COST OF SERVICE AND RATE STUDY (2014-2019)

B&V PROJECT NO. 183062

PREPARED FOR

Clearwater Gas System

12 SEPTEMBER 2014

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12 September 2014

Mr. Chuck Warrington
Managing Director & Executive Officer
Clearwater Gas System
400 North Myrtle Avenue
Clearwater, FL 33755

Subject: Cost of Service and Rate Study

Dear Mr. Warrington:

We are enclosing our report on "*Cost of Service and Rate Study (2014-2019)*" for the Clearwater Gas System ("CGS"). Our report updates our prior report from October 2010. The report presents the results of a comprehensive Study, including a projection of CGS' financial position for the period 2014-2019, a cost of service analysis to evaluate cost responsibility for each of the various classes of customers served, and the development of recommended rate charges to recover the costs of providing service from the respective classes of customers.

Based on the results of our study, CGS's rates are more than adequate to meet its operating needs over the forecast period. We therefore recommend a $1.2 million reduction in rate revenues. Our recommended changes to the existing rates are summarized below:

- Roll the non-weather portion of the Usage and Inflation Adjustment rate into the eligible base distribution charges and reset the normal use per customer and Consumer Price Index to current levels.
- Decrease the commercial class revenues by approximately $1.2 million.
- Revenue neutral rate change to the residential classes with an increase to the Residential Single Family customer charge from $10.00 to $12.00 per month, and an offsetting decrease to the distribution charge for the residential class.

We appreciate the opportunity to have worked with you and your staff. If you have questions or would like to discuss further, please do not hesitate to contact us.

Very truly yours,
BLACK & VEATCH CORPORATION

Gregory E Macias
Principal Consultant

Enclosure

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1 Executive Summary

1.1 BACKGROUND

The City of Clearwater, Florida, (the City) owns and operates Clearwater Gas System (CGS), which is the natural gas and propane system serving approximately 20,500 customers in a service area located in Pinellas and Pasco Counties. Service is provided to residences, businesses, industry, and institutions.

CGS is one of seven enterprise operations (natural gas and propane, water, sewer, reclaimed water, solid waste, recycling, storm water) owned and operated by the City. The elected City Council sets policy guidelines and charges the City Manager with the direction of all departments. CGS is administered by a Managing Director who reports to the Assistant City Manager, Economic Development & Enterprise Operations.

1.2 STUDY OBJECTIVES

The overall purpose of this engagement is multi-faceted. Specifically, findings, conclusions, and recommendations together with supporting documentation are provided relative to the following initiatives undertaken during the course of our analyses:

1. Evaluate the adequacy of existing cost recovery mechanisms, specifically user rates to meet the operational and capital requirements of CGS on a prospective basis.
2. Verify that the current rates are being applied correctly.
3. Forecast revenues and revenue requirements for a five-year period to determine the overall adequacy of existing rates to support CGS' operating and capital needs and prudently maintain cash reserves to meet CGS contingencies.
4. Prepare a class cost of service analysis to identify the cost associated with serving each class of service.
5. Recommend revised rates sufficient to meet CGS' total revenue requirements that reflect cost of service considerations and practical rate implementation constraints, as required.

1.3 SCOPE

This report presents the results of a comprehensive study including a projection of the financial position of CGS for the period 2014 through 2019, a class cost of service analysis to evaluate the cost responsibility for each of the various classes of customers served, and the development of recommended rate charges to recover the costs of providing service from respective classes of customers. CGS operates on a fiscal year ending September 30. References in this report to a specific year reflect the fiscal year ending on September 30 of that year unless otherwise noted.

The projections of revenue requirements for CGS are based on the analysis of historical costs incurred in providing service and reflect current and anticipated future operating conditions and cost levels. Anticipated future operating conditions and cost levels recognize the amount and degree of service, system expansion, renewals and replacements, inflationary effects, and other factors.

The class cost of service analysis includes the functional classification of test year costs and the subsequent allocation of functional costs to various classes of customers on the basis of the relative cost responsibility of each class. Allocated cost of service is then compared with test year revenues under recommended rates to determine the rate of return on allocated net plant investment for each of the customer classes.

CGS passes through and recovers from customers its natural gas costs via a purchased gas cost rider. Therefore our report focuses on the margin, or the non-gas cost, portion of CGS' gas rate. CGS has in-place several riders that include a Usage and Inflation Adjustment (UIA), an Energy Conservation Adjustment (ECA) and a Regulatory Imposition Adjustment (RIA). The UIA is a mechanism in CGS's tariff to adjust for fluctuations in consumption due to colder or warmer than normal weather, declining usage due to conservation, and rising costs due to inflation. The UIA adjustment is applied to all standard rate customer classes (not applicable to contract and interruptible customers). Our sales projections are weather normalized.

1.4 CUSTOMERS AND THROUGHPUT

Over the 2009-2013 period, the number of natural gas customers served by CGS has increased by 775 customers, or approximately 1.1 percent per year, from 17,389 in 2009 to 18,164 in 2013. The increase in customers is largely attributable to the addition of residential customers. For the period 2009-2012, throughput (sales) averaged 21,443,452 therms, and increased to 23,437,404 therms in 2013 due to the addition of two new contract customers. We project that number of customers and throughput will increase during the projected period based on this recent trend. Our projection of numbers of customers and throughput are conservative based on our discussion with management regarding marketing efforts and existing local and statewide economic conditions. We project by 2019 the number of natural gas customers will increase to 20,002, and weather normalized throughput will increase to 24,416,706 therms. We have projected that use per customer during the projection period will remain constant at the levels experienced over the recent historical period. However, per customer usage (primarily Residential) has been declining consistent with the trends experienced throughout the country as the efficiency of natural gas equipment and homes has improved. Weather normalized Residential Single-Family use per customer has declined from 204 therms per year in FY 2009 to 197 therms per year in our forecast for FY 2014. Weather normalized use per Commercial[1] customer is forecast to be 6,203 therms annually. The decline experienced in Clearwater is consistent with trends we have seen throughout the country primarily due to conservation and improved equipment efficiency.

1.5 REVENUES AND REVENUE REQUIREMENTS UNDER EXISTING RATES

We use the cash basis of determining revenue requirements for municipal utilities as a guide in recommending overall rate adjustments. The cash basis is an accepted industry norm for municipal utility rate and bond financing studies. Table 1-1 summarizes historical and projected revenues and revenue requirements under existing rates. We also present net cash flow for the projected period.

[1] CGS rate schedules SFC, MFC, LFC, SGS, MGS, LGS, NGV, NSS, and firm Contracts.

Table 1-1 Historical and Projected Revenues and Revenue Requirements under Existing Rates

Line		Historical				Estimated	Projected				
No.	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		$	$	$	$	$	$	$	$	$	$
1	**Operating Revenue**										
2	Gas Sales										
3	Fuel Revenue - Pasco	3,094,121	3,106,639	3,120,454	2,868,744	2,847,400	2,695,200	2,728,200	2,764,100	2,803,100	2,845,800
4	Fuel Revenue - Pinellas	16,029,267	15,194,400	13,971,038	13,853,314	12,756,000	12,628,500	12,644,200	12,660,100	12,676,000	12,692,200
5	Customer Fuel Surcharge - Pasco					51,200	58,600	67,100	76,900	88,200	101,300
6	Fuel Related Dividend Collection	-	-	-	-	2,036,700	2,692,000	2,698,800	2,727,300	2,757,800	2,407,300
7	Total Fuel Revenue	19,123,388	18,301,038	17,091,493	16,722,058	17,691,300	18,074,300	18,138,300	18,228,400	18,325,100	18,046,600
8	Non-Fuel Sales Revenue - Pasco	1,789,307	1,791,530	1,834,767	1,958,991	1,917,200	2,133,900	2,177,100	2,224,400	2,276,300	2,333,400
9	Non-Fuel Sales Revenue - Pinellas	9,023,086	8,858,691	8,959,184	9,414,151	9,415,800	10,440,000	10,468,900	10,498,000	10,527,300	10,557,100
10	Usage & Inflation Adjustment Revenue	(0)	401,601	878,193	1,012,552	1,048,900	-	260,000	530,300	811,700	1,104,900
11	Energy Conservation Adjustment Revenue	1,209,417	1,495,190	1,723,898	1,978,080	1,901,200	1,948,300	1,958,000	1,968,300	1,979,200	1,991,000
12	ECA Related Dividend Collection					105,800	139,800	140,200	141,700	143,300	125,100
13	Regulatory Imposition Adjustment Revenue	223,178	317,160	305,179	1,081,944	1,023,700	1,048,800	1,054,100	1,059,700	1,065,600	1,071,900
14	Total Gas Margin	12,244,988	12,864,172	13,701,221	15,445,718	15,412,600	15,710,800	16,058,300	16,422,400	16,803,400	17,183,400
15	Total Gas Sales Revenue	31,368,376	31,165,210	30,792,714	32,167,776	33,103,900	33,785,100	34,196,600	34,650,800	35,128,500	35,230,000
16	Other Revenue										
17	LP Sales, Revenue Credit (1)	112,196	71,849	252,648	131,351	178,600	244,900	245,100	246,300	247,400	233,800
18	Service Charges and Fees	1,609,221	1,709,904	2,034,907	2,047,502	2,108,900	2,172,200	2,237,400	2,304,400	2,373,500	2,444,800
19	Franchise Fees and Gross Receipts Tax	2,009,096	1,936,983	1,836,555	1,907,026	1,972,000	2,009,000	2,027,000	2,046,000	2,066,000	2,071,000
20	Total Other Revenue	3,730,513	3,718,736	4,124,110	4,085,878	4,259,500	4,426,100	4,509,500	4,596,700	4,686,900	4,749,600
21	Total Operating Revenue	35,098,888	34,883,946	34,916,824	36,253,655	37,363,400	38,211,200	38,706,100	39,247,500	39,815,400	39,979,600
22	**Revenue Requirements**										
23	Gas Purchased	16,717,618	15,213,361	13,661,117	14,828,510	15,654,600	15,382,300	15,439,500	15,501,100	15,567,300	15,639,300
24	Operating & Maintenance /A&G	6,644,618	5,939,762	6,507,719	7,376,643	7,527,600	7,735,900	7,968,000	8,207,000	8,453,200	8,706,800
25	Operating and Maintenance - RIA related					1,000,000	1,000,000	1,000,000	1,000,000	-	-
26	Other ECA/RIA Recovery	1,797,578	1,383,659	1,577,728	1,735,225	24,900	97,100	112,100	128,000	2,144,800	2,162,900
27	Taxes	2,075,417	1,999,438	1,894,789	1,968,107	1,972,000	2,009,000	2,027,000	2,046,000	2,066,000	2,071,000
28	Total Operating Expenses	27,235,231	24,536,220	23,641,353	25,908,486	26,179,100	26,224,300	26,546,600	26,882,100	28,231,300	28,580,000
29	Operating Income	7,863,657	10,347,726	11,275,471	10,345,169	11,184,300	11,986,900	12,159,500	12,365,400	11,584,100	11,399,600
30	Depreciation Expense	(1,912,622)	(1,579,548)	(1,728,617)	(1,825,746)	(1,514,700)	(1,634,700)	(1,754,700)	(1,874,700)	(1,994,700)	(2,114,700)
31	Net Operating Income before Transfer	5,951,035	8,768,178	9,546,854	8,519,423	9,669,600	10,352,200	10,404,800	10,490,700	9,589,400	9,284,900
32	**Non Operating Revenues (Expenses)**										
33	Earnings on Investments Revenue	843,507	551,070	565,554	(192,598)	450,000	450,000	450,000	450,000	450,000	450,000
34	Earnings on Investments of Bond Revenue	-	-	-	-	-	-	-	-	-	-
35	Interest Expense and Fiscal Charges	(815,934)	(741,031)	(730,547)	(665,256)	(618,000)	(432,800)	(402,600)	(372,100)	(341,500)	(325,100)
36	Amortization of Bond Discount and Issue Costs	(27,974)	(27,440)	(26,883)	(26,340)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
37	Gain (Loss) on Exchange of Assets	-	(730)	-	(27,881)	-	-	-	-	-	-
38	Other Non Operating Revenue	331,840	228,347	188,393	674,861	164,600	165,400	165,400	165,400	165,400	165,400
39	Total Non Operating Revenues (Expenses)	331,439	10,215	(3,482)	(237,214)	(32,400)	153,600	183,800	214,300	244,900	261,300
40	Net Income before Transfer	6,282,474	8,778,393	9,543,372	8,282,209	9,637,200	10,505,800	10,588,600	10,705,000	9,834,300	9,546,200
41	Transfers In (Out)	(4,213,872)	(1,790,209)	(3,100,077)	(2,751,418)	(2,645,082)	(3,496,100)	(3,504,900)	(3,541,900)	(3,581,600)	(3,126,400)
42	Net Income	2,068,602	6,988,184	6,443,295	5,530,791	6,992,118	7,009,700	7,083,700	7,163,100	6,252,700	6,419,800
43	**Long Term Debt Principal Payments**										
44	Revenue Bonds										
45	Series 2005					170,800	-	-	-	-	-
46	Series 2007					370,000	370,000	370,000	370,000	-	-
47	Series 2013					350,000	365,000	375,000	375,000	390,000	395,000
48	Series 2014					-	245,000	250,000	255,000	260,000	265,000
49	Total Revenue Bonds Principal Payments					890,800	980,000	995,000	1,000,000	650,000	660,000
50	Plant Extension and Replacements - System					2,100,000	2,100,000	2,100,000	2,100,000	3,100,000	3,100,000
51	Plant Extension and Replacements - RIA					1,100,000	1,100,000	1,100,000	1,100,000	100,000	100,000
52	Plant Extension and Replacements - ECA					800,000	800,000	800,000	800,000	800,000	800,000
53	**Net Cash Flow**										
54	Net Income					6,992,118	7,009,700	7,083,700	7,163,100	6,252,700	6,419,800
55	Principal Payments					(890,800)	(980,000)	(995,000)	(1,000,000)	(650,000)	(660,000)
56	Plant Extension and Replacements					(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
57	Depreciation Expense					1,514,700	1,634,700	1,754,700	1,874,700	1,994,700	2,114,700
58	Amortization of Bond Discount and Issue Costs					29,000	29,000	29,000	29,000	29,000	29,000
59	Net Cash Flow					3,645,018	3,693,400	3,872,400	4,066,800	3,626,400	3,903,500
60	Cumulative Cash Flow				30,993,800	34,638,818	38,332,218	42,204,618	46,271,418	49,897,818	53,801,318
61	**Margin on Sales**					17,449,300	18,402,800	18,757,100	19,149,700	19,561,200	19,590,700
62	**Net Cash Flow as % of Margin**					20.9%	20.1%	20.6%	21.2%	18.5%	19.9%

(1) LP revenue less cost of propane less propane O&M

CGS derives its revenues from gas and propane sales, interest on reserve funds, and other miscellaneous receipts. CGS' operating revenues, including sales of propane, have increased from $35.1 million in 2010 to $36.3 million in 2013. CGS passes through and recovers from customers the cost of purchased gas. We project operating revenues under existing rates to increase to $40 million during the projection period, due primarily to the continued recent historical trend in customer growth and continued application of the UIA rider.

Revenue requirements of CGS include operating expenses, debt service on existing and future bonds, transfers to the City, and system improvements financed from current revenues. We project approximately $20 million of capital expenditures to be financed through revenues during the 2015-2019 period.

In the table below we summarize projected cash financed capital improvements for the natural gas system. These projections were supplied by CGS.

PROJECT CAPITAL EXPENDITURES

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	TOTAL
	$	$	$	$	$	$
Environmental Remediation	100,000	100,000	100,000	100,000	100,000	500,000
Line Relocation Pinellas - Maintenance	50,000	50,000	50,000	50,000	50,000	250,000
Gas Meter Change out - Pinellas	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pinellas - Capitalized	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pasco - Maintenance	50,000	50,000	50,000	50,000	50,000	250,000
Pinellas New Mains & Service Lines	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Pasco New Mains & Service Lines	500,000	500,000	500,000	500,000	500,000	2,500,000
Gas Meter Change Out - Pasco	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pasco - Capitalized	50,000	50,000	50,000	50,000	50,000	250,000
Building Renovation	200,000	200,000	200,000	200,000	200,000	1,000,000
Expanded Energy Conservation	500,000	500,000	500,000	500,000	500,000	2,500,000
Natural Gas Vehicle	300,000	300,000	300,000	300,000	300,000	1,500,000
Future IMS Software and Hardware	100,000	100,000	100,000	100,000	100,000	500,000
Total New Capital	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,000**	**20,000,000**

1.6 CLASS COST OF SERVICE

To compare allocated costs of service and revenues under present rates, a test year is chosen that is considered to be typical of system operations. The test year for our cost of service analyses for CGS is 2015.

For analysis purposes, the test year costs of service (revenue requirements) are expressed in terms of operating expenses, depreciation, non-operating expenses, transfers, and return. Other operating revenues and revenues from negotiated rates are credited to cost of service.

We allocate test year costs of service to the various customer classes of CGS on the basis of the units of service rendered. We then compare allocated costs of service with revenues under existing rates to determine the return on allocated net plant for each customer class. The results of the cost of service study should be viewed in the context of the relative return being earned by CGS from these customer classes.

Our results indicate that under existing rates, the residential classes are providing little or no return and the commercial classes are providing above average rates or return.

1.7 SUGGESTED RATE ADJUSTMENTS

Based on the results shown in Table 1-1, CGS' existing rates are more than adequate to meet its operating needs over the forecast period. Therefore, we recommend that CGS reduce the rate for its commercial classes of customers by approximately $1.2 million, based on the results of our cost of service study and competitive considerations. In addition to the rate reduction to the commercial customers, we recommend a revenue neutral rate change to the residential classes with an increase to the Residential Single Family customer charge and an offsetting decrease to the distribution charge for the residential class. We also recommend resetting the UIA by including the current (FY 2014) non-weather portion of the UIA in base rates and updating the usage and inflation bases to current levels. A summary of our recommendations follows:

1. Roll the non-weather portion of the UIA rate into the eligible base distribution charges and reset the normal use per customer and Consumer Price Index to current levels. For the residential classes, the non-weather portion of the UIA rate is $0.07 per therm. Therefore the distribution charges should be increased for Residential customers (RS, SFD, MFD, and LFD) from $0.48 to $0.55 per therm, for Small Commercial customers (SFC and SGS) from $0.46 to $0.52 per therm, for Medium Commercial customers (MCF and MGS) from $0.40 to $0.46 per therm, for Large Commercial customers (LFC and LGS) from $0.34 to $0.40 per therm, and the UIA should be reset to $0.00 per therm. The normal use per customer bases should be changed to 197 therms for the residential class and 6,203 therms for the commercial classes (includes contract customers). The CPI-U is estimated to be 239.702 for September 2014 and this level of CPI-U should be used as the basis for future UIA calculations.

2. Decrease the commercial class revenues by approximately $1.2 million by reducing distribution rates (after application of the UIA increase) for Small Commercial customers (SFC and SGS) from $0.52 to $0.42 per therm, for Medium Commercial customers (MCF and MGS) from $0.46 to $0.38 per therm, for Large Commercial customers (LFC and LGS) from $0.40 to $0.34 per therm, and for Standard Interruptible customers (IS) from $0.28 to $0.24 per therm.

3. Increase the Residential Single-Family customer charge from $10.00 to $12.00 per month (excluding the Pasco County fuel surcharge). This is in line with the residential customer charges in effect at other natural gas utilities in CGS' geographic area. At the same time, the residential class distribution charge (after application of the UIA increase) should be reduced from $0.55 to $0.44 per therm. The net effect of these changes to residential rate revenue is negligible as the increase in customer charge revenues is offset by the decrease in distribution charge revenues.

4. Regularly monitor the rates charged by competitors for propane. Our projections are based on service to propane customers essentially breaking even. Charges for propane service should be increased to the extent possible when competitive factors are considered and to encourage the load levels that CGS desires.

5. Regularly monitor service charge rates and consider adopting a new pricing structure that establishes a per trip charge, which includes the first hour of labor, plus quarter hourly rates for additional time on-site beyond one hour.

Table 1-2 shows the impact of the proposed rate changes beginning in FY 2015. Beyond the timeline captured in our study, it is suggested that CGS review anticipated cash flow and rates levels to confirm that adequate funding is maintained for its ongoing operating and capital investment needs.

