State of Florida

ORIGINAL

Public Service Commission

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

COMMISSION CLERK

SEP 16 AM 11:37

RECEIVED-FPSC

DATE: September 15, 2003
TO: Division of Economic Regulation (Slemkewicz)
FROM: Division of Auditing and Safety (Vandiver)
RE: **Undocketed; Company Name:** Florida Public Utilities Co.;
Audit Purpose: Overearnings Review - Gas Division Year Ended December 31, 2002; **Audit Control No.** 03-086-4-1

Attached is the final audit report for the utility stated above. I am sending the utility a copy of this memo and the audit report. If the utility desires to file a response to the audit report, it should send the response to me for distribution. There are confidential work papers associated with this audit.

DNV/jcp
Attachment

cc: Division of Auditing and Safety (Hoppe, District Offices, File Folder)
Division of Competitive Markets and Enforcement (Harvey)
General Counsel
Office of Public Counsel

Mr. John T. English, President & CEO
Florida Public Utilities Co.
401 South Dixie Highway
West Palm Beach, FL 33402

Mr. Christopher Snyder
Florida Public Utilities Co., Gas Division
401 South Dixie Highway
West Palm Beach, FL 33402

Messer Law Firm
Norman H. Horton, Jr., Esq.
P. O. Box 1876
Tallahassee, FL 32302-1876

AUS ___
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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

FLORIDA PUBLIC SERVICE COMMISSION

DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

Miami District Office

FLORIDA PUBLIC UTILITIES COMPANY
OVER EARNINGS REVIEW -GAS DIVISION
YEAR ENDED DECEMBER 31, 2002

UNDOCKETED
AUDIT CONTROL NO. 03-086-4-1

Ruth Young, Audit Manager

Yen Ngo, Audit Staff

Raymond Grant, Audit Staff

Kathy Welch, Audit Staff

Iliana Piedra, Acting Audit Supervisor

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DIVISION OF AUDITING AND SAFETY
BUREAU OF AUDITING

SEPTEMBER 10, 2003

TO: FLORIDA PUBLIC SERVICE COMMISSION AND OTHER INTERESTED PARTIES

We have applied the procedures described later in this report to audit the accompanying schedules of Rate Base , Net Operating Income, and Cost of Capital as of December 31, 2002, for Florida Public Utilities Company-Gas Division, as part of our work in the Earnings Surveillance Audit.

This is an internal accounting report prepared after performing a limited scope audit. Accordingly, this report should not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted auditing standards and produce audited financial statements for public use.

SUMMARY OF SIGNIFICANT PROCEDURES

Our audit was performed by examining, on a test basis, certain transactions and account balances which we believe are sufficient to base our opinion. Our examination did not entail a complete review of all financial transactions of the company. Our more important audit procedures are summarized below. The following definition applies when used in this report.

Scanned - The documents or accounts were read quickly looking for obvious errors.

Compiled - The exhibit amounts were reconciled with the general ledger, and accounts were scanned for error or inconsistency.

Reviewed - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers, and selective analytical review procedures were applied.

Examined - The exhibit amounts were reconciled with the general ledger. The general ledger account balances were traced to subsidiary ledgers. Selective analytical review procedures were applied and account balances were tested to the extent further described.

Confirmed - Evidential matter supporting an account balance, transaction, or other information was obtained directly from an independent third party.

Verified - The items were tested for accuracy, and compared to the substantiating documentation.

RATE BASE: Compiled Rate Base. Recalculated 13-month average and year end rate base at December 31, 2002. Recalculated common plant allocation and reconciled plant in service to the company's trial balance. Reconciled prior surveillance audit report amounts for all components to present surveillance report amounts. Prepared an analytical review. Tested plant additions for 2002 for selected accounts.

Accumulated Depreciation was compiled.

Working Capital was recalculated and accounts were analyzed for interest bearing accounts, and non-utility transactions. The components were reviewed for appropriate adjustments as indicated by prior Commission orders. Items from the prior rate case were compared to the accounts used in the Surveillance Report. Allocations from the parent company were also recalculated.

Adjustments to Rate Base were recalculated and reviewed to determine if the company followed prior orders.

NET OPERATING INCOME: Compiled revenues and operating and maintenance expense account balances for the twelve months ended December 31, 2002. Prepared an analytical review and questioned major changes. Compiled depreciation, amortization, taxes other than income tax, deferred taxes and ITC expenses for the 12 months ended December 31, 2002.

