16	\$69.72	\$29.06	\$82.62	79.8%	18.5%	\$12.90
56	\$16.71	\$74.39	\$30.61	\$88.29	83.1%	18.7%	\$13.89
60	\$17.26	\$79.06	\$32.15	\$93.95	86.2%	18.8%	\$14.89
64	\$17.81	\$83.73	\$33.69	\$99.61	89.1%	19.0%	\$15.88
68	\$18.36	\$88.40	\$35.24	\$105.28	91.9%	19.1%	\$16.87
72	\$18.91	\$93.07	\$36.78	\$110.94	94.4%	19.2%	\$17.86
76	\$19.47	\$97.75	\$38.32	\$116.60	96.9%	19.3%	\$18.86
80	\$20.02	\$102.42	\$39.87	\$122.27	99.2%	19.4%	\$19.85

- Bills do not include local taxes, franchise fees, or gross receipts taxes.
- Natural gas supplied to customers by Infinite Energy.
- Gas cost effective January 2004.

C:\123\Indiantown\Rate Case\Indiantown final interim 123

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
BILL COMPARISONS - PRESENT VS. RECOMMENDED INTERIM RATES
DOCKET NO. 030954-GU

ATTACHMENT 7
Page 2 of 5

TRANSPORTATION SERVICE 2
(1,000 - 25,000 therms per year)
Average Usage: 339 therms per month

PRESENT RATES

Customer Charge
\$21.00

Energy Charge
(Cents
per Therm)
6.206

RECOMMENDED INTERIM RATES

Customer Charge
\$21.00

Energy Charge
(Cents
per Therm)
11.521

Gas Cost Cents/Therm: 103.000

Therm Usage Increment: 100

Therm Usage	Present		Recommended		Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
	Monthly Bill w/o Fuel	Monthly Bill with Fuel	Interim Monthly Bill w/o Fuel	Interim Monthly Bill with Fuel			
80	\$25.96	\$108.36	\$30.22	\$112.62	16.4%	3.9%	\$4.25
180	\$32.17	\$217.57	\$41.74	\$227.14	29.7%	4.4%	\$9.57
280	\$38.38	\$326.78	\$53.26	\$341.66	38.8%	4.6%	\$14.88
380	\$44.58	\$435.98	\$64.78	\$456.18	45.3%	4.6%	\$20.20
480	\$50.79	\$545.19	\$76.30	\$570.70	50.2%	4.7%	\$25.51
580	\$56.99	\$654.39	\$87.82	\$685.22	54.1%	4.7%	\$30.83
680	\$63.20	\$763.60	\$99.34	\$799.74	57.2%	4.7%	\$36.14
780	\$69.41	\$872.81	\$110.86	\$914.26	59.7%	4.7%	\$41.46
880	\$75.61	\$982.01	\$122.38	\$1,028.78	61.9%	4.8%	\$46.77
980	\$81.82	\$1,091.22	\$133.91	\$1,143.31	63.7%	4.8%	\$52.09
1,080	\$88.02	\$1,200.42	\$145.43	\$1,257.83	65.2%	4.8%	\$57.40
1,180	\$94.23	\$1,309.63	\$156.95	\$1,372.35	66.6%	4.8%	\$62.72
1,280	\$100.44	\$1,418.84	\$168.47	\$1,486.87	67.7%	4.8%	\$68.03
1,380	\$106.64	\$1,528.04	\$179.99	\$1,601.39	68.8%	4.8%	\$73.35
1,480	\$112.85	\$1,637.25	\$191.51	\$1,715.91	69.7%	4.8%	\$78.66
1,580	\$119.05	\$1,746.45	\$203.03	\$1,830.43	70.5%	4.8%	\$83.98
1,680	\$125.26	\$1,855.66	\$214.55	\$1,944.95	71.3%	4.8%	\$89.29
1,780	\$131.47	\$1,964.87	\$226.07	\$2,059.47	72.0%	4.8%	\$94.61
1,880	\$137.67	\$2,074.07	\$237.59	\$2,173.99	72.6%	4.8%	\$99.92
1,980	\$143.88	\$2,183.28	\$249.12	\$2,288.52	73.1%	4.8%	\$105.24

- Bills do not include local taxes, franchise fees, or gross receipts taxes.
- Natural gas supplied to customers by Infinite Energy.
- Gas cost effective January 2004.