Table 1-2 Historical and Projected Revenues & Revenue Requirements under Proposed Rates

Line		Historical				Estimated	Projected				
No.	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		$	$	$	$	$	$	$	$	$	$
1	**Operating Revenue**										
2	Gas Sales										
3	Fuel Revenue - Pasco	3,094,121	3,106,639	3,120,454	2,868,744	2,847,400	2,695,200	2,728,200	2,764,100	2,803,100	2,845,800
4	Fuel Revenue - Pinellas	16,029,267	15,194,400	13,971,038	13,853,314	12,756,000	12,628,500	12,644,200	12,660,100	12,676,000	12,692,200
5	Customer Fuel Surcharge - Pasco	-	-	-	-	51,200	58,600	67,100	76,900	88,200	101,300
6	Fuel Related Dividend Collection	-	-	-	-	2,129,400	2,684,600	2,233,400	2,279,300	2,288,400	1,918,800
7	Total Fuel Revenue	19,123,388	18,301,038	17,091,493	16,722,058	17,784,000	18,066,900	17,672,900	17,780,400	17,855,700	17,558,100
8	Non-Fuel Sales Revenue - Pasco	1,789,307	1,791,530	1,834,767	1,958,991	1,917,200	1,968,000	2,008,700	2,053,400	2,102,500	2,156,700
9	Non-Fuel Sales Revenue - Pinellas	9,023,086	8,858,691	8,959,184	9,414,151	9,415,800	9,395,500	9,424,800	9,454,300	9,484,100	9,514,300
10	Usage & Inflation Adjustment Revenue	(0)	401,601	878,193	1,012,552	1,048,900	-	212,300	432,900	662,300	901,600
11	Energy Conservation Adjustment Revenue	1,209,417	1,495,190	1,723,898	1,978,080	1,901,200	1,948,300	1,958,000	1,968,300	1,979,200	1,991,000
12	ECA Related Dividend Collection	-	-	-	-	110,600	139,500	116,000	118,400	118,900	99,700
13	Regulatory Imposition Adjustment Revenue	223,178	317,160	305,179	1,081,944	1,023,700	1,048,800	1,054,100	1,059,700	1,065,600	1,071,900
14	Total Gas Margin	12,244,988	12,864,172	13,701,221	15,445,718	15,417,400	14,500,100	14,773,900	15,087,000	15,412,600	15,735,200
15	Total Gas Sales Revenue	31,368,376	31,165,210	30,792,714	32,167,776	33,201,400	32,567,000	32,446,800	32,867,400	33,268,300	33,293,300
16	Other Revenue										
17	LP Sales, Revenue Credit (1)	112,196	71,849	252,648	131,351	182,200	244,600	227,000	228,800	229,200	214,800
18	Service Charges and Fees	1,609,221	1,709,904	2,034,907	2,047,502	2,108,900	2,172,200	2,237,400	2,304,400	2,373,500	2,444,800
19	Franchise Fees and Gross Receipts Tax	2,009,096	1,936,983	1,836,555	1,907,026	1,976,000	1,963,000	1,960,000	1,978,000	1,995,000	1,998,000
20	Total Other Revenue	3,730,513	3,718,736	4,124,110	4,085,878	4,267,100	4,379,800	4,424,400	4,511,200	4,597,700	4,657,600
21	Total Operating Revenue	35,098,888	34,883,946	34,916,824	36,253,655	37,468,500	36,946,800	36,871,200	37,378,600	37,866,000	37,950,900
22	**Revenue Requirements**										
23	Gas Purchased	16,717,618	15,213,361	13,661,117	14,828,510	15,654,600	15,382,300	15,439,500	15,501,100	15,567,300	15,639,300
24	Operating & Maintenance /A&G	6,644,618	5,939,762	6,507,719	7,376,643	7,527,600	7,735,900	7,968,000	8,207,000	8,453,200	8,706,800
25	Operating and Maintenance - RIA related	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	-	-
26	ECA/RIA Recovery	1,797,578	1,383,659	1,577,728	1,735,225	24,900	97,100	112,100	128,000	2,144,800	2,162,900
27	Taxes	2,075,417	1,999,438	1,894,789	1,968,107	1,976,000	1,963,000	1,960,000	1,978,000	1,995,000	1,998,000
28	Total Operating Expenses	27,235,231	24,536,220	23,641,353	25,908,486	26,183,100	26,178,300	26,479,600	26,814,100	28,160,300	28,507,000
29	Operating Income	7,863,657	10,347,726	11,275,471	10,345,169	11,285,400	10,768,500	10,391,600	10,564,500	9,705,700	9,443,900
30	Depreciation Expense	(1,912,622)	(1,579,548)	(1,728,617)	(1,825,746)	(1,514,700)	(1,634,700)	(1,754,700)	(1,874,700)	(1,994,700)	(2,114,700)
31	Net Operating Income before Transfer	5,951,035	8,768,178	9,546,854	8,519,423	9,770,700	9,133,800	8,636,900	8,689,800	7,711,000	7,329,200
32	**Non Operating Revenues (Expenses)**										
33	Earnings on Investments Revenue	843,507	551,070	565,554	(192,598)	450,000	450,000	450,000	450,000	450,000	450,000
34	Earnings on Investments of Bond Revenue	-	-	-	-	-	-	-	-	-	-
35	Interest Expense and Fiscal Charges	(815,934)	(741,031)	(730,547)	(665,256)	(618,000)	(432,800)	(402,600)	(372,100)	(341,500)	(325,100)
36	Amortization of Bond Discount and Issue Costs	(27,974)	(27,440)	(26,883)	(26,340)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
37	Gain (Loss) on Exchange of Assets	-	(730)	-	(27,881)	-	-	-	-	-	-
38	Other Non Operating Revenue	331,840	228,347	188,393	674,861	164,600	165,400	165,400	165,400	165,400	165,400
39	Total Non Operating Revenues (Expenses)	331,439	10,215	(3,482)	(237,214)	(32,400)	153,600	183,800	214,300	244,900	261,300
40	Net Income before Transfer	6,282,474	8,778,393	9,543,372	8,282,209	9,738,300	9,287,400	8,820,700	8,904,100	7,955,900	7,590,500
41	Transfers In (Out)	(4,213,872)	(1,790,209)	(3,100,077)	(2,751,418)	(2,765,400)	(3,486,500)	(2,900,500)	(2,960,100)	(2,972,000)	(2,492,000)
42	Net Income	2,068,602	6,988,184	6,443,295	5,530,791	6,972,900	5,800,900	5,920,200	5,944,000	4,983,900	5,098,500
43	**Long Term Debt Principal Payments**										
44	Revenue Bonds										
45	Series 2005					170,800	-	-	-	-	-
46	Series 2007					370,000	370,000	370,000	370,000	-	-
47	Series 2013					350,000	365,000	375,000	375,000	390,000	395,000
48	Series 2014					-	245,000	250,000	255,000	260,000	265,000
49	Total Revenue Bonds Principal Payments					890,800	980,000	995,000	1,000,000	650,000	660,000
50	Plant Extension and Replacements - System					2,100,000	2,100,000	2,100,000	2,100,000	3,100,000	3,100,000
51	Plant Extension and Replacements - RIA					1,100,000	1,100,000	1,100,000	1,100,000	100,000	100,000
52	Plant Extension and Replacements - ECA					800,000	800,000	800,000	800,000	800,000	800,000
53	**Net Cash Flow**										
54	Net Income					6,972,900	5,800,900	5,920,200	5,944,000	4,983,900	5,098,500
55	Principal Payments					(890,800)	(980,000)	(995,000)	(1,000,000)	(650,000)	(660,000)
56	Plant Extension and Replacements					(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
57	Depreciation Expense					1,514,700	1,634,700	1,754,700	1,874,700	1,994,700	2,114,700
58	Amortization of Bond Discount and Issue Costs					29,000	29,000	29,000	29,000	29,000	29,000
59	Net Cash Flow					3,625,800	2,484,600	2,708,900	2,847,700	2,357,600	2,582,200
60	Cumulative Cash Flow				30,993,800	34,619,600	37,104,200	39,813,100	42,660,800	45,018,400	47,600,600
61	**Margin on Sales**					17,546,800	17,184,700	17,007,300	17,366,300	17,701,000	17,654,000
62	**Net Cash Flow as % of Margin**					20.7%	14.5%	15.9%	16.4%	13.3%	14.6%

(1) LP revenue less cost of propane less propane O&M

Table 1-3 compares typical bills under CGS' recommended rates with Duke Energy for a residential customer. As shown in Table 1-3, CGS holds a competitive advantage to Duke Energy for standalone applications of space heating, hot water, and cooking.

Table 1-3 Comparison of Residential Bills with Recommended Rates to Duke Energy

Line	Description	CGS[1]	Duke Energy	Difference	
				$	Percent
		$/Therm	$/kWh		
1	Total Rate	1.70	0.13702		
2	Estimated Energy Consumption	Therms	kWh		
3	Heating[2]	150	2,250		
4	Hot Water	170	5,000		
5	Cooking	45	2,000		
6	Annual Cost				
7	Heating	$ 255.00	$ 308.30	$ (53.30)	-17.3%
8	Hot Water	289.00	685.10	(396.10)	-57.8%
9	Cooking	76.50	274.04	(197.54)	-72.08%
10	Total	$ 620.50	$ 1,267.44	$ (646.94)	-51.0%

(1) Total volumetric rate as of 2nd Quarter 2014

(2) Electric Assumes 200 percent efficient air to air heat pump and gas assumes 90 percent efficient furnace

Note: 1 MMBtu equals 293 kWh at 100 percent efficiency.
Duke Energy rates are for 1,000 kWh and above.
Duke Energy rates source: https://www.duke-energy.com/rates/progress-energy-florida.asp

2 Revenues and Revenue Requirements

CGS provides service to residential, commercial, and industrial customers in Pinellas and Pasco Counties.

2.1 PROJECTION OF NUMBER OF NATURAL GAS CUSTOMERS, THROUGHPUT, AND SALES REVENUES

Table 2-1 summarizes historical and projected average number of customers, throughput, and revenues under existing rates for each natural gas rate schedule. Over the 2009-2013 period, the number of natural gas customers served by CGS has increased by 775 customers, or approximately 1.1 percent per year, from 17,389 in 2009 to 18,164 in 2013. The increase in customers is largely attributable to the addition of residential customers. For the period 2009-2012, throughput (sales) averaged 21,443,452 therms, and increased to 23,437,404 therms in 2013 due to the addition of two new contract customers. Based upon recent history, we project that number of customers and throughput will increase slightly during the projected period. Our forecast includes an additional 224 Small Residential Multi-Family customers that were served by master meters but will become CGS accounts due to CGS' master meter conversion program. There is no additional throughput associated with these converted customers. Our projection of numbers of customers and throughput are conservative based on our discussion with management regarding marketing efforts and existing local and statewide economic conditions. We project number of natural gas customers and weather normalized throughput to increase slightly by 2019 to 20,002 and 24,416,706 therms, respectively.

Throughout the projection period, we assume that use per customer (therms per customer) is constant at the level experienced by CGS over the recent historical period. CGS experienced a significant decline in Residential use per customer in the 1990s. However, as shown in Figure 2-1, Residential use per customer has leveled off over the last ten years. Weather normalized Residential Single-Family use per customer has declined from 204 therms per year in FY 2009 (as of our last report) to 197 therms per year in our forecast for FY 2015.

It should be noted that weather conditions during FY 2010 were significantly colder than normal and FY 2012 and FY 2013 were significantly warmer than normal as measured by heating degree-days. FY 2010 was approximately 81 percent colder than normal, FY 2012 was approximately 58 percent warmer than normal, and FY 2013 was approximately 19 percent warmer than normal. The weather normalized average use per Residential Single-Family customer reflected in the projected period is 197 therms per year. The baseline FY 2015 use per Commercial[2] customer is 6,203 therms per year. The decline experienced in Clearwater is consistent with trends we have seen throughout the country as older less efficient equipment (water heaters and furnaces, primarily) are being replaced with more efficient equipment. This decline appears to be primarily contained to the Residential customer classes.

[2] CGS rate schedules SFC, MFC, LFC, SGS, MGS, LGS, NGV, NSS, and firm Contracts.

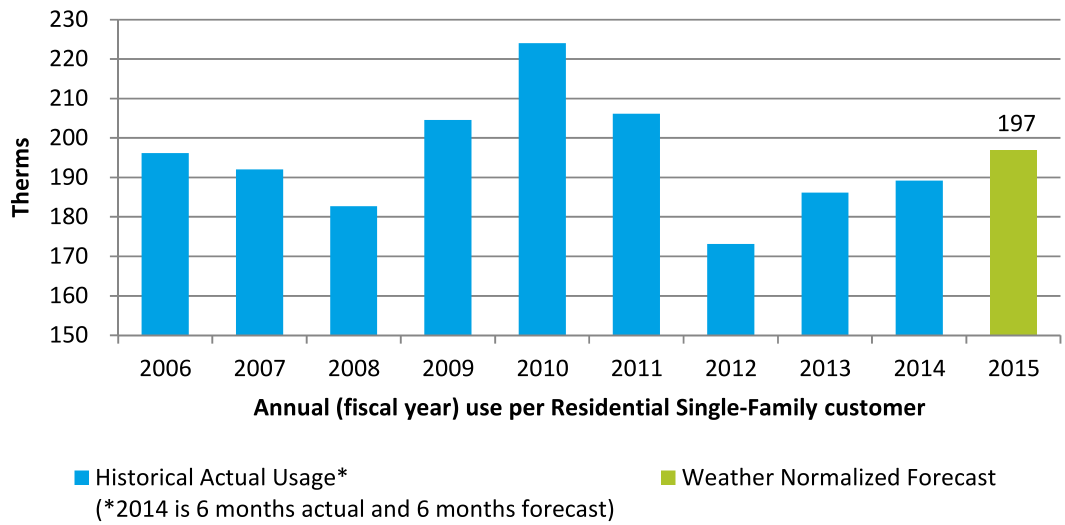

Figure 2-1 Residential Single-Family Use per Customer

The class throughput forecasts are based on the product of the number of customers and the use per customer forecasts. For customer classes whose usage is weather dependent (residential and commercial), the use per customer forecasts are based on regression analyses of use per customer versus heating degree-days and time to take into account changes in usage characteristics over time. Normal (weather normalized) use per customer is then forecast using the regression coefficients and normal heating degree-days. We base our forecast on annual heating degree-days of 497 which is the average experienced in Clearwater over the last 10 years. Our forecast is based on the assumption of a constant use per customer; however any future decline in normal use per customer from energy conservation will be captured in the UIA. For customer classes whose usage is not weather dependent (interruptible and industrial), the primary consideration is the historical trend in use per customer.

We project operating revenues under existing rates to increase to $40 million during the projection period, which is consistent with our underlying assumption regarding number of customers and inflation adjustment. Under existing and recommended rates, we assume the cost of gas to be $0.65 per therm except for contract and interruptible customers.

Adequacy of the existing rates is tested by comparing revenues under existing rates with revenue requirements. To help test the reasonableness of individual rate schedules, revenue requirements are allocated to cost functions and to customer classes. The resulting allocated cost can be used as a measure of the reasonableness of recommended rate levels.

Table 2-1 Historical and Projected Customer, Sales, and Revenues

Historical and Projected Average Number of Gas Customers

Fiscal Year Ending Sept. 30	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Com. M-Fam (SFC)	Med. Com. M-Fam (MFC)	Large Com. M-Fam (LFC)	Small Commercial (SGS)	Medium Commercial (MGS)	Large Commercial (LGS)	Vehicle (NGV)	Standby (NSS)	Lights (SL. No Maint)	Lights (SL. With Maint)	Res. (NRAC)	Small (NGAC)	Large (NLAC)
Historical																	
2009	15,188	57	4	2	109	7	-	1,505	96	4	-	20	1	1	4	2	-
2010	15,334	56	4	2	105	7	-	1,617	112	5	-	21	-	0	3	1	-
2011	15,508	55	4	2	103	7	-	1,662	107	3	-	25	-	-	2	1	-
2012	15,703	53	4	2	103	6	-	1,747	113	4	2	27	-	-	-	1	-
2013	15,896	53	4	2	102	6	-	1,756	113	4	2	31	-	-	0	1	-
Projected																	
2014	16,124	277	3	2	102	6	-	1,764	117	4	2	33	-	-	-	1	-
2015	16,364	277	3	2	102	6	-	1,767	117	4	2	33	-	-	-	1	-
2016	16,618	277	3	2	102	6	-	1,770	117	4	2	33	-	-	-	1	-
2017	16,887	277	3	2	102	6	-	1,773	117	4	2	33	-	-	-	1	-
2018	17,173	277	3	2	102	6	-	1,776	117	4	2	33	-	-	-	1	-
2019	17,479	277	3	2	102	6	-	1,779	117	4	2	33	-	-	-	1	-

Historical and Projected Throughput (Therms)

Fiscal Year Ending Sept. 30	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Com. M-Fam (SFC)	Med. Com. M-Fam (MFC)	Large Com. M-Fam (LFC)	Small Commercial (SGS)	Medium Commercial (MGS)	Large Commercial (LGS)	Vehicle (NGV)	Standby (NSS)	Lights (SL. No Maint)	Lights (SL. With Maint)	Res. (NRAC)	Small (NGAC)	Large (NLAC)
Historical																	
2009	3,106,643	81,457	150,804	115,060	291,466	81,276	-	5,497,695	2,118,053	387,696	-	2,410	5,239	970	544	1,167	-
2010	3,435,101	77,870	157,128	131,575	298,418	98,982	-	6,316,604	2,555,449	475,052	-	6,830	-	382	782	-	-
2011	3,197,051	74,513	148,519	118,407	239,810	91,773	-	6,403,565	2,617,381	361,011	-	4,987	-	-	710	-	-
2012	2,718,709	66,345	115,410	98,116	238,392	79,388	-	6,974,403	2,750,871	567,045	46,970	5,303	-	-	-	-	-
2013	2,959,020	67,229	102,874	94,374	227,893	78,951	-	7,282,730	2,986,572	557,913	164,931	5,421	-	-	-	-	-
Projected																	
2014	3,050,356	75,599	97,466	101,297	259,316	82,184	-	7,284,297	3,080,707	593,411	247,155	5,904	-	-	-	-	-
2015	3,223,532	70,552	80,575	100,250	244,154	83,409	-	7,449,114	3,119,003	616,268	247,155	5,904	-	-	-	-	-
2016	3,282,935	70,552	80,575	100,250	244,154	83,409	-	7,464,532	3,119,003	616,268	247,155	5,904	-	-	-	-	-
2017	3,346,750	70,552	80,575	100,250	244,154	83,409	-	7,479,951	3,119,003	616,268	247,155	5,904	-	-	-	-	-
2018	3,415,675	70,552	80,575	100,250	244,154	83,409	-	7,495,369	3,119,003	616,268	247,155	5,904	-	-	-	-	-
2019	3,490,508	70,552	80,575	100,250	244,154	83,409	-	7,510,787	3,119,003	616,268	247,155	5,904	-	-	-	-	-

Historical and Projected Gas Revenues Under Existing Rates

Fiscal Year Ending Sept. 30	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Com. M-Fam (SFC)	Med. Com. M-Fam (MFC)	Large Com. M-Fam (LFC)	Small Commercial (SGS)	Medium Commercial (MGS)	Large Commercial (LGS)	Vehicle (NGV)	Standby (NSS)	Lights (SL. No Maint)	Lights (SL. With Maint)	Res. (NRAC)	Small (NGAC)	Large (NLAC)
Historical																	
2009	6,876,487	150,101	248,188	193,072	506,430	129,349	-	8,983,064	3,203,170	562,868	-	15,619	6,979	1,592	1,084	2,351	-
2010	6,839,696	129,641	229,630	191,974	459,486	138,639	-	9,476,347	3,530,279	626,088	-	21,532	-	553	1,201	448	-
2011	6,670,677	127,489	222,797	178,730	390,110	134,506	-	9,988,337	3,771,062	493,788	-	21,462	-	-	975	300	-
2012	6,038,336	115,702	176,200	150,780	393,392	118,045	-	10,987,297	4,009,130	790,683	45,923	23,172	-	-	-	300	-
2013	6,599,376	121,809	164,408	150,830	364,926	114,372	-	11,329,639	4,321,584	767,403	161,632	24,803	-	-	-	300	-
Projected																	
2014	5,835,900	178,800	111,800	117,000	319,000	89,400	-	8,764,400	3,271,600	593,300	218,500	26,500	-	-	-	300	-
2015(1)	5,898,700	168,000	98,400	122,900	316,300	95,500	-	9,249,300	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2016	6,009,100	168,000	98,400	122,900	316,300	95,500	-	9,268,200	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2017	6,128,100	168,000	98,400	122,900	316,300	95,500	-	9,287,200	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2018	6,256,600	168,000	98,400	122,900	316,300	95,500	-	9,306,100	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2019	6,396,500	168,000	98,400	122,900	316,300	95,500	-	9,325,100	3,519,900	651,900	232,900	26,800	-	-	-	300	-