Adjustments to Net Operating Income were recalculated and reviewed to determine if the company followed prior orders. Certain accounts were analyzed for unusual or large entries.

COST OF CAPITAL: Compiled cost of capital. Recalculated cost of capital schedules. Recalculated company allocations from Consolidated Cost of Capital to the Gas division. Recalculated the cost rate for short term debt and long term debt. Traced cost rates to appropriate sources.

OTHER: Read external audit work papers for the twelve months ended December 31, 2002 for regulatory purposes. Read Board of Directors minutes for 2002.

AUDIT EXCEPTION 1

SUBJECT: NON-UTILITY PLANT AND ACCUMULATED DEPRECIATION

STATEMENT OF FACTS: In the Surveillance Report, Schedule 2, page 1 of 2, the company made an adjustment reducing plant in service and accumulated depreciation in the amount of $839,908 and $459,308 respectively, for non-utility plant. These amounts were based on year end 2001 balances.

During the audit, the company recalculated the non-utility plant and accumulated depreciation adjustments using 2002 balances. The company calculation for non-utility plant was $1,015,903 and accumulated depreciation was $542,338 instead of non-utility plant of $839,908 and accumulated depreciation of $459,308 reported on its 2002 Surveillance Report.

OPINION: The non-utility plant and accumulated depreciation adjustments on schedule 2 page 1 of 2 should be $1,015,903 and $542,338. The non-utility plant adjustment of $839,908 is understated by $ 175,995 and non-utility accumulated depreciation is understated by $ 83,033. Staff's calculation follows:

	Plant In Service	Accumulated Depreciation
Reduction Per Surveillance	$ 839,908	$459,308
Recalculated per Co.	$1,015,903	$542,338
Difference	$ 175,995	$ 83,030

The following entries should be made to the non-utility plant and accumulated depreciation adjustments.

Non-Utility Plant	$175,995	
Plant In Service		$175,995
Accum. Deprec. Plant In Service	$ 83,030	
Accum. Deprec. Non Utility Plant		$ 83,030

AUDIT EXCEPTION 2

SUBJECT: NON-UTILITY DEPRECIATION EXPENSE

STATEMENT OF FACTS: In the Surveillance Report, Schedule 2, page 2 of 2, the company made an adjustment reducing depreciation expense for $37,526 for non-utility depreciation expense.

When an audit request was issued for supporting documentation, the company recalculated the non-utility depreciation expense. The revised company calculation for the non-utility depreciation expense adjustment was $45,360 instead of $37,526 reported on Schedule 2 page 2 of 2 on it's 2002 Surveillance Report.

OPINION: The non-utility depreciation expense adjustment on schedule 2, page 2 of 2 should have been $45,360. The non-utility depreciation expense adjustment of $37,526 is understated by $ 7,834. The income tax adjustment associated with the non-utility depreciation expense adjustment is overstated by $2,945. Staff's calculation follows:

	Depreciation Exp Adj
Per Surveillance	$37,526
Recalculated per Company	$45,360
Difference	$ 7,834
Income Tax Rate	37.63%
Income Tax Adj. Overstated by	$ 2,945

Accumulated depreciation was corrected in Exception No. 1.

The following entries should be made to the non-utility depreciation expense adjustment and the associated income tax.

Deprec Expense Non-Utility	$7,834	
Depreciation Expense Utility		$7,834
Income Tax Associated Utility Dep. Exp	$2,945	
Income Tax Non-Utility Dep Expense		$2,945

AUDIT EXCEPTION 3

SUBJECT: **WORKING CAPITAL**

STATEMENT OF FACTS: Included in Account 2420.7, Vending Machine Liability Fund, is a credit for $787.48 that should be allocated to the Marianna electric division. This amount is included in the natural gas division working capital.

OPINION: Working capital should be changed to reflect $787.48 less in credits, therefore, increasing working capital.

AUDIT EXCEPTION 4

SUBJECT: **INTEREST RATES FOR CUSTOMER DEPOSITS**

STATEMENTS OF FACTS: The effective interest rates on customer deposits included on the company's cost of capital schedule in the surveillance report are based on year end 2000 data. The company recalculated the rates based on year end 2002 data with the following results:

	Effective Rate **Year End**	**Effective Rate** **Average**
Surveillance Report	6.71%	6.81%
2002 Recalculation	6.57%	6.21%

OPINION: The interest rate used to calculate cost of capital should reflect the year end 2002 rates.

