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September 11, 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

undocketed

Re: Audit Review of Tax Expansion Factors Used in Billing; Audit Control No. 02-268-1-1


Dear Ms. Bayó:

Enclosed are twelve copies of Florida Public Utilities Company's responses to Commission Staff's Audit Disclosures No. 3 and 4 relative to the tax expansion factors used in billing.

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.

NHH/amb

Enclosure

cc: Ms. Cheryl Martin
Mr. George Bachman
Mr. Mike Peacock

DOCUMENT NUMBER-DATE

08606 SEP 11 03

FPSC-COMMUNICATIONS CLERK

Florida Public Utilities Company's Responses to Audit Review of Tax Expansion Factors
Audit Control No. 02-268-1-1

Audit Disclosure No. 3

Gross Receipts Tax Rate For Line Item Customer Billing

Response

The 2.56% rate is a grossed up factor that includes an additional amount for tax on tax provisions.

Audit Disclosure No. 4

Calculation of Franchise Fees for Line Item Customer Billing

Response

It is the position of Florida Public Utilities and Florida Department of Revenue (Technical Assistance Advisement, No. 86A-026), that Franchise Fee is not a tax but a cost to the utility of doing business. Accordingly, this fee is considered to be subject to tax.