(1) Beginning in 2015 existing rates include the non-weather related portion of the UIA rolled-in and the UIA is reset to 2015 baseline usage and CPI-U

Table 2-1 (Continued) Historical and Projected Customer, Sales, and Revenues

Historical and Projected Average Number of Gas Customers

Fiscal Year Ending Sept. 30	Small Contracts	Medium Contracts	Large Contracts	Standard (IS) NISA	Standard (IS) NISB	Standard (IS) NISC	Standard (IS) NISD	Standard (IS) NISE	Standard (IS) NISF	Standard (IS) NISG	Standard (IS) NISH	Standard (IS) NISI	Standard (IS) NISJ	Standard (IS) NISK	Standard (IS) NISL	Standard (IS) NISM	Total
Historical																	
2009	327	44	4		2	1	1	1	2	1	1	1	3	1			17,389
2010	194	25	3	-	2	1	1	1	1	1	2	1	3	1	-	-	17,504
2011	171	25	3	1	2	1	1	1	1	1	2	1	3	1	-	-	17,693
2012	116	30	3	1	2	1	1	1	1	1	2	1	3	1	-	-	17,929
2013	144	30	3	1	1	1	1	1	1	1	2	1	3	1	1	2	18,164
Projected																	
2014	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	18,632
2015	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	18,875
2016	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	19,132
2017	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	19,404
2018	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	19,693
2019	151	27	3	1	-	1	1	1	1	1	2	1	3	1	1	2	20,002

Historical and Projected Throughput (Therms)

Fiscal Year Ending Sept. 30	Small Contracts	Medium Contracts	Large Contracts	Standard (IS) NISA	Standard (IS) NISB	Standard (IS) NISC	Standard (IS) NISD	Standard (IS) NISE	Standard (IS) NISF	Standard (IS) NISG	Standard (IS) NISH	Standard (IS) NISI	Standard (IS) NISJ	Standard (IS) NISK	Standard (IS) NISL	Standard (IS) NISM	Total
Historical																	
2009	2,521,256	1,035,066	518,588		481,998	184,083	243,866	940,022	171,710	628,379	167,815	215,566	2,029,424	523,376			21,501,627
2010	1,697,998	679,013	532,547	-	452,375	290,828	254,687	577,896	167,582	617,813	174,583	216,591	2,003,866	414,539	-	-	21,634,492
2011	1,503,984	777,893	508,136	59,738	387,708	335,204	271,154	587,500	162,240	655,306	185,746	219,581	1,862,051	564,213	-	-	21,338,180
2012	883,918	744,403	647,107	26,116	321,643	322,286	280,625	659,424	176,957	707,223	192,733	251,365	1,828,551	596,208	-	-	21,299,510
2013	849,648	785,522	360,421	118,007	85,428	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,012,425	531,278	476,089	861,233	23,437,404
Projected																	
2014	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	23,725,833
2015	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	24,088,056
2016	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	24,162,878
2017	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	24,242,111
2018	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	24,326,454
2019	897,765	703,980	360,421	118,007	-	358,674	300,099	693,109	168,596	807,092	205,811	296,066	2,069,922	531,278	476,089	861,233	24,416,706

Historical and Projected Gas Revenues Under Existing Rates

Fiscal Year Ending Sept. 30	Small Contracts	Medium Contracts	Large Contracts	Standard (IS) NISA	Standard (IS) NISB	Standard (IS) NISC	Standard (IS) NISD	Standard (IS) NISE	Standard (IS) NISF	Standard (IS) NISG	Standard (IS) NISH	Standard (IS) NISI	Standard (IS) NISJ	Standard (IS) NISK	Standard (IS) NISL	Standard (IS) NISM	Total
Historical																	
2009	3,779,612	1,463,553	718,469	-	601,696	147,595	223,718	725,617	133,426	437,500	210,451	217,260	1,801,025	566,896	-	-	31,907,175
2010	2,271,948	876,721	651,987	-	482,904	273,250	263,921	536,887	129,109	427,327	179,249	212,151	1,812,508	385,492	-	-	30,148,969
2011	1,896,027	974,799	574,640	65,127	412,002	311,698	279,339	540,307	123,124	449,477	189,888	220,385	1,684,846	561,571	-	-	30,283,467
2012	1,093,299	909,737	702,927	23,893	333,290	290,533	282,805	590,141	109,801	387,006	196,805	251,852	1,654,696	567,035	-	-	30,242,782
2013	1,013,507	911,431	367,774	100,820	81,580	290,555	278,025	558,736	108,568	460,184	201,542	283,857	1,820,182	342,235	324,869	739,442	32,004,391
Projected																	
2014	1,033,700	779,600	371,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	26,987,600
2015(1)	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	27,956,200
2016	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,085,500
2017	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,223,500
2018	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,370,900
2019	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,529,800

(1) Beginning in 2015 existing rates include the non-weather related portion of the UIA rolled-in and the UIA is reset to 2015 baseline usage and CPI-U

2.2 REVENUE AND REVENUE REQUIREMENTS

Revenues of CGS consist of operating and non-operating revenues. Revenue requirements of CGS consist of operating expenses, debt service requirements, transfers to the City, and financing of capital improvements. Revenues in excess of revenue requirements represent net revenues available to CGS to make contributions to the general operating fund of the City and to provide a reserve for CGS contingencies.

An analysis of future revenue requirements of CGS is presented in Table 2-2. The use of a future period is used to determine the adequacy of existing natural gas rates to meet the operating expenses, transfers, depreciation expense, and non-operating expenses. Also, the adequacy of net cash is tested to determine whether sufficient cash is generated to fund capital improvements internally. We show historical data from the years 2010 through 2013, we show actual/budgeted data for 2014, and we project future revenue requirements for the five-year period 2015 through 2019. Historical information is based on financial statements and information provided to us by CGS. Projections for the forecast period reflect current inflationary trends and short and long-range capital improvement program for CGS, as provided by CGS staff.

2.3 REVENUES

CGS' operating revenues are shown in Table 2-2[3], Lines 1 through 21. Operating revenues are directly affected by the level of rate charges and gas costs, which are passed through directly to CGS' customers. Operating revenues consist principally of revenues from the distribution of gas utility service to CGS customers. On a monthly basis, CGS changes rates to reflect increases and decreases in the cost of gas that CGS purchases for its sales service customers. During the projection period, ECA and RIA revenues are assumed to be equal to the corresponding costs applicable to these riders in each year. UIA revenues increase each year based on an estimated September 2014 Consumer Price Index of 239.702 and an assumed annual increase in the Consumer Price Index of 3 percent.

Other revenues, shown on Lines 16 through 20, include revenues associated with LP sales revenue credit, gas service charges, appliance sales, installation charges, materials charges, inspection fees, late payment fees, franchise fees, and gross receipts tax collection. We assume during the projected period that revenues collected for franchise fees and gross receipts taxes are equal to the expenses incurred.

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[3] Note that projected Total Gas Sales Revenue shown on line 15 of Table 2-2 reconciles to the Total Revenue column on Table 2-1 by excluding the following Table 2-2 items:

a. Line 6, Fuel Related Dividend Collection
b. Line 10, Usage & Inflation Adjustment Revenue
c. Line 11, Energy Conservation Adjustment Revenue
d. Line 12, ECA Related Dividend Collection
e. Line 13, Environmental Imposition Adjustment Revenue

Table 2-2 Historical and Projected Revenues & Revenue Requirements under Existing Rates

Line		Historical				Estimated	Projected				
No.	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		$	$	$	$	$	$	$	$	$	$
1	**Operating Revenue**										
2	Gas Sales										
3	Fuel Revenue - Pasco	3,094,121	3,106,639	3,120,454	2,868,744	2,847,400	2,695,200	2,728,200	2,764,100	2,803,100	2,845,800
4	Fuel Revenue - Pinellas	16,029,267	15,194,400	13,971,038	13,853,314	12,756,000	12,628,500	12,644,200	12,660,100	12,676,000	12,692,200
5	Customer Fuel Surcharge - Pasco					51,200	58,600	67,100	76,900	88,200	101,300
6	Fuel Related Dividend Collection	-	-	-	-	2,036,700	2,692,000	2,698,800	2,727,300	2,757,800	2,407,300
7	Total Fuel Revenue	19,123,388	18,301,038	17,091,493	16,722,058	17,691,300	18,074,300	18,138,300	18,228,400	18,325,100	18,046,600
8	Non-Fuel Sales Revenue - Pasco	1,789,307	1,791,530	1,834,767	1,958,991	1,917,200	2,133,900	2,177,100	2,224,400	2,276,300	2,333,400
9	Non-Fuel Sales Revenue - Pinellas	9,023,086	8,858,691	8,959,184	9,414,151	9,415,800	10,440,000	10,468,900	10,498,000	10,527,300	10,557,100
10	Usage & Inflation Adjustment Revenue	(0)	401,601	878,193	1,012,552	1,048,900	-	260,000	530,300	811,700	1,104,900
11	Energy Conservation Adjustment Revenue	1,209,417	1,495,190	1,723,898	1,978,080	1,901,200	1,948,300	1,958,000	1,968,300	1,979,200	1,991,000
12	ECA Related Dividend Collection					105,800	139,800	140,200	141,700	143,300	125,100
13	Regulatory Imposition Adjustment Revenue	223,178	317,160	305,179	1,081,944	1,023,700	1,048,800	1,054,100	1,059,700	1,065,600	1,071,900
14	Total Gas Margin	12,244,988	12,864,172	13,701,221	15,445,718	15,412,600	15,710,800	16,058,300	16,422,400	16,803,400	17,183,400
15	Total Gas Sales Revenue	31,368,376	31,165,210	30,792,714	32,167,776	33,103,900	33,785,100	34,196,600	34,650,800	35,128,500	35,230,000
16	Other Revenue										
17	LP Sales, Revenue Credit (1)	112,196	71,849	252,648	131,351	178,600	244,900	245,100	246,300	247,400	233,800
18	Service Charges and Fees	1,609,221	1,709,904	2,034,907	2,047,502	2,108,900	2,172,200	2,237,400	2,304,400	2,373,500	2,444,800
19	Franchise Fees and Gross Receipts Tax	2,009,096	1,936,983	1,836,555	1,907,026	1,972,000	2,009,000	2,027,000	2,046,000	2,066,000	2,071,000
20	Total Other Revenue	3,730,513	3,718,736	4,124,110	4,085,878	4,259,500	4,426,100	4,509,500	4,596,700	4,686,900	4,749,600
21	Total Operating Revenue	35,098,888	34,883,946	34,916,824	36,253,655	37,363,400	38,211,200	38,706,100	39,247,500	39,815,400	39,979,600
22	**Revenue Requirements**										
23	Gas Purchased	16,717,618	15,213,361	13,661,117	14,828,510	15,654,600	15,382,300	15,439,500	15,501,100	15,567,300	15,639,300
24	Operating & Maintenance /A&G	6,644,618	5,939,762	6,507,719	7,376,643	7,527,600	7,735,900	7,968,000	8,207,000	8,453,200	8,706,800
25	Operating and Maintenance - RIA related					1,000,000	1,000,000	1,000,000	1,000,000	-	-
26	Other ECA/RIA Recovery	1,797,578	1,383,659	1,577,728	1,735,225	24,900	97,100	112,100	128,000	2,144,800	2,162,900
27	Taxes	2,075,417	1,999,438	1,894,789	1,968,107	1,972,000	2,009,000	2,027,000	2,046,000	2,066,000	2,071,000
28	Total Operating Expenses	27,235,231	24,536,220	23,641,353	25,908,486	26,179,100	26,224,300	26,546,600	26,882,100	28,231,300	28,580,000
29	Operating Income	7,863,657	10,347,726	11,275,471	10,345,169	11,184,300	11,986,900	12,159,500	12,365,400	11,584,100	11,399,600
30	Depreciation Expense	(1,912,622)	(1,579,548)	(1,728,617)	(1,825,746)	(1,514,700)	(1,634,700)	(1,754,700)	(1,874,700)	(1,994,700)	(2,114,700)
31	Net Operating Income before Transfer	5,951,035	8,768,178	9,546,854	8,519,423	9,669,600	10,352,200	10,404,800	10,490,700	9,589,400	9,284,900
32	**Non Operating Revenues (Expenses)**										
33	Earnings on Investments Revenue	843,507	551,070	565,554	(192,598)	450,000	450,000	450,000	450,000	450,000	450,000
34	Earnings on Investments of Bond Revenue	-	-	-	-	-	-	-	-	-	-
35	Interest Expense and Fiscal Charges	(815,934)	(741,031)	(730,547)	(665,256)	(618,000)	(432,800)	(402,600)	(372,100)	(341,500)	(325,100)
36	Amortization of Bond Discount and Issue Costs	(27,974)	(27,440)	(26,883)	(26,340)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
37	Gain (Loss) on Exchange of Assets	-	(730)	-	(27,881)	-	-	-	-	-	-
38	Other Non Operating Revenue	331,840	228,347	188,393	674,861	164,600	165,400	165,400	165,400	165,400	165,400
39	Total Non Operating Revenues (Expenses)	331,439	10,215	(3,482)	(237,214)	(32,400)	153,600	183,800	214,300	244,900	261,300
40	Net Income before Transfer	6,282,474	8,778,393	9,543,372	8,282,209	9,637,200	10,505,800	10,588,600	10,705,000	9,834,300	9,546,200
41	Transfers In (Out)	(4,213,872)	(1,790,209)	(3,100,077)	(2,751,418)	(2,645,082)	(3,496,100)	(3,504,900)	(3,541,900)	(3,581,600)	(3,126,400)
42	Net Income	2,068,602	6,988,184	6,443,295	5,530,791	6,992,118	7,009,700	7,083,700	7,163,100	6,252,700	6,419,800
43	**Long Term Debt Principal Payments**										
44	Revenue Bonds										
45	Series 2005					170,800	-	-	-	-	-
46	Series 2007					370,000	370,000	370,000	370,000	-	-
47	Series 2013					350,000	365,000	375,000	375,000	390,000	395,000
48	Series 2014					-	245,000	250,000	255,000	260,000	265,000
49	Total Revenue Bonds Principal Payments					890,800	980,000	995,000	1,000,000	650,000	660,000
50	Plant Extension and Replacements - System					2,100,000	2,100,000	2,100,000	2,100,000	3,100,000	3,100,000
51	Plant Extension and Replacements - RIA					1,100,000	1,100,000	1,100,000	1,100,000	100,000	100,000
52	Plant Extension and Replacements - ECA					800,000	800,000	800,000	800,000	800,000	800,000
53	**Net Cash Flow**										
54	Net Income					6,992,118	7,009,700	7,083,700	7,163,100	6,252,700	6,419,800
55	Principal Payments					(890,800)	(980,000)	(995,000)	(1,000,000)	(650,000)	(660,000)
56	Plant Extension and Replacements					(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
57	Depreciation Expense					1,514,700	1,634,700	1,754,700	1,874,700	1,994,700	2,114,700
58	Amortization of Bond Discount and Issue Costs					29,000	29,000	29,000	29,000	29,000	29,000
59	Net Cash Flow					3,645,018	3,693,400	3,872,400	4,066,800	3,626,400	3,903,500
60	Cumulative Cash Flow				30,993,800	34,638,818	38,332,218	42,204,618	46,271,418	49,897,818	53,801,318
61	**Margin on Sales**					17,449,300	18,402,800	18,757,100	19,149,700	19,561,200	19,590,700
62	**Net Cash Flow as % of Margin**					20.9%	20.1%	20.6%	21.2%	18.5%	19.9%

(1) LP revenue less cost of propane less propane O&M

2.4 REVENUE REQUIREMENTS

2.4.1 Operating Expenses

Operating expenses include purchased gas expense, operation and maintenance expense, administrative and general expense, and other expenses. Projections of future operating expense are based on analyses of historical trends in operating data, with consideration of both current and anticipated future operating conditions and inflationary impacts.

Total operating expenses (Table 2-2, Line 28) have fluctuated over the past four years from a low of $23.6 million in 2012 to a high of $27.2 million in 2010. The largest O&M expense is the cost of purchased gas. Purchased gas expenses also fluctuated from a low of $13.7million in 2012 to a high of $16.7 million in 2010 (Line 23). Purchased gas expenses fluctuate due to changes in the market price of natural gas and weather conditions (which impact the quantity of natural gas purchased). CGS passes along changes in natural gas costs to its retail customers on a monthly basis through a purchased gas adjustment (PGA).

Operation and maintenance (O&M) and administrative and general (A&G) expense are shown in aggregate on Line 24 of Table 2-2. These expenses include salaries and employee benefits, materials and supplies, repairs and maintenance, contractual services, and office and utility expenses. O&M and A&G expenses have increased significantly over the past three years. Part of this increase was driven by overtime associated with large projects such as the antiquated mains program and master meter conversions. We forecast in Line 25 the portion of future O&M expense associated with these programs that are considered regulatory impositions and therefore are recovered in the RIA revenue. The RIA is the Regulatory Imposition Adjustment and is intended to recover the cost of programs imposed on CGS by federal, state, or local regulatory agencies. We project the balance of O&M and A&G expenses to increase 3 percent annually, growing from $7.7 million in 2015 to $8.7 million by 2019. Much of this increase is attributable to the continued increases in salaries and benefits.

Other ECA/RIA recovery shown in Line 26 is the balance of expenses that are recovered through the ECA and RIA riders in CGS' tariff that are not related to the large projects shown in Line 25 or in Plant Extension and Replacements shown in Lines 51 and 52. The ECA is the Energy Conservation Adjustment and is intended to recover costs associated with energy conservation programs. Taxes shown on Line 27 consist of franchise and gross receipts taxes.

Non-operating revenues/expenses include interest income, interest expenses and fiscal charges, amortization of bond discount and issue costs, gain on exchange of assets, and other non-operating revenues. These revenues and expenses are shown on Table 2-2, Lines 32 through 39. Interest earnings, amortization of debt issuance costs and other operating revenues are forecast to remain flat during the forecast period. Interest expenses are forecasted to decline through the period consistent with CGS paying down debt during the period.

2.4.2 Transfers to the City

CGS' payment to the City has ranged from $1.8 million to $4.2 million during the historical period (Line 41). Based on our discussion with CGS management, we have forecast CGS' annual payment to the City to equal the greater of one-half of the previous year's net income or $1.7 million during the forecast period. If the transfer should exceed this amount, a base rate increase may be necessary to provide adequate cash flow for CGS. Such an increase could negatively impact CGS' competitiveness.

2.4.3 Depreciation

Depreciation is also classified as an operating expense and hence a revenue requirement. This concept follows generally accepted accounting practices. Since depreciation represents a non-cash item, it does not create a cash requirement. Depreciation is the method by which the cost of capital investment is charged to operations over the life of the property. We forecast the annual depreciation expense (Line 30) for CGS to increase from $1.6 million in 2015 to $2.1 million in 2019. The increase in depreciation expense is based on the assumption that CGS will invest in its system the capital amounts shown on Line 50 through Line 52 of Table 2-2.

2.4.4 Debt Service

Debt service includes interest and principal payments on revenue bonds issued by CGS. CGS currently has four outstanding bond series. The first is related to the issuance of bonds in 2005 to be paid off in fiscal year 2014. The second is related to the issuance of bonds in 2007 to be paid off in fiscal year 2017. The third is related to the issuance of bonds in 2013 to be paid off in fiscal year 2026. The fourth is related to the issuance of bonds in 2014 to be paid off in fiscal year 2027.

The principal payments associated with these debt issues are shown on Lines 45 through 48 on Table 2-2. Principal payments are projected to be approximately $1 million annually for 2015 through 2017 and drop to approximately $650,000 for the remainder of the forecast period. The interest payments and amortization of debt issuance costs are shown on Lines 35 and 36.