AUDIT DISCLOSURE 1

SUBJECT: **ACQUISITION ADJUSTMENT**

STATEMENT OF FACTS: In the proforma section of 2002 Year End Rate Base in the Surveillance Report, the company included the $3,413,179.22 as an acquisition adjustment. It included $3,337,012 in the Average Rate Base schedule.

In December 2001, Florida Public Utilities purchased South Florida Natural Gas Co. from its parent, Southern Union Gas Co. The assets and liabilities were booked in December 2001. True-ups were booked in March and April 2002. Added to the purchase price in Account 114 is $144,229.22 for acquisition costs over the purchase price. The schedule below details the transactions.

	Assets and Liabilities	Purchase Price	Goodwill
December 2001 1st Entry	$3,042,025.2	(6,134,820.00)	$3,092,794.71
True-up March 2002	117,178.41	(14,126.51)	103,051.90
True-up April 2002	(228,317.15)	169,340.43	59,976.82
Sub-Total	$2,710,656.13	($5,979,606.07)	$3,268,949.94
Acquisition Costs			144,229.22
Total Goodwill			$3,413,179.16

The company recorded goodwill in Account 114, which according to 18CFR 201, is Gas Plant Acquisition Adjustments. Also, according to 18CFR 201, Gas Plant Instruction 5A, "...costs of acquisition, including expenses incidental thereto..." are included in the electric plant account.

OPINION: The company has included the acquisition adjustment in rate base. It has not been approved by the commission at this time.

AUDIT DISCLOSURE 2

SUBJECT: **ADJUSTMENTS TO THE INCOME STATEMENT THAT WERE NOT IN THE LAST RATE CASE ORDER**

STATEMENT OF FACTS: The company made the following adjustments to the income statement submitted for the year end 2002 that were not included in the last rate case order.

Expenses	Debit	Credit
1. General Liability Insurance		78,260
2. Environmental Amortization		100,000
3. Right of Way Expense	30,154	
4. AEP		266,225
5. Prior Period Uncollectibles See Audit Disclosure 3	7,470	
6. Accrued Expenses	2,350	
Revenue	Debit	Credit
7. AEP	267,660	

1. General Liability Insurance: During 2001 a claim was made against the company by an employee in the Fernandina electric division. The entire cost for the claim was $451,841.78. FPUC is self insured up to $250,000. The actual cost to FPUC for all divisions during 2001, 2002 and 2003 was $201,841.78. During 2002 the company accrued a total of $156,500 to all divisions to pay for this incident. Of this $78,250 was accrued to the natural gas division. The company believes that since this was for Fernandina only, the other divisions should not bear the cost. The $78,250 allocated to the natural gas division in 2002 was removed from expense for surveillance report purposes.

2. Environmental Amortization: In Docket No. 900151-GU, the Commission ordered that expenses associated with environmental clean up of manufacturered gas plant sites be accrued at $240,000 per year. This was approved for a ten-year period starting in 1991 and ending in 2001. The company stopped booking the amortization at the end of 2001. Because it was still short of funds to complete the clean up, it started to amortize these expenses again in August 2002 through December 2002. The amount booked to expense in 2002 was reversed on the surveillance report for $100,000 per Commission staff's recommendation. The amount was reversed on its books in March 2003 since the order required it to end in 2001.

3. Right of Way Expense: The company pays the Florida East Coast Railroad for a right of way over a railroad crossing into the company's Lantana yard. Florida Public Utilities had to pay $40,509.56 in 2002 to fix the road over the right of way. The entire amount was booked in construction work in process (CWIP) in West Palm Beach and amortized over six years. Amortization for seven months or $3,938.61 was included in expense in 2002. The company decided to expense the cost all in one year. The difference between the amount in CWIP and the amount amortized is $36,570.94 ($40,509.56 less 3,938.61). However, the company only asked for $30,154 in expense. This is because it allocated 15.84% percent to non-utility ((40,509.56*84.16%) less 3,938.61=30,154)). This non-utility amount was already taken out of plant and accumulated depreciation in the pro forma adjustments on the surveillance report, and out of expense in the pro forma adjustments on the surveillance report. There was no adjustment on the surveillance report to remove the utility costs from CWIP and include in deferred debits.

In reviewing the non-utility allocation, it was determined that the amount removed for the non-utility portion in the surveillance report was 16% rather than 15.84%. Recalculating the above would reduce the expense adjustment from 30,154 to $30,089; a difference of $65.

