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August 29, 2003

BY HAND DELIVERY

Ms. Blanca Bayó, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 030004-GU - Florida Public Utilities Company, Energy Conservation
Cost Recovery - Gas. Audit Control No. 03-037-4-2

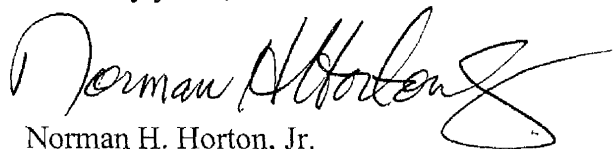
Dear Ms. Bayó:

Enclosed is an original and 15 copies of the response of Florida Public Utilities Company to the audit disclosures in the above referenced docket.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely yours,



Norman H. Horton, Jr.

FRS/amb
Enclosures

DOCUMENT NUMBER - DATE

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FLORIDA PUBLIC UTILITIES COMPANY
2002 AUDIT DISCLOSURE RESPONSES - GAS

Gas

Audit Disclosure No. 1

Response: As noted in the opinion, the contract incentives for WCI were authorized on May 6th, 1999. The terms of the agreement specifically identifies which incentives should be applied for as a qualified unit. In processing incentives to the builders and commissions due the marketing representative (which are not from conservation funds), the builder must note in his request all gas appliances installed in a particular residence.

In reviewing the check requests submitted (April and October 2002), the payments are in line with builder agreements. To obtain the incentives, the builder had installed (per the April request), 25 completely qualified units (water heater, range, dryer). The incentive was in the amount of \$420 per unit (\$10,500). Only two units had a variation. One only had installed a water heater (\$250 incentive) and the other for a water heater and a dryer (\$335 incentive). The agreement does not provide any allowances for pool heaters, grills and fireplaces. The check request included \$5,795.00 expensed to deferred piping; however, these expenses should have been charged to conservation. On the October 2002 request, the expenses are appropriately charged to conservation.

Incentives paid to Taylor Woodrow for gas grills and pool heaters were inadvertently expensed to conservation. The charges in the amount of \$5,900 have been reversed and expensed to deferred piping.

Audit Disclosure No. 2

Response: We agree with the auditor's findings.

Audit Disclosure No. 3

Response: All expenses charged to conservation programs, in the amount of \$1,457.85, have been reversed to the appropriate accounts.

Audit Disclosure No. 4

Response: Leasing of the eight laptop computers is for conservation activities (to document energy surveys, to perform load calculation, to document findings and recommendations). These computers are assigned to all salary employees (who may need to complete assignments from home or in the office on weekends). The company recognizes that occasionally, some representatives may utilize the laptops for other position responsibilities. The company considers that the allocation should be based on utilization and not on a payroll allocation; therefore we feel it is reasonable to have a flat default allocation of 15% for non-conservation activities and 85% for conservation activities.