2.4.5 Plant Extensions and Replacements

Plant extensions and replacements include normal annual additions and replacements and the portion of major capital improvements financed from current revenues. Normal additions consist primarily of additions to distribution and general plant facilities. Plant extensions and replacements for CGS for the 2015 through 2019 period are shown on Lines 50 through 52 of Table 2-2. We show the portion of system plant extensions and replacements separate from those associated with RIA and ECA recovery.

Using the capital improvement plan provided by CGS, we project capital expenditures of $4 million annually will be financed through revenues during the 2015-2019 period. We summarize projected capital improvements for CGS in the table below. As discussed more fully below, CGS is generating sufficient cash flow to fund these levels of capital improvements from internal sources without issuing debt.

PROJECT CAPITAL EXPENDITURES						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	TOTAL
	$	$	$	$	$	$
Environmental Remediation	100,000	100,000	100,000	100,000	100,000	500,000
Line Relocation Pinellas - Maintenance	50,000	50,000	50,000	50,000	50,000	250,000
Gas Meter Change out - Pinellas	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pinellas - Capitalized	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pasco - Maintenance	50,000	50,000	50,000	50,000	50,000	250,000
Pinellas New Mains & Service Lines	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Pasco New Mains & Service Lines	500,000	500,000	500,000	500,000	500,000	2,500,000
Gas Meter Change Out - Pasco	50,000	50,000	50,000	50,000	50,000	250,000
Line Relocation Pasco - Capitalized	50,000	50,000	50,000	50,000	50,000	250,000
Building Renovation	200,000	200,000	200,000	200,000	200,000	1,000,000
Expanded Energy Conservation	500,000	500,000	500,000	500,000	500,000	2,500,000
Natural Gas Vehicle	300,000	300,000	300,000	300,000	300,000	1,500,000
Future IMS Software and Hardware	100,000	100,000	100,000	100,000	100,000	500,000
Total New Capital	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,000**	**4,000,000**	**20,000,000**

2.4.6 Net Cash Flow

As shown on Line 59 of Table 2-2, we project CGS' annual cash flow under existing rates will grow from $3.7 million to $3.9 million during the forecast period. On Line 60 of Table 2-2 we show CGS' cumulative cash flow totaling approximately $53.8 million by 2019 under existing rates. Based on this analysis, CGS' existing rates are more than adequate to meet its capital expenditures over the forecast period.

2.5 PROPOSED RATE ADJUSTMENT

Based on our projections, we recommend an overall decrease in base rates during the forecast period. We recommend that CGS reduce the rate for its commercial class of customers by approximately $1.2 million, based on the results of our cost of service study and competitive considerations. Our projections are contingent upon CGS maintaining load levels (customers and throughput) at the levels projected and that costs (including payments to the City) do not increase significantly above the levels projected.

3 Cost of Service

3.1 COST OF SERVICE

Allocation of cost of service to customer classes provides a measure of the responsibility of each customer class for the total cost of utility service provided by CGS. Comparison of these costs with rate revenues under existing rates provides a guide for the development of fair and equitable rates.

The allocation of cost of service is based upon conditions estimated for a test year that reflects typical operations of the natural gas system. The cost of service to be recovered from natural gas sales is set to equal to 2015 test year sales operating revenues of $31,395,600 for the non-market based rate classes. We have excluded the gas costs associated with the market based rate classes and have recognized the margin associated with these customers as a credit to revenue in our cost of service study.

In order to allocate costs of service to customer classifications, test year revenue requirements are separated between operating expense, depreciation expense, non-operating expense, transfers, and return. The costs related to these elements for the test year are as follows:

2015 TEST YEAR COST OF SERVICE	
Operating Expense[4]	$22,527,100
Depreciation Expense	$1,634,700
Non-operating Expense (Revenue)	($153,600)
Transfers	$3,486,500
Return[5]	$3,900,900
Total Cost of Service	$31,395,600

Operating expenses include operation and maintenance, purchased gas, administrative and general, and bad debt.

Depreciation expense is the allocation of an asset's cost over the useful life of the asset.

Transfers are the amount of operating income that is transferred to the City of Clearwater.

The balance of annual revenues after operating expenses, depreciation expense allowances, non-operating expenses, and transfers is the return. This balance plus depreciation is the total amount of cash flow available.

[4] Operating Expenses for test year cost of service excludes the cost of gas associated with interruptible, vehicle, air conditioning, lighting, and standby rates which are credited to cost of service.

[5] The difference between Return shown for test year cost of service and the Net Income is the capital portion of ECA/RIA recovery.

3.2 CUSTOMER CLASSIFICATIONS

For purposes of class cost of service, current customer classifications are used. The table below summarizes number of customers, throughput, and revenues under proposed rates for the test year.

CUSTOMER CLASSIFICATION	NUMBER OF CUSTOMERS	GAS THROUGHPUT	REVENUES UNDER PROPOSED RATES
		Therms	$
Residential			
Single-Family 1-3 U	16,364	3,223,532	5,932,700
Small Res M-Fam	277	70,552	160,100
Medium Res M-Fam	3	80,575	89,400
Large Res. M-Fam	2	100,250	111,800
Subtotal	16,646	3,474,909	6,294,000
Commercial			
Small Commercial (1)	1,869	7,693,267	8,810,300
Medium Commercial (2)	123	3,202,412	3,364,900
Large Commercial (3)	4	616,268	616,000
Subtotal	1,996	11,511,947	12,791,200
Total (4)	18,642	14,986,856	19,085,200
(1) Small Commercial includes rates SFC and SGS			
(2) Medium Commercial includes rates MFC and MGS			
(3) Large Commercial includes rates LFC and LGS			
(4) Total excludes vehicle, standby, street lighting, air conditioning, contracts and interruptible service because revenues from these rates are credited to cost of service.			

3.3 BASIS FOR ALLOCATION

Costs are allocated to customer classes in proportion to the class responsibility for the functional use of the natural gas system. Functional factors used in this study include demand requirements, volume of gas (throughput), and number of customers.

A portion of natural gas distribution mains and distribution regulators are examples of capacity related facilities. The investment in these facilities and the expenses associated with their operations are mainly determined by customer peak demands. Costs related to throughput are those that tend to vary with the quantity of natural gas delivered. The commodity cost of purchased gas is a typical example of a throughput related cost that applies to non-transportation customers. Customer related costs are expenses associated with items such as service lines, meters, house regulators, customer billing, and accounting and tend to vary with the number of customers served.

3.3.1 Cost Functions

The functional classification of cost of service is based upon an analysis of the use of major plant elements. The major plant elements for a natural gas utility include mains, services, meters and regulators, and general plant. We classify the major plant elements to functions and then use this allocation as our basis to allocate operating and maintenance and administrative and general expenses to functions.

Table 3-1 shows the functional classification of plant in service and expenses. We classify costs into six major functions: distribution–capacity, distribution–commodity, distribution–customer, meters and regulators, services, and customer accounting.

With regard to CGS' investment in mains, we classify 40 percent of the fixed costs as capacity or demand related, 10 percent as commodity or throughput related, and 50 percent as customer related. These percentages are based on our experience with detailed studies we have done for other natural gas distribution utilities.

We classify costs associated with the services as services related costs. We classify costs associated with meters and regulators as meters and regulators related costs. We assign 60 percent of O&M expenses (excluding customer accounting and administrative and general) to mains and services and the remaining and 40 percent to meters as shown on Lines 11 and 12 of Table 3-1. This assignment is based on our experience with the relative relationship of these expenses for other natural gas utilities. We classify customer accounting expenses as customer accounts related costs.

Table 3-2 shows the allocation of test year operating expense, depreciation expense, non-operating expense, transfers, and return to functional classifications. Page 1 of Table 3-2 summarizes the allocators developed in Table 3-1. On Page 2, we show the application of the functional allocators to the costs of service. We also show other revenues as a credit to cost of service. The total cost of service on Line 15 of Table 3-2 excludes the $5.6 million cost of gas associated with revenues that are credited to cost of service. Revenues credited to cost of service include $2.2 million of service charges to customers, $2 million of tax collection revenues, $2.8 million of dividend collection revenues, $3 million of ECA/RIA revenues, and $2.4 million in net revenues to classes credited to cost of service. The net revenues from classes credited to cost of service primarily include net revenues from propane sales, contract natural gas sales and interruptible sales. The prices for service to these customers are generally based on market conditions rather than allocated cost of service.

3.3.2 Allocation Factors and Allocation of Cost of Service

Table 3-3 shows the development of the allocation factors used to allocate capacity, commodity, meters and regulators, services, and customer accounting related costs to customer classes. Capacity related costs are allocated to customer classes on the basis of estimated maximum demand (Lines 1-4). Test year maximum demands are derived from estimated load factors for each customer class using the results of statistics developed in the determination of weather normalized throughput. The class responsibility for commodity (variable) costs is proportional to the amount of gas throughput and is distributed to customer classes on that basis (Lines 5-7).

The allocation of distribution customer related costs are shown on Lines 8-12 of Table 3-3. Distribution customer related costs are not the same as the customer related function. Within the distribution primary account are the services, meters, and regulators used to serve individual customers. Costs associated with these items are considered customer related. There is also a customer component of distribution mains, which recognizes the implication of the distance between individual customers (customer density) on the cost of distribution mains. The weighting factors that we show on Line 10 recognize the relative difference in cost to serve the various customer classes compared to the residential classes. We apply weighting factors that are typical of our experience with detailed studies we have completed for other gas distribution utilities.

Meter and services costs are related to the maintenance and capital charges associated with meters and services. The cost of service responsibility for customer costs is allocated to the customer classifications on the basis of annual bills for the test year. For equitable cost allocation, the number of bills are weighted to recognize cost differences due primarily to load size and type of service rendered. We show the development of weighting factors for meters/regulators and services on Line 15 and Line 20, respectively.

Customer accounting costs are related to collection and accounting of bills rendered to CGS customers. We show the development of weighting factors for customer accounting on Line 25.

Revenues under recommended rates (Line 30) are used as the basis to allocate 50 percent of transfers. The remaining 50 percent is allocated to classes based on plant in service.

Allocation of cost of service to customer classes and the resultant rate of return by customer class are shown in Table 3-4. This allocation is made by distributing costs assigned to cost functions in Table 3-2, Page 2 to customer classes using the class allocation factors developed in Table 3-3.

Table 3-1 Functional Cost of Service

Line	Description	Total	Distribution Capacity	Distribution Commodity	Distribution Customer	Customer Specific Distribution Meters/Reg	Customer Specific Distribution Services	Customer Specific Distribution Customer Accts	Allocation
		$	$	$	$	$	$	$	
1	Plant in Service @ 9/30/2013								
2	Intangible Plant	336,700	33,258	8,315	41,573	73,907	27,715	151,932	Line 20
3	Mains(1)	45,405,200	18,162,080	4,540,520	22,702,600				40-Cap, 10-Comm, 50-Cust
4	Meters/Regulators(1)	15,135,100				15,135,100			100-Cust
5	Services(1)	15,135,100					15,135,100		100-Cust
6	Subtotal	76,012,100	18,195,338	4,548,835	22,744,173	15,209,007	15,162,815	151,932	Sum of Line 2 thru Line 5
7	General Plant	4,305,300	425,265	106,316	531,581	945,034	354,388	1,942,716	Line 20
8	Total Plant in Service	80,317,400	18,620,603	4,655,151	23,275,754	16,154,041	15,517,203	2,094,648	Line 6 + Line 7
9	Allocation Factors	100.00%	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
10	O&M Expenses								
11	Mains & Services(2)	1,604,700	481,409.73	120,352.43	601,762.17	-	401,175.66	-	Line 3 and Line 5
12	Meters(2)	1,069,800	-	-	-	1,069,800	-	-	Line 4
13	Customer	2,199,200						2,199,200	Direct
14	Total O&M Expenses	4,873,700	481,410	120,352	601,762	1,069,800	401,176	2,199,200	Sum of Line 11 thru Line 13
15	Allocation Factors	100.00%	9.88%	2.47%	12.35%	21.95%	8.23%	45.12%	
16	Administrative and General								
17	Other A&G	2,862,200	282,720	70,680	353,400	628,266	235,600	1,291,534	Line 14
18	Total Administrative and General Expenses	2,862,200	282,720	70,680	353,400	628,266	235,600	1,291,534	Sum of Line 17 thru Line 17
19	A&G Allocation Factors	100.00%	9.88%	2.47%	12.35%	21.95%	8.23%	45.12%	
20	Total O&M and A&G	7,735,900	764,129	191,032	955,162	1,698,066	636,776	3,490,734	Line 14 + Line 18

(1) Based on our experience with other gas utilities, mains, meters/regulators and services typically account for 60, 20, and 20 percent, respectively, of Distribution Plant.

(2) Based on our experience with other gas utilities, mains & services and meters typically account for 60 and 40 percent, respectively, of O&M expenses.

Table 3-2 Allocation of 2015 Test Year Cost of Service to Cost Functions

		Cost Function Allocators						
		Distribution			Customer Specific Distribution			
Line	Description	Capacity	Commodity	Customer	Meters/Reg	Services	Customer Accts	Direct
1	Operating Expense							
2	Gas Purchased							100%
3	Administrative Expense	9.88%	2.47%	12.35%	21.95%	8.23%	45.12%	
4	Operation and Maintenance Expense	9.88%	2.47%	12.35%	21.95%	8.23%	45.12%	
5	ECA/EIA		100%					
6	Taxes		100%					
7	Total Operating Expense							
8	Depreciation Expense	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
9	Non-Operating Expense	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
10	Transfers							
11	Plant in Service	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
12	Revenue							100%
13	Total Transfer							
14	Return	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
15	Total Cost of Service							
16	Revenue Credit							
17	Service Charges to Customers							
18	Gas Service Charge						100%	
19	Appliance Sales						100%	
20	Installation Charges	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
21	Materials Charges						100%	
22	Inspection Fees						100%	
23	Late Payment Fees						100%	
24	Franchise Fees		100%					
25	Gross Receipts Tax		100%					
26	Total Service Charges to Customers							
27	Fuel and ECA Dividend Collection	11.59%	2.90%	14.49%	10.06%	9.66%	1.30%	50.00%
28	ECA/RIA Revenues		100%					
29	Margin on sales from market dirven rates(1)	23.18%	5.80%	28.98%	20.11%	19.32%	2.61%	
30	Total Revenue Credit							
31	Net Cost of Service							
32	Customer Related Costs							

(1) Includes Contract, Interruptible, NG Vehicle, Air Conditioning, Lighting, Standby and LP sales Margin

Table 3-2 (Continued) Allocation of 2015 Test Year Cost of Service to Cost Functions

Line	Description	Cost of Service	Distribution Capacity	Distribution Commodity	Distribution Customer	Customer Specific Distribution Meters/Reg	Customer Specific Distribution Services	Customer Specific Distribution Customer Accts	Direct
		$	$	$	$	$	$	$	$
1	Operating Expense								
2	Gas Purchased	9,831,100	-	-	-	-	-	-	9,831,100
3	Administrative Expense	2,862,200	282,720	70,680	353,400	628,266	235,600	1,291,534	-
4	Operation and Maintenance Expense	4,873,700	481,410	120,352	601,762	1,069,800	401,176	2,199,200	-
5	ECA/RIA(1)	2,997,100	-	2,997,100	-	-	-	-	-
6	Taxes(2)	1,963,000	-	1,963,000	-	-	-	-	-
7	Total Operating Expense	22,527,100	764,129	5,151,132	955,162	1,698,066	636,776	3,490,734	9,831,100
8	Depreciation Expense	1,634,700	378,985	94,746	473,731	328,783	315,822	42,632	-
9	Non-Operating Expense	(153,600)	(35,610)	(8,903)	(44,513)	(30,893)	(29,675)	(4,006)	-
10	Transfers								
11	Plant in Service (50%)	1,743,250	404,151	101,038	505,189	350,616	336,793	45,463	-
12	Revenue (50%)	1,743,250	-	-	-	-	-	-	1,743,250
13	Total Transfer	3,486,500	404,151	101,038	505,189	350,616	336,793	45,463	1,743,250
14	Return	3,900,900	904,376	226,094	1,130,470	784,578	753,648	101,734	-
15	Total Cost of Service	31,395,600	2,416,031	5,564,108	3,020,039	3,131,150	2,013,364	3,676,558	11,574,350
16	Revenue Credit								
17	Service Charges to Customers								
18	Gas Service Charge	(224,300)	-	-	-	-	-	(224,300)	-
19	Appliance Sales	(755,200)	-	-	-	-	-	(755,200)	-
20	Installation Charges	(853,700)	(197,920)	(49,480)	(247,400)	(171,703)	(164,934)	(22,264)	-
21	Materials Charges	(149,200)	-	-	-	-	-	(149,200)	-
22	Inspection Fees	(43,200)	-	-	-	-	-	(43,200)	-
23	Late Payment Fees	(146,600)	-	-	-	-	-	(146,600)	-
24	Franchise Fees	(1,308,000)	-	(1,308,000)	-	-	-	-	-
25	Gross Receipts Tax	(655,000)	-	(655,000)	-	-	-	-	-
26	Total Service Charges to Customers	(4,135,200)	(197,920)	(2,012,480)	(247,400)	(171,703)	(164,934)	(1,340,764)	-
27	Fuel and ECA Dividend Collection	(2,824,100)	(327,366)	(81,842)	(409,208)	(284,002)	(272,806)	(36,826)	(1,412,050)
28	ECA/RIA Revenues	(2,997,100)	-	(2,997,100)	-	-	-	-	-
29	Margin on sales from market driven rates(3)	(2,354,000)	(545,746)	(136,436)	(682,182)	(473,454)	(454,789)	(61,391)	-
30	Total Revenue Credit	(12,310,400)	(1,071,032)	(5,227,858)	(1,338,790)	(929,159)	(892,529)	(1,438,981)	(1,412,050)
31	Net Cost of Service	19,085,200	1,344,999	336,250	1,681,249	2,201,991	1,120,835	2,237,577	10,162,300
32	Customer Related Costs	5,560,403				2,201,991	1,120,835	2,237,577	

(1) Includes the capital portion of ECA/RIA of $1,900,000.
(2) Franchise and Gross Receipts Taxes.
(3) Includes Contract, Interruptible, Vehicle, Air Conditioning, Lighting, Standby and LP sales Margin. Gas Costs for these cusomers equals $5,551,200.

Table 3-3 Estimated 2009 Test Year Units of Service and Allocation Factors

			Residential				Commercial		
Line	Allocation Factor	Total Utility	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Commercial (SFC/SGS)	Medium Commercial (MFC/MGS)	Large Commercial (LGS)
1	Capacity								
2	Estimated Load Factor		12.95%	14.27%	17.62%	12.17%	31.23%	40.46%	38.53%
3	Peak Demand Responsibility - Therms/day	166,586	68,175	1,354	1,253	2,257	67,482	21,683	4,382
4	Capacity Cost Allocator	1.00000	0.40925	0.00813	0.00752	0.01355	0.40509	0.13016	0.02630
5	Commodity								
6	Annual Throughput - Therms	14,986,856	3,223,532	70,552	80,575	100,250	7,693,267	3,202,412	616,268
7	Commodity Cost Allocator	1.00000	0.21509	0.00471	0.00538	0.00669	0.51333	0.21368	0.04112
8	Distribution Customer Related Costs								
9	Average Annual Number of Customers	18,642	16,364	277	3	2	1,869	123	4
10	Weighting Factor		1	1	3	3	2	3	5
11	Weighted Number of Customers	20,783	16,364	277	9	6	3,738	369	20
12	Customer Related Costs Allocator	1.00000	0.78737	0.01333	0.00043	0.00029	0.17986	0.01775	0.00096
13	Meters & Regulators								
14	Average Annual Number of Customers	18,642	16,364	277	3	2	1,869	123	4
15	Weighting Factor		1	2	4	5	3	4	10
16	Weighted Number of Customers	23,079	16,364	554	12	10	5,607	492	40
17	Customer Related Costs Allocator	1.00000	0.70904	0.02400	0.00052	0.00043	0.24295	0.02132	0.00173
18	Services								
19	Average Annual Number of Customers	18,642	16,364	277	3	2	1,869	123	4
20	Weighting Factor		1	1	3	3	2	3	5
21	Weighted Number of Customers	20,783	16,364	277	9	6	3,738	369	20
22	Customer Related Costs Allocator	1.00000	0.78737	0.01333	0.00043	0.00029	0.17986	0.01775	0.00096
23	Customer Accounting								
24	Average Annual Number of Customers	18,642	16,364	277	3	2	1,869	123	4
25	Weighting Factor		1	1	2	2	1	2	2
26	Weighted Number of Customers	18,711	16,364	277	6	4	1,869	185	6
27	Customer Related Costs Allocator	1.00000	0.87459	0.01480	0.00032	0.00021	0.09989	0.00986	0.00032
28	Revenue Under Recommended Rates								
29	Revenue - $	19,085,200	5,932,700	160,100	89,400	111,800	8,810,300	3,364,900	616,000
30	Revenue Allocator	1.00000	0.31085	0.00839	0.00468	0.00586	0.46163	0.17631	0.03228
31	Use Per Customer	803.93	196.99	254.70	26,858.31	50,124.96	4,116.25	26,035.87	154,067.05

3.4 SUMMARY OF COSTS OF SERVICE AND COMPARISON WITH REVENUES

Table 3-4 contains a comparison of allocated cost of service with test year revenues under recommended rates to determine the return on allocated net plant investment for each of the customer classes. The rate of return shown in this table is shown strictly to provide a means to measure the relative contribution of each class to cost of service. The absolute percentage is not critical for a non-profit municipal system. What is useful are the relative percentages by class. Our results indicate that under recommended rates, the residential classes are providing little or no return and the commercial classes are providing above average rates or return.