4. And 7. Area Expansion Program (AEP) : In PSC Order No. 941291-GU, Docket PSC 95-0162-FOF-GU, the commission approved a specific surcharge in the tariff for recovering investment in excess of the maximum allowable construction cost (MACC). The surcharge will stay constant for the projected term of the collection period. The Commission also ordered that excess costs above MACC should be excluded for rate making and surveillance report purposes, and that the surcharge revenue should be excluded from the income statement. Items four and seven above exclude these items from the surveillance report. Although not in a separate proforma in the rate base, the company also excluded the deferred debits from working capital.

5. Prior Period Uncollectibles: See Audit Disclosure 3 for details.

6. Accrued Expenses : Expenses for 2002 were paid in 2003. These invoices were not accrued at year end. Therefore, these are included as an adjustment in the surveillance report. A review of these invoices shows that those accrued were for 2002.

OPINION:

1. Supporting documents show that the claim was for Fernandina electric. It appears that the company properly removed these expenses from its surveillance report.

2. Because the amortization period is completed, the company properly removed these expenses from the surveillance report for 2002.

3. It is up to the Commission to decide whether these costs should be recovered completely or amortized over a period of years. If the decision is to amortize over six years, then the amount in CWIP should be removed and included in a deferred debit and in the working capital calculation. If the decision is to expense in 2002, then the costs should be removed from CWIP for surveillance report purposes.

4 and 7. The company properly removed the expenses, revenues and deferred debits for surveillance report purposes according to Commission order.

6. Supporting documents show that these expenses were for 2002 and they should be included. Expenses for 2003 need to be reduced.

AUDIT DISCLOSURE 3

SUBJECT: BAD DEBT EXPENSE AND UNCOLLECTIBLES

STATEMENT OF FACTS:

Adjustment to Surveillance Report
The company made a proforma adjustment to increase bad debt expense by $7,470. The company explained that its allowance for uncollectibles was too high for some divisions and too low for others.

In order to bring its uncollectibles to a more reasonable level FPUC prepared a five-year history. The average percent of write-offs to receivables for five years were calculated. The percent was applied to the receivable balance at December 31, 2002. Then the company calculated a five-month reserve. This reserve was compared with the actual reserve balance and an adjustment was made for the difference.

FPUC's goal was to keep a five-month reserve of bad debts in its allowance for uncollectibles account. The final adjustment at year end 2002 was:

	Dr (Cr) ***Central***	***Dr (Cr)*** ***WPB***	***Dr (Cr)*** ***Total***
Uncollectibles Account 1440	12,730.27	(7,393.39)	9, 336.80
Bad Debt Expense Account 904	(12,730.27)	7,393.39	(9,336.80)

This had the effect of reducing uncollectibles and reducing bad debt expense. The company believes that 4/5ths of this adjustment belongs to prior periods. Therefore, the company removed 4/5ths of the bad debt reduction in expense per the books by increasing bad debt expense $7,470 for surveillance report purposes. (($9,336.90\5*(4)).

Special Adjustment to Uncollectibles in December 02
Lake Worth Generation is supposed to pay FPUC a return of 11.17% per year on FPUC's $8 million investment in a large pipeline built for them. Lake Worth Generation went into default. The company did not know whether it would be able to collect and in December made the following entry to record the default for a few months in 2002.

	Dr (Cr) Central	Dr (Cr) WPB	Dr (Cr) Total
Uncollectibles Account 1440		(160,488.32)	(160,488.32)
Bad Debt Expense Account 904		160,488.32	160,488.32

The City of Lake Worth took over the pipeline and negotiated a new contract with FPUC in which the outstanding debt would be paid. This was approved by the Commission in PSC-03-0846-PAA-GU. In March 2003, the company received its money and reversed the above entry. However, no adjustment was made to the surveillance report bad debt expense or uncollectibles.

OPINION: If the company is going to make one adjustment to the surveillance report for out of period items, then all out of period items should be adjusted. For surveillance report purposes the following entry should be made.