C:\123\Indiantown\Rate Case\Indiantown final interim.123

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
BILL COMPARISONS - PRESENT VS. RECOMMENDED INTERIM RATES
DOCKET NO. 030954-GU

ATTACHMENT 7
Page 3 of 5

TRANSPORTATION SERVICE 3
(25,000 - 100,000 therms per year)
Average Usage: 1,268 therms per month

PRESENT RATES

Customer Charge
\$50.00

Energy Charge
(Cents
per Therm)
5.562

RECOMMENDED INTERIM RATES

Customer Charge
\$50.00

Energy Charge
(Cents
per Therm)
9.636

Gas Cost Cents/Therm: 103.000

Therm usage Increment: 350

Therm Usage	Present		Recommended		Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
	Monthly Bill w/o Fuel	Monthly Bill with Fuel	Monthly Bill w/o Fuel	Monthly Bill with Fuel			
2,000	\$161.24	\$2,221.24	\$242.72	\$2,302.72	50.5%	3.7%	\$81
2,350	\$180.71	\$2,601.21	\$276.45	\$2,696.95	53.0%	3.7%	\$96
2,700	\$200.17	\$2,981.17	\$310.17	\$3,091.17	55.0%	3.7%	\$110
3,050	\$219.64	\$3,361.14	\$343.90	\$3,485.40	56.6%	3.7%	\$124
3,400	\$239.11	\$3,741.11	\$377.62	\$3,879.62	57.9%	3.7%	\$139
3,750	\$258.58	\$4,121.08	\$411.35	\$4,273.85	59.1%	3.7%	\$153
4,100	\$278.04	\$4,501.04	\$445.08	\$4,668.08	60.1%	3.7%	\$167
4,450	\$297.51	\$4,881.01	\$478.80	\$5,062.30	60.9%	3.7%	\$181
4,800	\$316.98	\$5,260.98	\$512.53	\$5,456.53	61.7%	3.7%	\$196
5,150	\$336.44	\$5,640.94	\$546.25	\$5,850.75	62.4%	3.7%	\$210
5,500	\$355.91	\$6,020.91	\$579.98	\$6,244.98	63.0%	3.7%	\$224
5,850	\$375.38	\$6,400.88	\$613.71	\$6,639.21	63.5%	3.7%	\$238
6,200	\$394.84	\$6,780.84	\$647.43	\$7,033.43	64.0%	3.7%	\$253
6,550	\$414.31	\$7,160.81	\$681.16	\$7,427.66	64.4%	3.7%	\$267
6,900	\$433.78	\$7,540.78	\$714.88	\$7,821.88	64.8%	3.7%	\$281
7,250	\$453.25	\$7,920.75	\$748.61	\$8,216.11	65.2%	3.7%	\$295
7,600	\$472.71	\$8,300.71	\$782.34	\$8,610.34	65.5%	3.7%	\$310
7,950	\$492.18	\$8,680.68	\$816.06	\$9,004.56	65.8%	3.7%	\$324
8,300	\$511.65	\$9,060.65	\$849.79	\$9,398.79	66.1%	3.7%	\$338
8,650	\$531.11	\$9,440.61	\$883.51	\$9,793.01	66.4%	3.7%	\$352

- Bills do not include local taxes, franchise fees, or gross receipts taxes.
- Natural gas supplied to customers by Infinite Energy.
- Gas cost effective January 2004.

C:\123\Indiantown\Rate Case\Indiantown final interim.123

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
BILL COMPARISONS - PRESENT VS. RECOMMENDED INTERIM RATES
DOCKET NO. 030954-GU

ATTACHMENT 7
Page 4 of 5

TRANSPORTATION SERVICE 4
(100,000 - 3,000,000 therms per year)
Average Usage: 198,625 therms per month