Table 3-4 Allocation of 2009 Test Year Cost of Service to Customer Classes, and Rate of Return to Customer Classes

			Allocation to Customer Classes						
			Residential				Commercial		
Line	Allocation Factor	Total Utility	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Commercial (SFC/SGS)	Medium Commercial (MFC/MGS)	Large Commercial (LGS)
		$	$	$	$	$	$	$	$
1	Operating Expense								
2	Gas Purchased	9,831,100	2,157,900	46,000	52,500	65,400	5,018,400	2,089,000	401,900
3	Administrative Expense	2,862,200	2,169,698	44,683	3,502	5,021	538,393	88,489	12,413
4	Operation and Maintenance Expense	4,873,700	3,694,520	76,086	5,964	8,550	916,766	150,678	21,136
5	ECA/RIA	2,997,100	644,648	14,109	16,114	20,048	1,538,514	640,424	123,242
6	Taxes	1,963,000	422,223	9,241	10,554	13,131	1,007,675	419,457	80,720
7	Total Operating Expense	22,527,100	9,088,988	190,119	88,633	112,151	9,019,749	3,388,048	639,411
8	Depreciation Expense	1,634,700	1,067,558	22,574	3,886	6,148	428,303	91,023	15,208
9	Non-Operating Expense	(153,600)	(100,310)	(2,121)	(365)	(578)	(40,244)	(8,553)	(1,429)
10	Transfers								
11	Portion Allocated on Plant	1,743,250	1,138,448	24,073	4,144	6,556	456,743	97,068	16,218
12	Portion Allocated on Revenue	1,743,250	541,895	14,624	8,166	10,212	804,736	307,351	56,266
13	Total Transfers	3,486,500	1,680,343	38,696	12,310	16,768	1,261,480	404,419	72,483
14	Total Cost of Service before Return	27,494,700	11,736,580	249,268	104,465	134,489	10,669,287	3,874,938	725,673
15	Revenue Credit								
16	Service Charges to Customers	(4,135,200)	(2,132,887)	(40,550)	(13,006)	(16,623)	(1,363,056)	(479,994)	(89,085)
17	Fuel and ECA Dividend Collection	(2,824,100)	(1,361,095)	(31,344)	(9,971)	(13,582)	(1,021,811)	(327,584)	(58,712)
18	ECA/RIA Revenues	(2,997,100)	(644,648)	(14,109)	(16,114)	(20,048)	(1,538,514)	(640,424)	(123,242)
19	Margin on sales from market driven rates	(2,354,000)	(1,537,305)	(32,507)	(5,596)	(8,853)	(616,764)	(131,076)	(21,900)
20	Total Revenue Credit	(12,310,400)	(5,675,935)	(118,510)	(44,687)	(59,106)	(4,540,146)	(1,579,077)	(292,939)
21	Net Cost of Service before Return	15,184,300	6,060,645	130,758	59,777	75,382	6,129,142	2,295,861	432,734
22	Net Plant	48,007,000	31,351,486	662,935	114,131	180,542	12,578,160	2,673,128	446,617
23	Revenues Under Recommended Rates	19,085,200	5,932,700	160,100	89,400	111,800	8,810,300	3,364,900	616,000
24	Return Under Recommended Rates(1)	3,900,900	(127,945)	29,342	29,623	36,418	2,681,158	1,069,039	183,266
25	Rate of Return	8.13%	-0.41%	4.43%	25.96%	20.17%	21.32%	39.99%	41.03%

(1) The difference between Return and Net Income is the capital portion of the ECA/RIA of $1,900,000.

4 Recommended Rate Adjustments

4.1 RECOMMENDED RATE ADJUSTMENTS

Based on the results shown in Table 2-1, CGS' existing rates are more than adequate to meet its operating needs over the forecast period as during that time cumulative cash flow remains positive. Therefore, we recommend that CGS reduce the rate for its commercial classes of customers by approximately $1.2 million, based on the results of our cost of service study and competitive considerations. In addition to the rate reduction to the commercial customers, we recommend a revenue neutral rate change to the residential classes with an increase to the Residential Single Family customer charge and an offsetting decrease to the distribution charge for the residential class. We also recommend resetting the UIA by including the current (FY 2014) non-weather portion of the UIA in base rates and updating the usage and inflation bases to current levels. A summary of our recommendations follows:

1. Roll the non-weather portion of the UIA rate into the eligible base distribution charges and reset the normal use per customer and Consumer Price Index to current levels. For the residential classes, the non-weather portion of the UIA rate is $0.07 per therm. Therefore the distribution charges should be increased for Residential customers (RS, SFD, MFD, and LFD) from $0.48 to $0.55 per therm, for Small Commercial customers (SFC and SGS) from $0.46 to $0.52 per therm, for Medium Commercial customers (MCF and MGS) from $0.40 to $0.46 per therm, for Large Commercial customers (LFC and LGS) from $0.34 to $0.40 per therm, and the UIA should be reset to $0.00 per therm. The normal use per customer bases should be changed to 197 therms for the residential class and 6,203 therms for the commercial classes (includes contract customers). The CPI-U is estimated to be 239.702 for September 2014 and this level of CPI-U should be used as the basis for future UIA calculations.

2. Decrease the commercial class revenues by approximately $1.2 million by reducing distribution rates (after application of the UIA increase) for Small Commercial customers (SFC and SGS) from $0.52 to $0.42 per therm, for Medium Commercial customers (MCF and MGS) from $0.46 to $0.38 per therm, for Large Commercial customers (LFC and LGS) from $0.40 to $0.34 per therm, and for Standard Interruptible customers (IS) from $0.28 to $0.24 per therm.

3. Increase the Residential Single-Family customer charge from $10.00 to $12.00 per month (excluding the Pasco County fuel surcharge). This is in line with the residential customer charges in effect at other natural gas utilities in CGS's geographic area (as summarized in Table 4-1). At the same time, the residential class distribution charge (after application of the UIA increase) should be reduced from $0.55 to$0.44 per therm. The net effect of these changes to residential rate revenue is negligible as the increase in customer charge revenues is offset by the decrease in distribution charge revenues.

4. Regularly monitor the rates charged by competitors for propane. Our projections are based on service to propane customers essentially breaking even. Charges for propane service should be increased to the extent possible when competitive factors are considered and to encourage the load levels that CGS desires.

5. Regularly monitor service charge rates and consider adopting a new pricing structure that establishes a per trip charge, which includes the first hour of labor, plus quarter hourly rates for additional time on-site beyond one hour.

Table 4-1 presents a comparison of our recommended rates for CGS to a group of regional benchmark utilities.

Table 4-2 presents existing and recommended rates schedules including the non-weather component of the UIA.

Table 4-3 shows the impact of the proposed rate changes that result in a $1.2 million reduction in net income in FY 2015. For FY 2016 through FY 2019 we show the impact of a forecasted 3 percent inflation of the CPI used to forecast the UIA (the same underlying inflation assumption used to project O&M and A&G expenses). Beyond the timeline captured in our study, it is suggested that CGS review anticipated cash flow and rates levels to confirm that adequate funding is maintained for its ongoing operating and capital investment needs.

Table 4-4 shows the revenues under proposed rates discussed above. The volumes used for Table 4-4 already reflect normal weather and no additional decline in use per customer. To the extent that weather is abnormal and usage per customer actually declines in the projected period, the proposed UIA should adjust rates to collect any shortfall.

Table 4-5 compares typical bills under CGS' recommended rates with Duke Energy for a residential customer. As shown in Table 4-5, CGS holds a competitive advantage to Duke Energy for standalone applications for space heating, hot water, and cooking.

Table 4-1 Comparison of CGS Rates to Regional Gas Utilities

Line	Customer Class	Clearwater Gas System		Central Florida Gas	Florida City Gas	Florida Public Utilities	TECO/Peoples Gas
		Pinellas	Central Pasco(2)				
1	Residential Service						
2	Customer Charge	$12.00	$20.00	$19.00	$8.00 to $11.00	$11.00	$12.00 to $20.00
3	Commodity Charge(1)	$0.440	$0.440	$0.463	$0.562 to $0.495	$0.498	$0.268
4	Small General Service						
5	Less than 18,000 Therms						
6	Customer Charge	$25.00	$40.00	$34.00 to $134.00	$11.00 to $30.00	$20.00 to $90.00	$25.00 to $35.00
7	Commodity Charge(1)	$0.420	$0.420	$0.32 to $0.204	$0.495 to $0.275	$0.391 to $0.354	$0.339 to $0.268
8	Medium General Service						
9	18,000 - 99,999 Therms						
10	Customer Charge	$40.00	$70.00	$210.00 to $600.00	$30.00 to $150.00	$90.00	$50.00 to $150.00
11	Commodity Charge(1)	$0.380	$0.380	$0.239 to $0.180	$0.275 to $0.275	$0.354	$0.227 to $0.197
12	Large General Service						
13	Over 100,000 Therms						
14	Customer Charge	$95.00	$160.00	$700.00 to $3,000.00	$150.00 to $500.00	$90.00	$150.00 to $300.00
15	Commodity Charge(1)	$0.340	$0.340	$0.123 to $0.083	$0.275 to $0.122	$0.354	$0.197 to $0.113
16	Interruptible Service						
17	Over 100,000 Therms						
18	Customer Charge	$250.00	$400.00	$700.00 to $3,000.00	$150.00 to $500.00	$310.00	$300.00 to $475.00
19	Commodity Charge(1)	$0.240	$0.240	$0.123 to $0.083	$0.275 to $0.122	$0.231	$0.071 to $0.035

(1) Commodity Charge (per Therm) is strictly distribution charges. Excludes PGA and any riders.
(2) Central Pasco includes fuel related surcharge in the customer charge.

Table 4-2 Existing and Recommended Natural Gas Rates

		Existing					Recommended				
Line	Natural Gas Rates	Distribution Charge	UIA Charge(1)	Total Charge Volumetric	Customer Charge	Pasco Surcharge	Distribution Charge	UIA Charge(2)	Total Charge Volumetric	Customer Charge	Pasco Surcharge
		\$/Therm	\$/Therm	\$/Therm	\$/bill/month	\$/bill/month	\$/Therm	\$/Therm	\$/Therm	\$/bill/month	\$/bill/month
1	**RESIDENTIAL SERVICE**										
2	SINGLE-FAMILY 1-3 U (RS)	0.48	0.07	0.55	10.00	8.00	0.44	-	0.44	12.00	8.00
3	SMALL RES M-FAM (SFD)	0.48	0.07	0.55	25.00	15.00	0.44	-	0.44	25.00	15.00
4	MEDIUM RES M-FAM (MFD)	0.48	0.07	0.55	40.00	30.00	0.44	-	0.44	40.00	30.00
5	LARGE RES.M-FAM (LFD)	0.48	0.07	0.55	95.00	65.00	0.44	-	0.44	95.00	65.00
6	**COMMERCIAL & INDUSTRIAL SERVICE - MULTI-FAMILY**										
7	SMALL COM. M-FAM (SFC)	0.46	0.06	0.52	25.00	15.00	0.42	-	0.42	25.00	15.00
8	MEDIUM COM.M-FAM (MFC)	0.40	0.06	0.46	40.00	30.00	0.38	-	0.38	40.00	30.00
9	LARGE COM.M-FAM (LFC)	0.34	0.06	0.40	95.00	65.00	0.34	-	0.34	95.00	65.00
10	**GENERAL COMMERCIAL & INDUSTRIAL SERVICE**										
11	SMALL COMMERCIAL (SGS)	0.46	0.06	0.52	25.00	15.00	0.42	-	0.42	25.00	15.00
12	MEDIUM COMMERCIAL (MGS)	0.40	0.06	0.46	40.00	30.00	0.38	-	0.38	40.00	30.00
13	LARGE COMMERCIAL (LGS)	0.34	0.06	0.40	95.00	65.00	0.34	-	0.34	95.00	65.00
14	**OTHER COMMERCIAL & INDUSTRIAL SERVICES**										
15	VEHICLE (NGV)			Contract Rate (GS only)					Contract Rate (GS only)		
16	STANDBY (NSS)	0.46	0.06	0.52	50.00	25.00	0.42	-	0.42	50.00	25.00
17	LIGHTS (SL. no maint)	0.20	-	0.20	20.00	10.00	0.20	-	0.20	20.00	10.00
18	LIGHTS (SL. WITH maint)	0.35	-	0.35	20.00	10.00	0.35	-	0.35	20.00	10.00
19	**AIR-CONDITIONING SERVICE**										
20	RESIDENTIAL (RAC)	0.20	-	0.20	10.00	8.00	0.20	-	0.20	12.00	8.00
21	SMALL (GAC)	0.15	-	0.15	25.00	15.00	0.15	-	0.15	25.00	15.00
22	LARGE (LAC)	0.10	-	0.10	40.00	30.00	0.10	-	0.10	40.00	30.00
23	**INTERRUPTIBLE SERVICE (Typical Basis)**										
24	STANDARD (IS)	0.28	-	0.28	250.00	150.00	0.24	-	0.24	250.00	150.00

(1) UIA charge excludes the weather normalization adjustment portion

(2) UIA charge will be reset to FY 2015 baseline and only weather normalization adjustment portion will be applied in FY 2015. Full UIA adjustment will be in effect beginning FY 2016.

Table 4-3 Historical and Projected Revenues & Revenue Requirements under Proposed Rates

Line		Historical				Estimated	Projected				
No.	Description	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
		$	$	$	$	$	$	$	$	$	$
1	**Operating Revenue**										
2	Gas Sales										
3	Fuel Revenue - Pasco	3,094,121	3,106,639	3,120,454	2,868,744	2,847,400	2,695,200	2,728,200	2,764,100	2,803,100	2,845,800
4	Fuel Revenue - Pinellas	16,029,267	15,194,400	13,971,038	13,853,314	12,756,000	12,628,500	12,644,200	12,660,100	12,676,000	12,692,200
5	Customer Fuel Surcharge - Pasco	-	-	-	-	51,200	58,600	67,100	76,900	88,200	101,300
6	Fuel Related Dividend Collection	-	-	-	-	2,129,400	2,684,600	2,233,400	2,279,300	2,288,400	1,918,800
7	Total Fuel Revenue	19,123,388	18,301,038	17,091,493	16,722,058	17,784,000	18,066,900	17,672,900	17,780,400	17,855,700	17,558,100
8	Non-Fuel Sales Revenue - Pasco	1,789,307	1,791,530	1,834,767	1,958,991	1,917,200	1,968,000	2,008,700	2,053,400	2,102,500	2,156,700
9	Non-Fuel Sales Revenue - Pinellas	9,023,086	8,858,691	8,959,184	9,414,151	9,415,800	9,395,500	9,424,800	9,454,300	9,484,100	9,514,300
10	Usage & Inflation Adjustment Revenue	(0)	401,601	878,193	1,012,552	1,048,900	-	212,300	432,900	662,300	901,600
11	Energy Conservation Adjustment Revenue	1,209,417	1,495,190	1,723,898	1,978,080	1,901,200	1,948,300	1,958,000	1,968,300	1,979,200	1,991,000
12	ECA Related Dividend Collection	-	-	-	-	110,600	139,500	116,000	118,400	118,900	99,700
13	Regulatory Imposition Adjustment Revenue	223,178	317,160	305,179	1,081,944	1,023,700	1,048,800	1,054,100	1,059,700	1,065,600	1,071,900
14	Total Gas Margin	12,244,988	12,864,172	13,701,221	15,445,718	15,417,400	14,500,100	14,773,900	15,087,000	15,412,600	15,735,200
15	Total Gas Sales Revenue	31,368,376	31,165,210	30,792,714	32,167,776	33,201,400	32,567,000	32,446,800	32,867,400	33,268,300	33,293,300
16	Other Revenue										
17	LP Sales, Revenue Credit (1)	112,196	71,849	252,648	131,351	182,200	244,600	227,000	228,800	229,200	214,800
18	Service Charges and Fees	1,609,221	1,709,904	2,034,907	2,047,502	2,108,900	2,172,200	2,237,400	2,304,400	2,373,500	2,444,800
19	Franchise Fees and Gross Receipts Tax	2,009,096	1,936,983	1,836,555	1,907,026	1,976,000	1,963,000	1,960,000	1,978,000	1,995,000	1,998,000
20	Total Other Revenue	3,730,513	3,718,736	4,124,110	4,085,878	4,267,100	4,379,800	4,424,400	4,511,200	4,597,700	4,657,600
21	Total Operating Revenue	35,098,888	34,883,946	34,916,824	36,253,655	37,468,500	36,946,800	36,871,200	37,378,600	37,866,000	37,950,900
22	**Revenue Requirements**										
23	Gas Purchased	16,717,618	15,213,361	13,661,117	14,828,510	15,654,600	15,382,300	15,439,500	15,501,100	15,567,300	15,639,300
24	Operating & Maintenance /A&G	6,644,618	5,939,762	6,507,719	7,376,643	7,527,600	7,735,900	7,968,000	8,207,000	8,453,200	8,706,800
25	Operating and Maintenance - RIA related	-	-	-	-	1,000,000	1,000,000	1,000,000	1,000,000	-	-
26	ECA/RIA Recovery	1,797,578	1,383,659	1,577,728	1,735,225	24,900	97,100	112,100	128,000	2,144,800	2,162,900
27	Taxes	2,075,417	1,999,438	1,894,789	1,968,107	1,976,000	1,963,000	1,960,000	1,978,000	1,995,000	1,998,000
28	Total Operating Expenses	27,235,231	24,536,220	23,641,353	25,908,486	26,183,100	26,178,300	26,479,600	26,814,100	28,160,300	28,507,000
29	Operating Income	7,863,657	10,347,726	11,275,471	10,345,169	11,285,400	10,768,500	10,391,600	10,564,500	9,705,700	9,443,900
30	Depreciation Expense	(1,912,622)	(1,579,548)	(1,728,617)	(1,825,746)	(1,514,700)	(1,634,700)	(1,754,700)	(1,874,700)	(1,994,700)	(2,114,700)
31	Net Operating Income before Transfer	5,951,035	8,768,178	9,546,854	8,519,423	9,770,700	9,133,800	8,636,900	8,689,800	7,711,000	7,329,200
32	**Non Operating Revenues (Expenses)**										
33	Earnings on Investments Revenue	843,507	551,070	565,554	(192,598)	450,000	450,000	450,000	450,000	450,000	450,000
34	Earnings on Investments of Bond Revenue	-	-	-	-	-	-	-	-	-	-
35	Interest Expense and Fiscal Charges	(815,934)	(741,031)	(730,547)	(665,256)	(618,000)	(432,800)	(402,600)	(372,100)	(341,500)	(325,100)
36	Amortization of Bond Discount and Issue Costs	(27,974)	(27,440)	(26,883)	(26,340)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)	(29,000)
37	Gain (Loss) on Exchange of Assets	-	(730)	-	(27,881)	-	-	-	-	-	-
38	Other Non Operating Revenue	331,840	228,347	188,393	674,861	164,600	165,400	165,400	165,400	165,400	165,400
39	Total Non Operating Revenues (Expenses)	331,439	10,215	(3,482)	(237,214)	(32,400)	153,600	183,800	214,300	244,900	261,300
40	Net Income before Transfer	6,282,474	8,778,393	9,543,372	8,282,209	9,738,300	9,287,400	8,820,700	8,904,100	7,955,900	7,590,500
41	Transfers In (Out)	(4,213,872)	(1,790,209)	(3,100,077)	(2,751,418)	(2,765,400)	(3,486,500)	(2,900,500)	(2,960,100)	(2,972,000)	(2,492,000)
42	Net Income	2,068,602	6,988,184	6,443,295	5,530,791	6,972,900	5,800,900	5,920,200	5,944,000	4,983,900	5,098,500
43	**Long Term Debt Principal Payments**										
44	Revenue Bonds										
45	Series 2005					170,800	-	-	-	-	-
46	Series 2007					370,000	370,000	370,000	370,000	-	-
47	Series 2013					350,000	365,000	375,000	375,000	390,000	395,000
48	Series 2014					-	245,000	250,000	255,000	260,000	265,000
49	Total Revenue Bonds Principal Payments					890,800	980,000	995,000	1,000,000	650,000	660,000
50	Plant Extension and Replacements - System					2,100,000	2,100,000	2,100,000	2,100,000	3,100,000	3,100,000
51	Plant Extension and Replacements - RIA					1,100,000	1,100,000	1,100,000	1,100,000	100,000	100,000
52	Plant Extension and Replacements - ECA					800,000	800,000	800,000	800,000	800,000	800,000
53	**Net Cash Flow**										
54	Net Income					6,972,900	5,800,900	5,920,200	5,944,000	4,983,900	5,098,500
55	Principal Payments					(890,800)	(980,000)	(995,000)	(1,000,000)	(650,000)	(660,000)
56	Plant Extension and Replacements					(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
57	Depreciation Expense					1,514,700	1,634,700	1,754,700	1,874,700	1,994,700	2,114,700
58	Amortization of Bond Discount and Issue Costs					29,000	29,000	29,000	29,000	29,000	29,000
59	Net Cash Flow					3,625,800	2,484,600	2,708,900	2,847,700	2,357,600	2,582,200
60	Cumulative Cash Flow				30,993,800	34,619,600	37,104,200	39,813,100	42,660,800	45,018,400	47,600,600
61	**Margin on Sales**					17,546,800	17,184,700	17,007,300	17,366,300	17,701,000	17,654,000
62	**Net Cash Flow as % of Margin**					20.7%	14.5%	15.9%	16.4%	13.3%	14.6%