	Debit	Credit
Account 1440, Provision for Uncollectibles	$160,488.32	
Account 904, Bad Debt Expense		$160,488.32

AUDIT DISCLOSURE 4

SUBJECT: **EXPENSES FOR 2002 NOT ACCRUED**

STATEMENT OF FACTS: A review of the outside auditor's working papers revealed that the company did not accrue 2002 expenses for its actuarial consultant. The company booked these in January 2003. The invoice for this expense was from AON Consulting in the amount of $19,483. This was allocated to all divisions based upon the gross profit of each division. $6,624.22 was allocated to the West Palm Beach division and $3,117. 28 allocated to the Central Florida division; a total of $9,741.50.

OPINION: Since these charges were for 2002 services, they should be part of 2002 expenses.

AUDIT DISCLOSURE 5

SUBJECT: **WORKING CAPITAL ITEMS**

STATEMENT OF FACTS:

Unused Portion of Construction Bond Proceeds: Included in the company's working capital in the surveillance report is the unused portion of the proceeds from its construction bond issued in November 2001. The amount allocated to the gas division is $2,814,842 for year end and $2,821,981 for the 13-month average. The company earns interest on the unused portion of the proceeds.

The interest income from the unused portion allocated to the gas division of $93,258 is booked as a credit to interest expense on long term debt. The expense account is used to calculate the effective interest rate. Reduction in expense means that the long term debt cost rate is reduced on the cost of capital schedule.

The liability of the bond issue is included in cost of capital and allocated to the gas division on a pro rata basis.

Cash: As done in previous rate cases and surveillance reports, the company included the lower of the13-month average or the five-year average cash in the bank. For the year ended 12/31/02 the 13-month average was $71,463 and the five-year average was negative $(107,308).

AUDIT DISCLOSURE 6

SUBJECT: **ADJUSTMENTS FROM THE NON-MONITORED TRANSPORTATION CLAUSE AUDIT FOR 2002**

STATEMENT OF FACTS: The December 31, 2002 audit report of the non-monitored transportation clause (Docket No. 030022-GU, AUS No. 03-050-4-1) disclosed that the company included revenue and expenditures that were covered under its tariff. An excerpt of two pages from that report is included following this disclosure.

The company plans to adjust the non-monitored transportation clause accounts to remove these items from the true up. This will be done in 2003 and impact the year end 2003 true-up.

The disclosure shows that the revenues and expenses included were:

	15 months Ended 12/31/02	12 months 1/1/02 - 12/31/02
Administrative Charge revenues from Large Volume monitored transportation and interruptible customers:	($29,808)	($24,246)
Expenses for meter installation, maintenance and meter reading for Large Volume monitored transportation customers	6,717	5,481
Pool Manager Service Revenues:	($ 8,900)	(6,200)
Net Revenue	($31,991)	($24,965)

OPINION: If these revenues and expenses do not belong in the non-monitored transportation recovery clause, then they should be included with base rates with the surveillance report. Revenue in the surveillance report would have to be increased by $24,965 for the 12 months of 2002.

AUDIT DISCLOSURE 7

SUBJECT: ADJUSTMENTS FROM CONSERVATION CLAUSE

STATEMENT OF FACTS: The December 31, 2002 audit report of the conservation clause revenues and expenses (Docket No. 030004-GU, AUS No. 03-037-4-2) disclosed that there were expenses for stationary and business cards that were not necessarily for conservation employees. The audit report indicated that the cost appeared to be office supply costs relating to all divisions. The dollars related to gas conservation were $1,457.58. The company made an adjustment in 2003 removing these costs from the conservation expense accounts.

OPINION: If the costs are going to be removed from the conservation clause, they should be included in base rates.

AUDIT DISCLOSURE 8

SUBJECT: CHARITABLE CONTRIBUTIONS

STATEMENT OF FACTS: The company included the following charitable contributions in its advertising expense accounts which are included in the Surveillance Report:

Date	Vendor	Description	Amount
	Account 121.4010.9132 - Conservation Advertising		
01/02	Komen Race for the Cure	Registration for employees	310.00
12/02	Komen Race for the Cure	Registration for employees	520.00
	Account 121.4010.9134 - Community Affairs Advertising		
03/02	2002 WPB WalkAmerica	Sponsorship of county wide WalkAmerica T-shirts	3,360.00
	Account 121.4010.9135 - Community Affairs Advertising		
01/02	American Custom Enterprise	T-shirts Race for the Cure	278.17
	Account 121.4010.9136 - Other Advertising		
12/02	Moonfest	Sponsorship - banners/posters	500.00
		Total	4,968.17

Per Docket No. 030004-GU, AUS No. 03-037-4-2 for year ended 12/31/02, none of the above accounts are included in Conservation expense.