PRESENT RATES

Customer Charge
\$1,500.00

Energy Charge
(Cents
per Therm)
3.754

RECOMMENDED INTERIM RATES

Customer Charge
\$1,500.00

Energy Charge
(Cents
per Therm)
5.686

Gas Cost Cents/Therm: N/A

Therm usage Increment: 13,000

Therm Usage	Present		Recommended		Recommended		Dollar Increase
	Monthly Bill w/o Fuel	Monthly Bill with Fuel	Interim Monthly Bill w/o Fuel	Interim Monthly Bill with Fuel	Percent Increase w/o Fuel	Percent Increase with Fuel	
8,000	\$1,800	N/A	\$1,955	N/A	8.6%	N/A	\$155
21,000	\$2,288	N/A	\$2,694	N/A	17.7%	N/A	\$406
34,000	\$2,776	N/A	\$3,433	N/A	23.7%	N/A	\$657
47,000	\$3,264	N/A	\$4,172	N/A	27.8%	N/A	\$908
60,000	\$3,752	N/A	\$4,912	N/A	30.9%	N/A	\$1,159
73,000	\$4,240	N/A	\$5,651	N/A	33.3%	N/A	\$1,410
86,000	\$4,728	N/A	\$6,390	N/A	35.1%	N/A	\$1,662
99,000	\$5,216	N/A	\$7,129	N/A	36.7%	N/A	\$1,913
112,000	\$5,704	N/A	\$7,868	N/A	37.9%	N/A	\$2,164
125,000	\$6,193	N/A	\$8,608	N/A	39.0%	N/A	\$2,415
138,000	\$6,681	N/A	\$9,347	N/A	39.9%	N/A	\$2,666
151,000	\$7,169	N/A	\$10,086	N/A	40.7%	N/A	\$2,917
164,000	\$7,657	N/A	\$10,825	N/A	41.4%	N/A	\$3,168
177,000	\$8,145	N/A	\$11,564	N/A	42.0%	N/A	\$3,420
190,000	\$8,633	N/A	\$12,303	N/A	42.5%	N/A	\$3,671
203,000	\$9,121	N/A	\$13,043	N/A	43.0%	N/A	\$3,922
216,000	\$9,609	N/A	\$13,782	N/A	43.4%	N/A	\$4,173
229,000	\$10,097	N/A	\$14,521	N/A	43.8%	N/A	\$4,424
242,000	\$10,585	N/A	\$15,260	N/A	44.2%	N/A	\$4,675
255,000	\$11,073	N/A	\$15,999	N/A	44.5%	N/A	\$4,927

- Bills do not include local taxes, franchise fees, or gross receipts taxes.

C:\123\Indiantown\Rate Case\Indiantown final Interim.123

DOCKET NO. 030954-GU
DATE: JANUARY 22, 2004

INDIANTOWN GAS COMPANY
BILL COMPARISONS - PRESENT VS. RECOMMENDED INTERIM RATES
DOCKET NO. 030954-GU

ATTACHMENT 7
Page 5 of 5

TRANSPORTATION SERVICE 5
(Greater than 3,000,000 therms per year)
Average Usage: 375,774 therms per month

PRESENT RATES

Customer Charge
\$5,500.00

Energy Charge
(Cents
per Therm)
3.181

Gas Cost Cents/Therm: N/A

RECOMMENDED INTERIM RATES

Customer Charge
\$5,500.00

Energy Charge
(Cents
per Therm)
4.544

Therm usage increment: 25,000

Therm Usage	Present		Recommended		Percent Increase w/o Fuel	Percent Increase with Fuel	Dollar Increase
	Monthly Bill w/o Fuel	Monthly Bill with Fuel	Interim Monthly Bill w/o Fuel	Interim Monthly Bill with Fuel			
250,000	\$13,453	N/A	\$16,860	N/A	25.3%	N/A	\$3,408
275,000	\$14,248	N/A	\$17,996	N/A	26.3%	N/A	\$3,749
300,000	\$15,043	N/A	\$19,133	N/A	27.2%	N/A	\$4,090
325,000	\$15,838	N/A	\$20,269	N/A	28.0%	N/A	\$4,430
350,000	\$16,634	N/A	\$21,405	N/A	28.7%	N/A	\$4,771
375,000	\$17,429	N/A	\$22,541	N/A	29.3%	N/A	\$5,112
400,000	\$18,224	N/A	\$23,677	N/A	29.9%	N/A	\$5,453
425,000	\$19,019	N/A	\$24,813	N/A	30.5%	N/A	\$5,793
450,000	\$19,815	N/A	\$25,949	N/A	31.0%	N/A	\$6,134
475,000	\$20,610	N/A	\$27,085	N/A	31.4%	N/A	\$6,475
500,000	\$21,405	N/A	\$28,221	N/A	31.8%	N/A	\$6,816
525,000	\$22,200	N/A	\$29,357	N/A	32.2%	N/A	\$7,157
550,000	\$22,996	N/A	\$30,493	N/A	32.6%	N/A	\$7,497
575,000	\$23,791	N/A	\$31,629	N/A	32.9%	N/A	\$7,838
600,000	\$24,586	N/A	\$32,765	N/A	33.3%	N/A	\$8,179
625,000	\$25,381	N/A	\$33,901	N/A	33.6%	N/A	\$8,520
650,000	\$26,177	N/A	\$35,037	N/A	33.8%	N/A	\$8,861
675,000	\$26,972	N/A	\$36,173	N/A	34.1%	N/A	\$9,201
700,000	\$27,767	N/A	\$37,309	N/A	34.4%	N/A	\$9,542
725,000	\$28,562	N/A	\$38,445	N/A	34.6%	N/A	\$9,883

- Bills do not include local taxes, franchise fees, or gross receipts taxes.