(1) LP revenue less cost of propane less propane O&M

Table 4-4 Revenues Under Existing and Proposed Rates

Fiscal Year Ending Sept. 30	Single-Family 1-3 U (RS)	Small Res M-Fam (SFD)	Medium Res M-Fam (MFD)	Large Res. M-Fam (LFD)	Small Com. M-Fam (SFC)	Med. Com. M-Fam (MFC)	Large Com. M-Fam (LFC)	Small Commercial (SGS)	Medium Commercial (MGS)	Large Commercial (LGS)	Vehicle (NGV)	Standby (NSS)	Lights (SL. No Maint)	Lights (SL. With Maint)	Res. (NRAC)	Small (NGAC)	Large (NLAC)
Historical and Projected Gas Revenues Under Existing Rates																	
Historical																	
2009	6,876,487	150,101	248,188	193,072	506,430	129,349	-	8,983,064	3,203,170	562,868	-	15,619	6,979	1,592	1,084	2,351	-
2010	6,839,696	129,641	229,630	191,974	459,486	138,639	-	9,476,347	3,530,279	626,088	-	21,532	-	553	1,201	448	-
2011	6,670,677	127,489	222,797	178,730	390,110	134,506	-	9,988,337	3,771,062	493,788	-	21,462	-	-	975	300	-
2012	6,038,336	115,702	176,200	150,780	393,392	118,045	-	10,987,297	4,009,130	790,683	45,923	23,172	-	-	-	300	-
2013	6,599,376	121,809	164,408	150,830	364,926	114,372	-	11,329,639	4,321,584	767,403	161,632	24,803	-	-	-	300	-
Projected																	
2014	5,835,900	178,800	111,800	117,000	319,000	89,400	-	8,764,400	3,271,600	593,300	218,500	26,500	-	-	-	300	-
2015[1]	5,898,700	168,000	98,400	122,900	316,300	95,500	-	9,249,300	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2016	6,009,100	168,000	98,400	122,900	316,300	95,500	-	9,268,200	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2017	6,128,100	168,000	98,400	122,900	316,300	95,500	-	9,287,200	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2018	6,256,600	168,000	98,400	122,900	316,300	95,500	-	9,306,100	3,519,900	651,900	232,900	26,800	-	-	-	300	-
2019	6,396,500	168,000	98,400	122,900	316,300	95,500	-	9,325,100	3,519,900	651,900	232,900	26,800	-	-	-	300	-
Under Proposed Rates																	
Projected																	
2014	5,835,900	178,800	111,800	117,000	319,000	89,400	-	8,764,400	3,271,600	593,300	218,500	26,500	-	-	-	300	-
2015	5,932,700	160,100	89,400	111,800	292,300	89,000	-	8,518,000	3,275,900	616,000	221,000	26,100	-	-	-	300	-
2016	6,042,600	160,100	89,400	111,800	292,300	89,000	-	8,535,300	3,275,900	616,000	221,000	26,100	-	-	-	300	-
2017	6,160,900	160,100	89,400	111,800	292,300	89,000	-	8,552,800	3,275,900	616,000	221,000	26,100	-	-	-	300	-
2018	6,288,600	160,100	89,400	111,800	292,300	89,000	-	8,570,200	3,275,900	616,000	221,000	26,100	-	-	-	300	-
2019	6,427,500	160,100	89,400	111,800	292,300	89,000	-	8,587,700	3,275,900	616,000	221,000	26,100	-	-	-	300	-
Difference in Revenues Between Recommended and Existing Rates ($)																	
Projected																	
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2015	34,000	(7,900)	(9,000)	(11,100)	(24,000)	(6,500)	-	(731,300)	(244,000)	(35,900)	(11,900)	(700)	-	-	-	-	-
2016	33,500	(7,900)	(9,000)	(11,100)	(24,000)	(6,500)	-	(732,900)	(244,000)	(35,900)	(11,900)	(700)	-	-	-	-	-
2017	32,800	(7,900)	(9,000)	(11,100)	(24,000)	(6,500)	-	(734,400)	(244,000)	(35,900)	(11,900)	(700)	-	-	-	-	-
2018	32,000	(7,900)	(9,000)	(11,100)	(24,000)	(6,500)	-	(735,900)	(244,000)	(35,900)	(11,900)	(700)	-	-	-	-	-
2019	31,000	(7,900)	(9,000)	(11,100)	(24,000)	(6,500)	-	(737,400)	(244,000)	(35,900)	(11,900)	(700)	-	-	-	-	-
Percent Difference in Revenues Between Recommended and Existing Rates																	
Projected																	
2014	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%				0.00%	
2015	0.58%	-4.70%	-9.15%	-9.03%	-7.59%	-6.81%		-7.91%	-6.93%	-5.51%	-5.11%	-2.61%				0.00%	
2016	0.56%	-4.70%	-9.15%	-9.03%	-7.59%	-6.81%		-7.91%	-6.93%	-5.51%	-5.11%	-2.61%				0.00%	
2017	0.54%	-4.70%	-9.15%	-9.03%	-7.59%	-6.81%		-7.91%	-6.93%	-5.51%	-5.11%	-2.61%				0.00%	
2018	0.51%	-4.70%	-9.15%	-9.03%	-7.59%	-6.81%		-7.91%	-6.93%	-5.51%	-5.11%	-2.61%				0.00%	
2019	0.48%	-4.70%	-9.15%	-9.03%	-7.59%	-6.81%		-7.91%	-6.93%	-5.51%	-5.11%	-2.61%				0.00%	

(1) Beginning in 2015 existing rates include the non-weather related portion of the UIA rolled-in and the UIA is reset to 2015 baseline usage and CPI-U

Table 4-4 (Continued) Revenues under Existing and Proposed Rates

Fiscal Year Ending Sept. 30	Small Contracts	Medium Contracts	Large Contracts	Standard (IS) NISA	Standard (IS) NISB	Standard (IS) NISC	Standard (IS) NISD	Standard (IS) NISE	Standard (IS) NISF	Standard (IS) NISG	Standard (IS) NISH	Standard (IS) NISI	Standard (IS) NISJ	Standard (IS) NISK	Standard (IS) NISL	Standard (IS) NISM	Total
Historical and Projected Gas Revenues Under Existing Rates																	
Historical																	
2009	3,779,612	1,463,553	718,469		601,696	147,595	223,718	725,617	133,426	437,500	210,451	217,260	1,801,025	566,896			31,907,175
2010	2,271,948	876,721	651,987	-	482,904	273,250	263,921	536,887	129,109	427,327	179,249	212,151	1,812,508	385,492	-	-	30,148,969
2011	1,896,027	974,799	574,640	65,127	412,002	311,698	279,339	540,307	123,124	449,477	189,888	220,385	1,684,846	561,571	-	-	30,283,467
2012	1,093,299	909,737	702,927	23,893	333,290	290,533	282,805	590,141	109,801	387,006	196,805	251,852	1,654,696	567,035	-	-	30,242,782
2013	1,013,507	911,431	367,774	100,820	81,580	290,555	278,025	558,736	108,568	460,184	201,542	283,857	1,820,182	342,235	324,869	739,442	32,004,391
Projected																	
2014	1,033,700	779,600	371,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	26,987,600
2015(1)	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	27,956,200
2016	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,085,500
2017	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,223,500
2018	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,370,900
2019	1,085,900	820,600	392,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	28,529,800
Under Proposed Rates																	
Projected																	
2014	1,033,700	779,600	371,100	90,600	-	298,800	283,000	575,100	106,100	452,200	200,600	285,500	1,665,700	295,100	264,600	759,400	26,987,600
2015	1,018,400	769,100	369,000	90,600	-	298,800	283,000	575,100	106,100	452,200	192,400	273,700	1,665,700	295,100	264,600	759,400	26,745,800
2016	1,018,400	769,100	369,000	90,600	-	298,800	283,000	575,100	106,100	452,200	192,400	273,700	1,665,700	295,100	264,600	759,400	26,873,000
2017	1,018,400	769,100	369,000	90,600	-	298,800	283,000	575,100	106,100	452,200	192,400	273,700	1,665,700	295,100	264,600	759,400	27,008,800
2018	1,018,400	769,100	369,000	90,600	-	298,800	283,000	575,100	106,100	452,200	192,400	273,700	1,665,700	295,100	264,600	759,400	27,153,900
2019	1,018,400	769,100	369,000	90,600	-	298,800	283,000	575,100	106,100	452,200	192,400	273,700	1,665,700	295,100	264,600	759,400	27,310,300
Difference in Revenues Between Recommended and Existing Rates ($)																	
Projected																	
2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2015	(67,500)	(51,500)	(23,100)	-	-	-	-	-	-	-	(8,200)	(11,800)	-	-	-	-	(1,210,400)
2016	(67,500)	(51,500)	(23,100)	-	-	-	-	-	-	-	(8,200)	(11,800)	-	-	-	-	(1,212,500)
2017	(67,500)	(51,500)	(23,100)	-	-	-	-	-	-	-	(8,200)	(11,800)	-	-	-	-	(1,214,700)
2018	(67,500)	(51,500)	(23,100)	-	-	-	-	-	-	-	(8,200)	(11,800)	-	-	-	-	(1,217,000)
2019	(67,500)	(51,500)	(23,100)	-	-	-	-	-	-	-	(8,200)	(11,800)	-	-	-	-	(1,219,500)
Percent Difference in Revenues Between Recommended and Existing Rates																	
Projected																	
2014	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
2015	-6.22%	-6.28%	-5.89%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	-4.09%	-4.13%	0.00%	0.00%	0.00%	0.00%	
2016	-6.22%	-6.28%	-5.89%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	-4.09%	-4.13%	0.00%	0.00%	0.00%	0.00%	
2017	-6.22%	-6.28%	-5.89%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	-4.09%	-4.13%	0.00%	0.00%	0.00%	0.00%	
2018	-6.22%	-6.28%	-5.89%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	-4.09%	-4.13%	0.00%	0.00%	0.00%	0.00%	
2019	-6.22%	-6.28%	-5.89%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%	-4.09%	-4.13%	0.00%	0.00%	0.00%	0.00%	

(1) Beginning in 2015 existing rates include the non-weather related portion of the UIA rolled-in and the UIA is reset to 2015 baseline usage and CPI-U

Table 4-5 Comparison of Residential Bills with Recommended Rates to Progress Energy

Line	Description	CGS[1]		Duke Energy		Difference		
						$		Percent
		$/Therm		$/kWh				
1	Total Rate	1.70		0.13702				
2	Estimated Energy Consumption	Therms		kWh				
3	Heating[2]		150		2,250			
4	Hot Water		170		5,000			
5	Cooking		45		2,000			
6	Annual Cost							
7	Heating	$	255.00	$	308.30	$	(53.30)	-17.3%
8	Hot Water		289.00		685.10		(396.10)	-57.8%
9	Cooking		76.50		274.04		(197.54)	-72.08%
10	Total	$	620.50	$	1,267.44	$	(646.94)	-51.0%

(1) Total volumetric rate as of 2nd Quarter 2014

(2) Electric Assumes 200 percent efficient air to air heat pump and gas assumes 90 percent efficient furnace

Note: 1 MMBtu equals 293 kWh at 100 percent efficiency.
Duke Energy rates are for 1,000 kWh and above.
Duke Energy rates source: https://www.duke-energy.com/rates/progress-energy-florida.asp

5 Disclaimer

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Appendix A—Recommended Ordinance

ORDINANCE NO. 8591-14

AN ORDINANCE OF THE CITY OF CLEARWATER, FLORIDA, RELATING TO UTILITIES; AMENDING THE CODE OF ORDINANCES, CHAPTER 32, UTILITIES, ARTICLE VIII, GAS, PROVIDING FOR THE USE OF SUBCONTRACTORS IN THE FULFILLMENT OF GAS SERVICES, PROVIDING FOR DELIVERY OF GAS AT VARYING PRESSURES, PROVIDING FOR DISCRETION BY CLEARWATER GAS SYSTEM IN PROVIDING CERTAIN OPTIONAL SERVICES WHEN SUCH SERVICES ARE AVAILABLE COMPETITVELY IN THE MARKETPLACE; AMENDING THE CODE OF ORDINANCES, APPENDIX A, SCHEDULE OF FEES, RATES AND CHARGES, SECTION XXVI, CLEARWATER GAS SYSTEM FEES, RATES AND CHARGES, TO REVISE RATES FOR CLEARWATER GAS SYSTEM CUSTOMERS IN ACCORDANCE WITH THE 2014 CLEARWATER COST OF SERVICE AND RATE STUDY; PROVIDING AN EFFECTIVE DATE.

WHEREAS, Clearwater Gas System wishes to clarify that it utilizes subcontractors in the course of providing gas services; and

WHEREAS, Clearwater Gas System wishes to revise the code of ordinances to provide for certain operational updates; and

WHEREAS, the current gas rates and service charges of the Clearwater Gas System have been effective since January 1, 2011; and

WHEREAS, it is determined to be fair and reasonable to adopt the recommendations of the Clearwater Gas System to establish gas rates and service charges based on the cost to serve the various classes of customers; now therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CLEARWATER, FLORIDA:

Section 1. That Chapter 32, Article VIII of the Code of Ordinances of the City of Clearwater is hereby amended as follows:

Article VIII. GAS

Sec. 32.330. Unified system.
All municipal utility properties of the city supplying gas service in and to the city and citizens and inhabitants and users thereof shall be controlled, operated and maintained as provided in section 32.001. See appendix A to this Code, for gas system deposits, fees, service charges and rate schedules.

Sec. 32.331. Gas code.
The installation of gas pipes, fixtures, appliances and other equipment and appurtenances shall be installed in accordance with the gas code of the city, as adopted in section 47.051, Development Code of the City of Clearwater. The installation of the customer's gas piping system, fixtures, appliances, and other equipment and appurtenances shall be installed in accordance with the latest edition of the Florida Building Code/ICC "Fuel Gas" and the latest edition of NFPA 58 LP Gas Code, or subsequent adopted replacement codes.

Sec. 32.332. Application for service.
An application for gas service shall be filed with the gas division, whether or not a building permit is required. If a building permit is required, a separate application for a building permit shall be filed with the building division. The applicant shall pay gas system deposits, fees or connection charges at the time the application is filed with the gas division.

Sec. 32.333. Permit.
See city gas code, as adopted by section 47.051, Development Code of the City of Clearwater, for provisions regarding gas permits pursuant to this article. All installation work of the consumer's piping system and appurtenances shall require applicable permits and successful inspections by the applicable jurisdictional authority.

Sec. 32.334. Tapping and connection.
Tapping of all gas mains and service connections shall be done by the gas division or an authorized contractor for the city. Title to all service connections from the main to the meters and meter installations is vested in the city, and the same shall at all times be the sole property of the city and shall not be trespassed upon or interfered with in any respect. Such city

property shall be maintained by the gas division and may be removed or changed by it at any time. Only licensed gas or plumbing contractors shall make the final connection between CGS gas meter or LP gas service lines and the customer's gas piping and only after proper permits have been issued by the appropriate jurisdictional authorities, and have attained a successful final gas inspection. Only CGS employees and contractually-approved subcontractors of CGS are permitted to turn on gas and initiate service.

Sec. 32.335. Maintenance of meters and service lines.
The gas division shall have the right to meter any and all gas service lines. The gas division alone shall have the right to stipulate the size, type, make and location of meters, type of meter setting, and the gas delivery pressure. All meters shall be maintained by the City. The customer shall be held responsible for damage to a meter or service line when such damage results from the negligence of the customer. When such damage occurs, the city will furnish and set another meter and repair the damaged meter or make other necessary repairs, and the cost of such repairs, including replacement parts, labor and transportation charges, shall be paid by the customer.

Sec. 32.336. Meters and LP Tank Locations and delivery pressure.
Gas service will be delivered to the customer for each premise at **one (1)** point of service. The location of the meter or tank will be designated by the applicable gas system representative and will typically be within ten (10) feet of the nearest corner of the premise to the gas main and in a location that is expected to be maintained by the customer as accessible, i.e. not expected to be enclosed by fencing or hedges.

Each gas meter and service regulator and propane (LP) tank shall be installed in a location readily accessible for reading, inspection, repairs, testing and changing of the meter/tank and operation of the gas shutoff valve, and shall be protected from corrosion and other damage. The customer is responsible for maintaining bushes, vegetation, sprinklers, etc. clear from the meter/tank to allow access and good operational performance. Sprinklers and their flow must be maintained clear of the meter/tank to avoid premature corrosion. Upon discovery of a deficiency and notification to the customer, remedial actions must be made including potentially requiring the relocation of the gas facilities to ensure life safety and to maintain required clearances. If this work is done by CGS personnel, then normal Time and Material charges will apply.

The standard delivery pressure of natural gas at the point of delivery to the consumer (the meter) is established at the option of CGS at either 2 pounds per square inch (PSI) or seven (7) inches water column (approximately ¼ PSI) and for propane (LP) from the tank is established at the option of CGS at either eleven (11) inches water column (approximately 3/8 PSI) or 2 PSI. An optional delivery pressure above the standard may be requested by the customer or the customer's contractor in advance and may be approved at the sole discretion of CGS. There are advantages to each pressure and not all may be operationally available at any given location.

Sec. 32.337. Status of gas quantity recorded.
The quantity of gas recorded by the meter shall be conclusive, except when the meter is found to be registering inaccurately or has ceased to register. In such cases, the quantity may be determined by the average registration of the meter in a corresponding past period or by the average registration of the new meter, whichever method is, in the opinion of the city, representative of the conditions existing during the period in question.

Sec. 32.338. Testing.
The gas division reserves the right to remove or test any meter at any time and to substitute another meter in its place. In case of a disputed account involving the question of accuracy of the meter, the meter will be tested by the city upon written request of the customer; provided, however, that the meter in question has not been tested by the city within the previous two years. The customer agrees to accept the results of the test made by the city. If the meter tested is found to have an error in registration in excess of three percent as based on the arithmetical average of one-fourth load and full load of the meter, there will be no charge for the testing; but should the test show error in registration less than three percent there shall be a charge for testing the meter. The billing for the testing will be charged to the customer's account.