Opinion: In Order No. 6465, Docket No. 9046-EU, the commission stated that since the sponsorships of community activities and organizations do not provide any tangible benefits to the ratepayers, the stockholders will assume the burden of financing any advertising that is related to community affairs. However, there are some activities which may be in the public interest and can be considered for ratemaking purposes if prior approval is obtained from the commission before making such expenditures.

DISCLOSURE NO. 8
ATTACHMENTS

No. 8

The Susan G. Komen Breast Cancer Foundation

SOUTH FLORIDA

RACE FOR THE CURE

Presented by Yoplait

NATIONAL SERIES SPONSORS:

Kellogg's AA Johnson & Johnson

new balance Ford

11th ANNUAL

SATURDAY

JANUARY, 26 2002

WEST PALM BEACH, FLORIDA

March of Dimes
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South Florida
Palm Beach Division
1649 Forum Place, Suite 2
West Palm Beach, FL 33401
Telephone WPB (561) 684-0102
Telephone Boca Raton (561) 276-2001
Fax (561) 686-8923

Hanna J. L. Fink
Executive Director

Disclosure No. 8

March 15, 2002

Mr. Robert Smith
Florida Public Utilities
401 S Dixie Highway
West Palm Beach, FL 33405

Sponsorship of county wide WalkAmerica tshirts
As agreed $4000.00

allocated to account 121.4010.9134 3,360 or 84%

Thank you

ENTERED
APR 0 8 2002

Vendor American Custom Enterprises, Co
Disclosure No8

STYLE S/S TEES

COLOR WHITE

FRONT

ENTERED
FEB 01 2002

BACK

CUSTOMER APPROVAL

looks good!
Thanks,
Melissa

Disclosure No. 8
Moonfest 2002

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AUDIT DISCLOSURE 9

SUBJECT: ADVERTISING EXPENSE

A. **STATEMENT OF FACT:** The following advertising expenses were included in the Surveillance Report (see attached schedule). The total charged to natural gas was $8,728.15.

Per Docket No. 030004-GU, AUS No. 03-037-4-2 for year ended 12/31/02, none of the above accounts are included in Conservation expense.

OPINION: The above advertisements displayed the company's logo and Goodcents (conservation program) logo. In Order No. 6465 Docket No. 9046-EU, the commission stated "All companies engage in what is described as institutional advertising or practices...Most, if not all of this advertising is merely designed to improve the image the utility in the eyes of the public. It has not been proven, in our judgment, that such programs reduce operating costs or tangible benefits to the customers".

Also included in the advertising account were fees for attendance at community activities and organizations. In the same order as mentioned above, the commission stated that since the sponsorships of community activities and organizations do not provide any tangible benefits to the ratepayers, the stockholders will assume the burden of financing any advertising that is related to community affairs. However, there are some activities which may be in the public interest and can be considered for ratemaking purposes if prior approval is obtained from the commission before making such expenditures.

B. **STATEMENT OF FACT:** Included in accounts 123.4010.9136 and 123.4010.9132 were co-op expenses with St. Joe / Arvida Home Building LP. The company stated that the co-op ads were designed to aid the promotion for sales of natural gas appliances. This advertising expense was paid quarterly.

Date	Account No.	Vendor	Amount
03/02	123.4010.9136	St. Joe / Arvida Home Building LP.	3,500.00
06/02	123.4010.9136	St. Joe / Arvida Home Building LP.	3,500.00
09/02	123.4010.9132	St. Joe / Arvida Home Building LP.	3,500.00
12/02	123.4010.9132	St. Joe / Arvida Home Building LP.	3,500.00
		Total	14,000.00

Per Docket No. 030004-GU, AUS No. 03-037-4-2 for year ended 12/31/02, none of the above accounts are included in Conservation expense.

OPINION: The Commission needs to determine if these expenses are beneficial to the ratepayers.