Sec. 32.339. Tampering with.
No person other than an agent of the city shall remove, inspect or alter the gas meter or any other part of the gas system located on the premises. The customer shall notify the city of any damage to or any failure of the meter or service line.

Sec. 32.340. Authority to turn on gas.

(1) *Generally.* It shall be unlawful for any person other than a CGS employee or a specifically designated and approved agent of the City to turn on, or in any way alter or damage, any gas meter which has been turned off by the City. The customer serviced by the meter shall be held responsible for any actions.

(2) *Unauthorized connections.* A fee shall be charged for the removal of any device which has been installed in lieu of or in addition to a gas meter, except where the pipe or device has been authorized in writing by the City.

(3) *Open meter bypass servicing.* A fee, over and above the bill established from the meter reading, shall be charged for the service of turning off the meter bypass valve, when such opening was not previously authorized in writing by the City.

(4) *Broken stop locks.* A replacement fee shall be charged for the replacement of meter stop locks which have been broken or removed.

Sec. 32.341. Responsibility for gas in service lines.
The City is responsible for the gas contained within the service lines. The term "service line" means a distribution line that transports gas from a common source of supply to a customer meter outlet or the outlet of the second stage LP gas regulator connection to a customer's house piping, or the connection to a customer's piping if there is no customer meter. A customer meter is the meter that measures the transfer of gas from CGS, the gas supplier, to a consumer. The customer is responsible for all maintenance, line locating, and repair of their customer-owned piping system, which is beyond the gas meter outlet or beyond the outlet of the second stage LP gas regulator.

Sec. 32.342. Optional Services provided by Clearwater Gas System beyond the meter/LP tank.
The provision of propane (LP) gas service, gas service and repair services, gas installation services, and gas appliance/equipment sales are all competitive services rendered in the market place by other providers. Clearwater Gas System retains the sole right to elect where and when to provide these optional services at the sole discretion of the CGS Managing Director. At any time, CGS may elect to discontinue providing these optional services and may instruct the customer to acquire same from another market vendor of these services.

Section 2. That Appendix A – Schedule of Fees, Rates and Charges of the Code of Ordinances of the City of Clearwater is hereby amended as follows:

XXVI. CLEARWATER GAS SYSTEM FEES, RATES AND CHARGES:

Rate schedules, fees and charges (§ 32.068):

(1) *Natural gas service rates.* The following monthly rates shall apply to all customers who are provided the availability of natural gas service by the Clearwater Gas System (CGS), based on their applicable class of service:

(a) *Residential natural gas service (rate RS):* Firm natural gas service for domestic uses in all residences of three units or fewer.

Monthly customer charge $12.00

Non-fuel energy charge, per therm $0.44

Minimum monthly bill $12.00

(b) *Small multi-family residential service (rate SMF):* Firm natural gas service for all domestic applications within the living units of multi-family buildings of four units or more and the total annual consumption at the premise is 0--17,999 therms.

Monthly customer charge $25.00

Non-fuel energy charge, per therm $0.44

Minimum monthly bill $25.00

(c) *Medium multi-family residential service (rate MMF):* Firm natural gas service for all domestic applications within the living units of multi-family buildings of four units or more and the total annual consumption at the premise is 18,000--99,999 therms.

Monthly customer charge $40.00

Non-fuel energy charge, per therm $0.44

Minimum monthly bill $40.00

(d) *Large multi-family residential service (rate LMF):* Firm natural gas service for all domestic applications within the living units of multi-family buildings of four or more and the total annual consumption at the premise is 100,000 or more.

Monthly customer charge $95.00

Non-fuel energy charge, per therm $0.44

Minimum monthly bill $95.00

(e) *Small natural gas general service (rate SGS):* Firm natural gas service for all commercial, industrial, and other applications where no other rate is applicable and the customer's annual consumption at the premise is 0--17,999 therms.

Monthly customer charge $25.00

Non-fuel energy charge, per therm $0.42

Minimum monthly bill $25.00

(f) *Medium natural gas general service (rate MGS):* Firm natural gas service for all commercial, industrial, and other applications where no other rate is applicable and the customer's annual consumption at the premise is 18,000--99,999 therms.

Monthly customer charge $40.00

Non-fuel energy charge, per therm $0.38

Minimum monthly bill $40.00

(g) *Large natural gas general service (rate LGS):* Firm natural gas service for all commercial, industrial, and other applications where no other rate is applicable and the customer's annual consumption at the premise is 100,000 therms or more.

Monthly customer charge $95.00

Non-fuel energy charge, per therm $0.34

Minimum monthly bill $95.00

(h) *Interruptible natural gas service (rate IS):* Interruptible natural gas service available under a standard agreement for typically industrial applications where the customer's annual consumption at the premise is 100,000 therms or more; the customer agrees contractually to purchase a minimum of 250 therms/day (excluding curtailment days); and where the customer has either installed alternative fuel capability and/or contractually agrees to curtail service at the request of the Clearwater Gas System, subject to penalties for failure to comply.

Monthly customer charge $250.00

Non-fuel energy charge, per therm $0.24

Minimum monthly bill $250.00
Plus the non-fuel therm rate for the minimum number of contract therms per day

Note: All customers being served under Contract Rates as of December 31, 2008, will be allowed to remain on their existing contracts until their next expiration date, at which time that contract will automatically be discontinued and the customer will be moved to the applicable standard rate unless a new contract is executed.

(i) *Contract natural gas service (rate CNS):* Contract natural gas service for special applications and conditions approved by the City Manager or designee. This rate is typically applicable where competitive fuel sources are confirmed to be available to the customer and special rates with special conditions are required to obtain/retain the customer. This rate may be used to construct a special standby rate where the customer requires capability to serve, but normally uses an alternative energy source. Such service must fall within the normal construction feasibility formula to insure a profitable payback to the City.

Monthly customer charge....	The same as the normally applicable service class
Non-fuel energy charge....	Per therm as established by contract
Minimum monthly bill....	Monthly customer charge plus the non-fuel therm rate for a contract level of monthly consumption

Note: All customers being served under Contract Rates as of December 31, 2008, will be allowed to remain on their existing contracts until their next expiration date, at which time that contract will automatically be discontinued and the customer will be moved to the applicable standard rate unless a new contract is executed.

(j) *Residential natural gas air conditioning/emerging technology service (rate RAC):* Firm natural gas service for domestic gas air conditioning, combined heat & power (CHP) systems, and/or other emerging technology systems in all residences of three (3) units or fewer where the applicable load is separately metered.

Monthly customer charge....	$ 12.00 only if this is not already being billed on another metered account at the premise on a firm rate schedule
Non-fuel energy charge, per therm....	$0.20
Minimum monthly bill....	$ 12.00 at the premise on a firm rate schedule

(k) *General natural gas air conditioning/emerging technology service (rate GAC):* Firm natural gas air conditioning, combined heat & power (CHP), and/or other emerging technology systems for all commercial, industrial, and residential applications of 4 or more units where the installed gas air conditioning capacity is 0--149 tons or the projected CHP/emerging technology load is 0 – 17,999 therms per year and the applicable load is separately metered.

Monthly customer charge....	$ 25.00 only if this is not already being billed on another metered account at the premise on a firm rate schedule
Non-fuel energy charge, per therm....	$ 0.15
Minimum monthly bill....	$ 25.00 at the premise on a firm rate schedule

(l) *Large natural gas air conditioning/emerging technology service (rate LAC):* Firm natural gas air conditioning, combined heat & power (CHP), and/or other emerging technology systems for all commercial, industrial, and residential applications of 4 or more units where the installed gas air conditioning capacity is 150 tons or more or the projected CHP/emerging technology load is 18,000 therms per year or more and the applicable load is separately metered.

Monthly customer charge....	$ 40.00 only if this is not already being billed on another metered account at the premise on a firm rate schedule
Non-fuel energy charge, per therm....	$ 0.10
Minimum monthly bill....	$ 40.00 at the premise on a firm rate schedule

(m) *Natural gas street lighting service (rate SL):* Natural gas service for lighting of public areas and ways. Service may be either metered or estimated at the sole discretion of the gas system. The customer may elect to either:

- subscribe for normal street lighting maintenance and relighting labor service, or
- call Clearwater Gas System for repair service and pay normal hourly labor charges (see other miscellaneous gas charges), or
- maintain their own lights.

Repair equipment and/or parts supplied by Clearwater Gas System will be billed as required. When the gas system provides poles, fixtures, piping, and/or installation labor beyond the service connection point, facilities contract charges may be assessed including any right-of-way permitting and utilization charges.

Monthly customer charge $20.00

Non-fuel energy charge, per therm $0.20

Normal maintenance and relighting labor service charge, per therm . . . . $0.15 additional

Plus any required equipment/parts

Minimum monthly bill $20.00

Plus any applicable facilities contract charges

(n) *Contract natural gas transportation service (rate CTS):* Service for transportation of someone else's natural gas through the Clearwater Gas System for supply to another gas system or an individual customer. This is a contract natural gas service and must be approved by the City Manager or designee. Provision of this service must fall within the normal construction feasibility formula to insure a profitable payback to the City.

Monthly customer charge....	As established by contract (typically the same as the normally applicable service class)
Non-fuel energy charge....	Per therm as established by contract (typically the same as the normally applicable service rate plus charges for balancing services and any additional services desired by the customer)
Minimum monthly bill....	Monthly customer charge plus the non-fuel therm rate for a contracted level of minimum monthly flow as well as any facilities contract charges for special facilities and metering required to provide this transportation service

(o) *Natural gas vehicle service (rate NGV):* Natural gas service for fleet vehicle fueling and for Compressed Natural Gas (CNG) Fueling Stations operated by Clearwater Gas System. This is a contract rate approved by the City Manager. Provision of this service must fall within the normal construction feasibility formula to insure a profitable payback to the City. NGV fleet services will be separately metered and must service exclusively fleet fueling facilities. CNG Fueling Station rates will be metered through dispensing apparatus and billed at rates similarly approved by the City Manager, except that contracts may be established for certain customer fleets based on volumes.

Note: This rate is not applicable for residential or small general service rate applications (fewer than 18,000 therms of annual use for the customer's fleet vehicles). Such non-fleet applications will be billed under the customer's normal rate applicable to the premise, but a separate meter may be requested by the customer to allow measurement for federal or state excise tax credit purposes. Where an additional meter is requested, CGS may charge for its initial installation and any future additional maintenance required but will not add an additional monthly customer charge to the premise.

Note: The total energy charges for this service including all adjustments, facilities charges, taxes, etc. may be expressed as a rate "per gallon equivalent of gasoline or diesel."

(p) *Natural gas emergency generator or other standby service (rate NSS):* Natural gas service to a metered account, separately established for back-up service, where no substantial gas service is used for year round purposes. Note: This rate is not applicable for Residential single-family applications. Such residential emergency generator applications are handled under the RS rate application.

Monthly customer charge $50.00

Non-fuel energy charge, per therm $0.42

Minimum monthly bill $50.00

Plus any facilities contract charges for the facilities and metering required to serve this account

(2) *Propane (LP) gas service rates.*

The following rates shall apply to all customers who are provided the availability of propane (LP) gas service by the Clearwater Gas System, based on their applicable class of service. Clearwater Gas requires all residential customer accounts have year round, whole house water heating as a minimum criteria for qualifying for service.

(a) *Residential Bulk Propane Gas Service (Rate BRLP):* Bulk delivered LP service for “year round” domestic uses (such as water heating, cooking, heating, clothes drying, and lighting) in all residences of three (3) units or fewer.

Usage Class	Annual Units/Gallons	Non-fuel Energy Charge per Gallon	Non-refundable Annual Customer Charge
0	No Fills in Past 12 Months	$1.80	$350.00
1	0.1—60	$1.80	$225.00
2	60.1--120	$1.60	$180.00
3	120.1--300	$1.00	$90.00
4	>300	$0.90	$75.00

(b) *Residential "Will Call" Propane Gas Service (Rate WRLP:* Bulk delivered LP Service for all customers with exclusively “leisure living” domestic uses (such as pool/spa heating, fireplaces, and grills) plus customers with “year round” appliances who request “will call” status in all residences of three (3) units or fewer.

A “Will Call” customer is responsible for monitoring tank fuel level, assessing when they will need a fill, and requesting propane delivery.

No trip charge for delivery if customer can wait for a normally scheduled four (4)-business day delivery. Trip charges for early delivery are located in (3)(h). Note that the four (4) business days start on the next business day after the customer’s request, i.e. if the customer calls with a “Will Call” fill request on Monday, then we will fill no later than the following Friday.

Usage Class	Annual Units/Gallons	Non-fuel Energy Charge per Gallon	Non-refundable Annual Customer Charge
0	No Fills in Past 12 Months	$1.80	$350.00
1	0.1 – 60.0	$1.80	$210.00

2	60.1—120	$1.60	$150.00
3	120.1 - 300	$0.90	$75.00
4	>300	$0.80	$60.00

(c) Residential Loop System Propane Gas Service (Rate LRLP): Metered delivery LP service for all domestic uses within a loop delivery system (Propane Distribution system serving multiple customers.)

Monthly Customer Charge $12.00

Non-Fuel Energy Charge
Per gallon $0.90

Minimum Monthly Bill $12.00

(d) *Commercial Propane Gas Service (Rate BCLP):* Bulk delivered LP service for commercial, industrial, and other applications where no other rate is applicable.

Usage Class	Annual Units/Gallons	Non-fuel Energy Charge per Gallon	Non-refundable Annual Customer Charge
1	0--2500	$0.25	$90.00
2	>2500	$0.20	$90.00

(e) *Residential Metered Propane Gas Service (Rate MRLP):* Metered delivered LP service for all domestic uses in all residences of three (3) or fewer.

Monthly customer charge $12.00

Non-fuel energy charge:

Per gallon $1.90

Minimum monthly bill $12.00

(f) *Multi-family Metered Propane Gas Service (Rate MMLP):* Metered delivered LP service for all domestic applications within the living units of multi-family buildings of four (4) units or more.

Monthly customer charge $25.00

Non-fuel energy charge:

Per gallon $1.90

Minimum monthly bill $25.00

(g) *General Metered Propane Gas Service (Rate MGLP):* Metered delivered LP service for all commercial, industrial, and other applications where no other rate is applicable and the annual consumption at the premise is 0--2,500 gallons.

Monthly customer charge $25.00

Non-fuel energy charge:

Per gallon $0.30

Minimum monthly bill $25.00

(h) *Large Metered Propane Gas Service (Rate MLLP):* Metered delivered LP service for all commercial, industrial, and other applications where no other rate is applicable and the annual consumption at the premise is more than 2,500 gallons.

Monthly customer charge $40.00

Non-fuel energy charge:

Per gallon $0.25

Minimum monthly bill $40.00

(i) *Contract Propane Gas Service (Rate CLP):* Contract metered or bulk delivered LP gas service for special applications and conditions approved by the city manager or designee. This rate is typically applicable where competitive fuel sources are confirmed to be available to the customer and a special rate with special conditions is required to obtain/retain the customer. Such service must fall within the normal construction feasibility formula to insure a profitable payback to the city.

Monthly customer charge. The same as the normally applicable service class

Non-fuel margin rate. Per gallon as established by contract

Minimum monthly bill. Monthly customer charge plus the non-fuel usage rate for contracted level of monthly consumption.

Note: All customers being served under Contract Rates as of December 31, 2008, will be allowed to remain on their existing contracts until their next expiration date, at which time that contract will automatically be discontinued and the customer will be moved to the applicable standard rate unless a new contract is executed.

(j) *Propane (LP) Gas Vehicle Service (Rate LPV):* Propane gas service for fleet vehicle fueling. This is a contract rate approved by the City Manager or designee. Provision of this service must fall within the normal construction feasibility formula to insure a profitable payback to the city. Note: This rate is not applicable for residential or small general service rate applications (fewer than 20,000 gallons of annual use for the customer's fleet vehicles). LPV services will be on a separate account servicing exclusively fleet fueling facilities.

Monthly customer charge. $40.00 for general service applications only if a customer charge is not already being billed on another metered account at the premise on a firm rate schedule.

Non-fuel energy charge. Per gallon as established by contract, which includes any applicable customer-specific or public, fill station facilities charges required to provide this service.

Minimum monthly bill. Monthly customer charge plus any applicable monthly facilities contract charges for special facilities, metering or fleet conversion costs required to provide this service.

Note: The total energy charges for this service including all adjustments, facilities charges, taxes, etc., may be expressed as a rate "per gallon equivalent of gasoline."

(k) *Propane Metered Gas Emergency Generator* or *Other Standby Service (Rate LPSM):* LP gas service to an account separately established for back-up service, where no other substantial gas service is used for year round purposes. Note: This rate is closed for new residential customer applications and is only applicable for residential customers on LPSM service as of December 31, 2008.

Monthly customer charge $50.00

Non-fuel energy charge:

Per gallon $1.00

Minimum monthly bill $50.00

Initial metered usage charge. A one-time charge for the number of gallons required to initially fill the LP tank (size as requested by the customer).

(l) *Propane Bulk-Delivered Gas Emergency Generator* or *Other Standby Service (Rate LPSB):* LP gas service to an account separately established for back-up service, where no other substantial gas service is used for year round purposes. Note: This rate is closed for new residential customer applications and is only applicable for residential customers on LPSB service as of December 31, 2008.

Annual customer charge $420.00

Non-fuel energy charge:

Per gallon $1.00

Initial delivery charge. A one-time charge for the number of gallons required to initially fill the LP tank (size as requested by the customer) plus the initial annual customer charge.

(m) *Effect of Energy Conservation Measures on Usage Classes in (a) and (b) above:* Should the customer install a more energy efficient appliance or appliances while a customer of CGS and this causes their usage to drop, such that their Usage Class would change thereby increasing the Annual Customer Charge and/or the Non-Fuel Energy Rate, then the estimated effect of the more efficient appliance on annual usage may be added to the actual annual usage to determine the customer's applicable Usage Class. This is intended to ensure that the customer is not adversely impacted for such energy efficient installation.

(3) *Other gas charges.* The following charges and fees may also be applied to customers of the Clearwater Gas System served under an applicable natural gas or propane (LP) gas service rate:

(a) *Facilities contract charge (rider FCC):* A rider applicable to any of the above rates to cover installation of facilities beyond those typically provided to other customers of the class or beyond the costs incorporated into the applicable gas rate.

On-going FCC charges....	A monthly flat or per unit consumed charge calculated to cover the on-going estimated maintenance costs associated with the special or additional facilities. These charges will be contractual and subject to annual revisions upward based on the CPI index or based on a revised cost calculation at the discretion of the City Manager or designee.
Time-limited FCC charges....	A monthly flat or per unit consumed charge calculated to cover the costs associated with additional facilities as requested by the customer, excess main and service construction costs which do not meet the construction feasibility formula, or appliance/equipment sales costs. Such charges may include other applicable costs associated with furnishing the requested facilities, including financing costs. Where such FCC charges result from the additional costs incurred by Clearwater Gas System at the request of the developer to achieve feasibility, such FCC charges are binding upon the future customers/occupants of such applicable accounts for the period necessary to meet the feasibility calculation for the project.

Public fill station facilities charge....	A natural gas per therm or propane (LP) per gallon charge calculated to recover the common facilities costs to provide such service. This will be calculated and may be updated from time-to-time by the gas system and approved by the City Manager or designee.

(b) *Purchased gas adjustment (rider PGA):* A rider applicable to all natural gas therm rates and propane (LP) gallon rates to recover the cost of the Clearwater Gas System purchased gas supply, including losses and use by gas system facilities/equipment and other applicable expenses. The currently calculated PGA rates for all rate schedules, unless specifically broken out by contract, are:

Natural gas firm standard rate schedule PGA, per therm. . $0.95

Natural gas interruptible and contract (non-standard) rate schedule PGA, per therm $0.85

Propane (LP) gas rate schedule PGA:

Per gallon $2.12

The above PGA rates are based on the weighted average cost of gas (WACOG) as currently approved for October 2014. These PGA rates will normally be adjusted annually in October and may be adjusted upward or downward from time-to-time with the approval of the City Manager or designee based on actual and projected supply costs and projected consumption levels in order to recover the total cost of the gas system's supply plus all costs attributable to the acquisition of system supply gas and other applicable expenses. The over or under recovery of these PGA costs will be computed monthly and an adjustment in the PGA rate will be made at the discretion of the City Manager or designee. The differential between the Natural Gas firm standard rate schedules PGA and the Natural Gas Interruptible and contract (non-standard) rate schedules PGA will be established and approved by the City Manager or designee for each annual period based on the available records for the most recent 12 months. This differential will typically be computed by dividing the transmission pipeline "reservation charges" component of the WACOG by the therms sold to all of the natural gas firm rate schedules. The gas system may also segment specific gas purchases for specific targeted customer(s) based on contract. Additionally, a fixed monthly amount may be added to the customer charge of applicable classes of natural gas service rates to recover the estimated impact of the added costs associated with gas purchased through a third-party transporter (including generally east of the Suncoast Parkway in Pasco County). These added monthly customer charges shall be credited to the overall PGA recovery account and will be initially set at:

Residential ……………………………………….. $ 8.00 per month
Small General Service & Multi-Family ..………. $ 15.00 per month
Medium General Service & Multi-Family … ….. $ 30.00 per month
Large General Service & Multi-Family ………... $ 65.00 per month
Interruptible Service …………………………….. $150.00 per month
Contract Rates --- Apply the same as the normal class of customer using the above schedules based on usage level

Similarly, a differential between LP Gas standard rates and contract LP rates may be computed to exclude a portion of the other costs attributed to LP PGA other than physical gas. This differential will be calculated by the Gas System Managing Director annually based on historical costs and will be approved by the City Manager or designee. The gas system may also segment specific LP gas purchases for specific targeted customer(s) based on contract.

These added monthly customer charges may be adjusted upward or downward from time-to-time with the approval of the City Manager or designee based on actual and projected added PGA costs.

(c) *Energy conservation adjustment (rider ECA):* A rider applicable to all firm standard (non-contract) natural gas therm rates and non-contract propane (LP) gallon rates to recover the cost of energy conservation programs undertaken by the Clearwater Gas System as approved by the Gas System Managing Director. The ECA will not be applied to interruptible natural gas or other non-standard contract rates, except for that portion of ECA, which is collected as a part of the PGA, which may be up to one-half of the annual average ECA billing rate. The currently calculated ECA rates are:

Natural Gas Rate Schedule ECA, per therm $0.14

Propane (LP) Gas Rate Schedule ECA:

Per gallon $0.14

The above ECA rates are as currently approved for October 2014. These ECA rates will normally be reviewed annually in October and may be adjusted upward or downward from time-to-time with the approval of the City Manager or designee based on actual and projected energy conservation program costs and projected consumption levels in order to recover the total cost of applicable gas system programs, including energy conservation incentive payments as well as the applicable labor and other costs attributable to such energy conservation programs and other applicable expenses. The over or under recovery of these ECA costs will be computed and an adjustment in the ECA rate will be made at the discretion of the City Manager or designee.

(d) *Regulatory imposition adjustment (rider RIA):* A rider applicable to all firm standard (non-contract) natural gas therm rates and non-contract propane (LP) gallon rates to recover the cost of environmental, operator qualification, distribution integrity, inspection, survey, and other regulatory imposed program requirements imposed on the Clearwater Gas System by federal, state or local regulatory agencies. The RIA will not be applied to interruptible natural gas or other non-standard contract rates. The currently calculated RIA rates are:

Natural Gas Rate Schedule RIA, per therm $0.12

Propane (LP) gas rate schedule RIA:

Per gallon $0.12

The above RIA rates are as currently approved for October 2014. Note that this RIA rider incorporates the former Environmental Imposition Adjustment (EIA), which covers the environmental project costs as well as the labor and other costs attributable to such environmental projects. This RIA also includes Other Regulatory Adjustment (ORA) charges, such as operator qualification, distribution integrity, required inspections, survey and other regulatory imposed program requirements and regulatory fees imposed on the Clearwater Gas System by federal, state or local regulatory agencies. These RIA rates (EIA + ORA) will normally be reviewed annually in October and may be adjusted upward or downward from time to time to reflect the over or under recovery of these RIA costs at the discretion of the City Manager or designee.

(e) *Usage and Inflation adjustment (rider UIA):* A rider applicable to all standard non-contract natural gas therm rates and standard non-contract propane (LP) gallon rates to recover loss of planned base non-fuel revenues to the Clearwater Gas System due to changes in use per customer from the test year values as set in the 2014 Gas Rate Study (see below) as well as the change in inflation as measured by the Consumer Price Index for U. S. City average of all urban consumers (CPI-U). The currently calculated UIA rates are:

Natural gas rate schedule UIA, per therm . . . . $0.00 for Residential
and . . . . $0.00 for Commercial

Propane (LP) gas rate schedule UIA, per gallon . . . .$0.00 for Residential and . . . . $0.00 for Commercial

The above UIA rates are as currently approved for October 2014. The UIA rates may be implemented at the sole discretion of the City Manager or designee based on variations from the most recent established Gas Rate Study values:

CPI-U as prepared by the U. S. Department of Labor, Bureau of Labor Statistics (basis is September 2014 Gas Rate Study projected index of 239.702)

Residential Use per customer based on annual therms/natural gas single-family customer. Note that this factor may be applied to all residential standard (non-contract) rate classes for natural gas as well as propane.

Commercial Use per customer based on annual therms/natural gas standard and contract general service customers excluding Interruptible customers. Note that this factor may be applied to all general service standard (non-contract) rate classes for natural gas as well as propane.

(f) *Franchise and other city/county fees recovery clause (rate FFR):* A charge levied by the Clearwater Gas System on every purchase of gas within a municipality or county area to recover the costs assessed by governmental entities in accordance with the franchise agreement in force between the City of Clearwater and that other governmental entity and including any other otherwise unrecoverable fees, special taxes, payments in lieu of taxes, or other impositions by any governmental entity (including the City of Clearwater) on the services of the Clearwater Gas System sold within such municipality or county area. The fees collected within each governmental jurisdiction shall be used exclusively to pay the franchise fees and other governmental fees, taxes, and other impositions levied on services within that governmental jurisdiction. Within the City of Clearwater where a franchise agreement is not in force, the City of Clearwater will levy a six percent (6.0%) payment in lieu of taxes on all gross firm natural gas sales (excluding interruptible) and the Clearwater Gas System will bill this in the same manner as if it were a franchise fee.

(g) *Tax clause (TAX - Various):* All taxes due the appropriate governmental entities (such as but not limited to State of Florida gross receipts tax, State of Florida sales tax, county sales tax, municipal utility tax, and others which may be legally levied from time to time on the purchase of gas) will be billed to the customer receiving such service and rendered to the governmental entity in accordance with the applicable statute, ordinance, or other legally enforceable rule.

(h) *Other miscellaneous gas charges:* The following charges are applicable whenever applicable gas services are rendered the customer:

Meter turn-on residential, scheduled next business day or beyond (per account for new customers, seasonal reconnects, and after nonpayment disconnect including turn-on of pilot lights) . . . $50.00

Meter turn-on residential, same day as requested by customer by 12:00 Noon (per account for new customers, seasonal reconnects, and after non-payment disconnect including turn-on of pilot lights) . . . $75.00

Meter turn-on commercial/industrial scheduled next business day or beyond (per account for new customers, seasonal reconnects, and after nonpayment disconnect including turn-on of pilot lights) . . . $95.00 for up to 4 appliances.

Added appliances, per each, add … $10.00

Meter turn-on commercial/industrial, same day as requested by customer by 12:00 Noon and with the approval of the local fire marshal as required (per account for new customers, seasonal reconnects, and after nonpayments disconnect including turn-on of pilot lights) . . . $190.00 for up to 4 appliances.

Added appliances, per each, add … $20.00

Meter read for residential account change (no meter turn-on required but may include turn-on of gas pilot lights) $40.00

Meter read for commercial/industrial account change (no meter turn-on required but may include turn on of gas pilot lights) . . . $80.00

Replace broken stop or locks on meters . . . . Time and materials

Meter or LP Tank Connection or Re-connection to customer-owned piping system . . . Time and materials

Relocate gas meter . . . . Time and materials

Install bumper posts or other necessary protection for meters, LP tanks, or other gas equipment …. Time and materials

Turn-on or Turn-off Residential gas pilot lights only on next business day or beyond as requested by the customer (per account) $50.00

Turn-on or Turn-off Residential gas pilot lights only on same day if requested by the customer by 12:00 Noon . . . $75.00

Turn-on or Turn-off Commercial gas pilot lights only on next business day or beyond as requested by the customer (per account) $95.00

Turn-on or Turn-off Commercial gas pilot lights only on same day service if requested by the customer by 12:00 Noon . . . $190.00

Standard "Time and Materials" for Service and Repair, Installation, or other work performed by CGS personnel plus materials:

1 person crew . . . $125.00 for Trip Charge and up to 1 hour of labor plus $25.00 for each additional time on-site/quarter hour or portion thereof. . Minimum charge is $50.00 for the trip if no labor is performed or if the customer does not show for an appointment.

2 person crew . . . $195 for Trip Charge and up to 1 crew hour of labor plus $40.00 for each additional time on-site/quarter hour or portion thereof. Minimum charge is $75.00 for the trip if no labor is performed or if the customer does not show for an appointment.

The above Rates are based on work within the CGS “normal” Natural Gas Service Territory. Where customers request work to be done outside of the normal CGS Service Territory . . . Added time will be assessed for the travel to and from the Territory border to the Customer’s Site.

The time and trip charges associated with providing all quotes and developing plans will be added to the cost of the billed job.

These “Time Charge Rates” as well as the other fixed miscellaneous charge rates in this section may be reviewed and adjusted from time-to-time with the approval of the City Manager or designee. Additionally, the Gas System Managing Director may approve “Contract Service Charge Rates” for customers who regularly use CGS’ Service & Repair and will contractually subscribe for such use.

Overtime surcharge for all work including installation, service and repair, and maintenance as requested by the customer for after operational hours (including same day requests received after 12:00 Noon), weekends, and holidays . . . . Double normal Trip and time charges

Overtime surcharge for call-out turn-ons or lighting of pilots as requested by the customer for after operational hours (including same day requests received after 12:00 Noon), weekends, and holidays. . . . Double same day charge

Special meter reading at customer request including billing inquiries where reading is determined to be accurate (per account). . . $45.00

Gas meter test at customer request- if results are within limits (per meter) $150.00

Reset residential gas meter after same customer requests removal (per meter) . . . $150.00

Unauthorized meter bypass or hookup . . . . Time and materials plus ten percent of the average monthly bill for each day since last reading deemed to be accurate

Emergency response for non-Clearwater Gas System consumers or other utilities . . . . Time and materials

Propane Fuel recovery and ownership of L.P. gas from tank . . . . Time and materials. The LP fuel in the tank is non-refundable. If the customer provides an approved for service, listed LP gas container, then we will transfer as much LP gas as practical. Full abandonment and/or removal of buried LP tank is at CGS' sole discretion. If the underground tank is removed, then any required landscaping or site restoration is the responsibility of the customer. If the tank is abandoned on-site, CGS will make it safe by removing the gas and filling it with water (water provided by the customer) and the tank ownership then becomes the customer. Tanks will be considered out of service and fuel abandoned by the customer if container is on site more than 12 months without a contract for service or paying entity for the annual customer charge. In such case, CGS will, at its sole discretion, either remove or abandon the tank.

Other services not normally provided including work on customer property beyond the meter outlet or the outlet of the second stage LP regulator, such as for gas leak surveys, Cathodic protection corrosion control, customer-owned gas line locating; any related repairs to the customer facilities or master-metered gas distribution systems as required by regulation as well as any work required to correct deficiencies or any work required to move facilities. . . . Time and materials

Collector fee, See Appendix A - Public Works Utility Tariffs, Section (4)(a)3

Dishonored check service fee, See Code of Ordinances, Section 2.528

Missed appointment (CGI) - Customer not present at time as arranged or equipment not accessible. Applicable miscellaneous gas charges (overtime surcharges may apply).

Residential "Will Call" and special request delivery Propane Gas Service trip charges for early delivery:

> $50.00 trip charge if the customer requests delivery for the next business day or requests a scheduled delivery for fewer than 4 business days,
>
> $75.00 trip charge for same business day delivery for requests received by 12:00 Noon, or

$150.00 trip charge for same day delivery service requests after 12:00 Noon and before operational hours end at 3:30 pm, or

$250.00 trip charge for all "call out" fills received after 3:30 pm on normal operational days, or on holidays, or on weekends.

Trip charges will be applied even if LP tank is inaccessible or customer is not present when required, (CGI).

A minimum fill charge of $100.00 for bulk, "Will Call" or metered delivery customers that request a delivery, in fewer than 4 business days. "Will Call" or special request delivery charges will also apply.

Leak investigation (make safe only) . . . . No charge
If turn-on of pilots the applicable charges apply

Additional repairs……………………….Time & Materials

Special seasonal gas turn-on....	The City Manager or designee is authorized to reduce or eliminate the normal gas turn-on charge to attempt to levelize the workload at the beginning of the heating season.

Pipeline Damage Claims

Any person or company who actively engages in excavating, boring, tunneling, horizontal directional drilling, backfilling, digging, removal of above ground structures by mechanical means and other earth moving operations, within the Clearwater Gas System service territory, shall be required to notify the one call notification system 48 hours excluding weekends and holidays before digging commences (References Florida Statutes §556 and OSHA 1926.651).

If a person or company causes damage to an above or underground pipeline facilities owned by Clearwater Gas System and through negligence or accident or otherwise has been deemed liable for the damages, then that entity shall be responsible for all costs associated with the damage. This will include the cost of gas lost (billed at the purchased gas adjustment rate), time and materials to repair the damage, all labor cost associated with turning off and on gas accounts that were affected as a result of the damage, and any third party claims plus administrative costs. The party or parties responsible shall remit payment for all claims directly to Clearwater Gas System upon receipt of invoice or notification of the City of Clearwater Risk Management Department.

(4) *Gas contract and rate application policies:* The following represent policies of the City of Clearwater as applied by the Clearwater Gas System:

(a) *Uniformity of rate and service application:* To the extent that the customer requests a review of his/her rate account, all rates, charges and contract provisions are intended to be consistently and uniformly applied to all customers of the same type with the same usage characteristics, fuel options, and equipment capabilities. Any customer who feels that they have been treated unjustly and is unable to resolve the dispute with Clearwater Gas System personnel and management has full access to the normal City of Clearwater utilities dispute resolution process as defined in the City Code of Ordinances, Chapter 32, Section 32.004.

(b) *Contract rate level determination:* It is the policy of Clearwater Gas System to offer a customer or potential customer who currently uses or has access to an alternate energy source and has the capability to use this alternate energy source, or is otherwise deemed to be a threat to discontinue gas usage, a rate level adequate to acquire or preserve the gas load, provided that such a rate application will provide a reasonable profit margin to the Clearwater Gas System and the extension of any capital investment to serve such a customer falls within the normal gas system construction feasibility formula. Where the capability to use such alternative energy source will require an initial additional capital outlay by the customer, the contract rate may be based on a net present value calculation over the expected life of the facility.

(c) *Rate schedule reductions or minor changes:* The City Manager is authorized to reduce the billing charge(s) for any rate schedule(s) or to make minor rate schedule modifications in keeping with achieving the "cost of service based rates" as recommended in the most recent rate study done for the Clearwater Gas System.

(d) *Main and service extension construction feasibility:* Whenever a prospective customer requests a new gas service, the Clearwater Gas System will extend service to the prospective customer under the following conditions:

1. *Design considerations.* The extension of gas service to the perspective customer can be reasonably accomplished within good engineering design, access can be secured though easements or right-of-way, and the service will not jeopardize the quality of gas service to existing customers.

2. *Main line extension construction feasibility.* The maximum capital investment which will be made by the Clearwater Gas System to extend main lines and services to serve a new customer(s) shall be seven times the estimated annual gas revenue to be derived from the facilities less the cost of gas and the cost of monthly meter reading, customer accounting and billing. The formula shall be:

   Non-Fuel Energy Rate x Estimated Annual Therms/Gallons = Estimated Annual Gas Non-Fuel Revenues x 7 Years = Maximum Investment for Construction Feasibility

   Note: The Monthly Customer Charge is not included in the above calculation because it is assumed to cover the cost of meter reading, customer accounting and billing.

3. *Service line extensions.* The Clearwater Gas System will install gas service lines off of the main line at no charge to the customer under the following circumstances:

   A year round customer has installed “year round” gas equipment (such as water heating, cooking, heating, clothes drying, and lighting) with an estimated minimum annual consumption of two therms per foot of service line required (Note that “Leisure Living” appliance (such as pool/spa heating, fireplaces, and grills) usage will only be counted at ½ of estimated usage and only if combined with a water heater), or

   The cost of such service line extension meets the Maximum investment for Construction Feasibility (as defined "d." above), excluding “Leisure Living” appliances unless a water heater is installed for daily use.

   Customers who do not meet the criteria for service extensions as set forth above will either be charged the estimated construction cost per foot for the excess footage or pay a contribution in aid of construction (CIAC) to cover the deficiency amount from the above construction feasibility formula or enter into a facilities charge contract sufficient to cover this deficiency within a period of seven years.

4. *Customer contribution required.* If the capital construction costs to extend the main exceed the maximum investment for construction feasibility, the developer/customer(s) will be required to either provide a non-reimbursable CIAC to cover the excess investment amount or satisfy this deficiency by entering into a facilities charge contract sufficient to cover this deficiency within a period of seven years. Such facilities contract charges may be reduced or potentially discontinued entirely to the extent that other customer(s) are added beyond the initial customer(s), the facilities covered by the facilities contract charges are used to serve these additional customer(s), and to the extent that there are calculated excess dollars above the additional customer(s) maximum investment for construction feasibility minus the capital construction costs for the mains to serve these additional customer(s).

5. *Conversion of equipment to natural gas.* The Clearwater Gas System will provide the "labor only" to convert the customer's existing appliance orifice(s) (if convertible) to accept natural gas at no labor cost to the customer, provided that the customer's gas use is year round. The customer will be responsible for the cost of all other related conversion parts such as controls, gas valves, gas safety devices, additional piping, appliance venting, provisions for combustion or make-up air, or to correct any code deficiency, or to provide any required engineering evaluation for unlisted or unlabeled appliances plus the cost of gas inspections and related permits. A commercial or industrial customer must enter into an agreement to exclusively use the natural gas service of the Clearwater Gas System for a period to allow for recovery of Clearwater Gas costs; and this amount, when added to the other cost to serve amounts, still renders the project feasible.

6. *Relocation of gas service facilities.* When alterations or additions to structures or improvements on any premise, roadway right-of-way or public easement, which requires the Clearwater Gas System to relocate metering, LP tank, service line, or main line, or when such relocation is requested by the customer, or others, for whatever reason, the customer or others, will be required to reimburse the Clearwater Gas System for all or any part of the costs incurred to accomplish

such relocation of gas system facilities to remain code compliant and resolve their potential structure conflict.

7. Gas service will be delivered to the customer for each premise at one (1) point of delivery designated by Clearwater Gas System (see City Code of Ordinances, Chapter 32, Section 32.336). CGS highly discourages the installation of multiple meters on the same premise or the use of multiple fuels (natural gas, propane, fuel oil) on such premise. If such installations are justified due to extraordinary circumstances (such as life safety), these must be approved by the Clearwater Gas System Managing Director, and then the multiple meters or fuel sources must be well marked in a permanent fashion. For life safety control purposes, Clearwater Gas will not permit a fuel source (propane or fuel oil) supplied by another company to co-exist on the same premise or commercial occupancy with a Clearwater Gas natural gas service.

Section 3. Should any section, paragraph, sentence or word of this ordinance be declared for any reason to be invalid, the same shall not affect the validity of the ordinance as a whole, or any part thereof other than the part declared to be invalid.

Section 4. All ordinances or parts of ordinances in conflict herewith are to the extent of such conflict hereby repealed.

Section 5. This ordinance shall become effective upon adoption and shall be applicable to all gas bills and services rendered on or after November 1, 2014.

PASSED ON FIRST READING ______________________________

PASSED ON SECOND AND FINAL
READING AND ADOPTED ______________________________

____
George N. Cretekos
Mayor

Approved as to form:

____
Laura Mahony
Assistant City Attorney

Attest:

____
Rosemarie Call
City Clerk