				Amount Charged to Natural Gas					Amount Charged to Propane			Flo-Gas	Company-Wide	Employee
Date	Vendor	Description	Amount Per Invoice	S. Fla 121.4010.9131	S. Fla 121.4010.9132	Central Fla 123.4010.9132	S. Fla 121.4010.9134	Central Fla 123.4010.9136	S. Fla 991.4010.913	Central Fla 993.4010.913	NE Fla 995.4010.913	Corporation 945.4160.53	Use 100.1840.9262	Purchases 121.1430.1
09/02	Sanford Historic Trust, Inc.	Promoting company new logo	500.00	500.00										
01/02	Vernon	Tesoro crystal box w/company log	1,317.15		783.70	292.41			147.52	61.91	31.61			
04/02	Monark Monograms	Shirts & Hats w/company logo	1,485.06		1,485.06									
05/02	Monark Monograms	Shirts, T-shirts, Jackets, & pants w/logo	632 82		632.82									
07/02	Monark Monograms	Shirts & Hats w/company logo	996.40		339.20							168.26	245.65	243.29
02/02	Gold Plus Sponsorship	Table for 10 people at the banquet	600.00				504.00		96.00					
05/02	Gold Coast Builder Asso.	Ad placed in Prism Award 2002 Brochure	3,800.00				3,192.00		608.00					
09/02	Gold Coast Builder Asso.	11th Annual installation dinner dance	594.00				498.96		95.04					
02/02	Debarry Estates Assoc.	Corporate sponsorship for 2002 Parade of Home	500.00					500.00						
		Total amount charged to natural gas	8,728.15	500.00	3,240.78	292.41	4,194.96	500.00	946.56	61.91	31.61	168.26	245.65	243.29
		Total amount charged to Propane	1,040.08											
		Total Other	657.20											
		TOTAL	10,425.43											

DISCLOSURE NO. 9
ATTACHMENTS

Disclosure No. 9

Sanford Historic Trust, Inc.

FLORIDA PUBLIC UTILITIES

A NEW LOOK FOR A TRUSTED FRIEND

Over the years, you've come to know Florida Public Utilities as a trusted friend and reliable energy company. A company with smart ideas to help you conserve energy, improve the quality of your life, and protect your environment. Our new logo symbolizes the ongoing evolution of Florida Public Utilities and our renewed commitment to you... our trusted friend. Florida Public Utilities...Energy for Life. Visit www.fpuc.com

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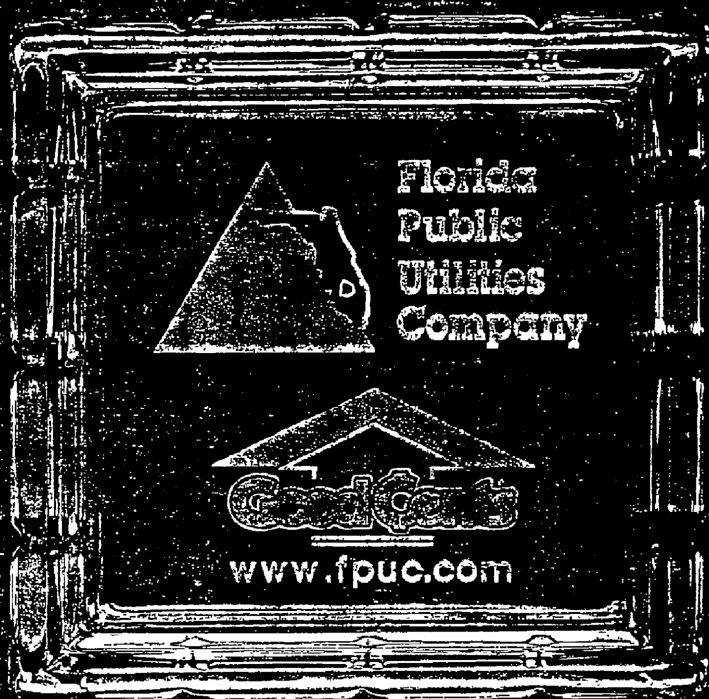
Vernon
Sales Promotion
Disclosure #9



Young Curtis

PBC

From: Stepherson Leb
Sent: Thursday, September 04, 2003 11:55 AM
To: Young Curtis
Subject: EMBROIDERED SHIRTS

Curtis,

The invoice with the largest amount was for the embroidered shirts for the employees, who worked in the Company's booth giving away promotional items and pitching natural gas as an alternative energy source. The Company's name was located near the chest area on the left side. The Good Cents logo (Conservation Program - a popular incentive program) was located on the right sleeve.
The smaller invoice is for shirts worn by marketing employees, who attended the South East Builder Conference (SEBC). FPU sponsored a hospitality booth and the participants wore theme shirts with the company's logo.
The shirts helped promote our company, as well as extended the " branding" efforts of our company as a gas utilitiy company. We have invested modestly in "branding" (ie name recognition) in the marketplace.
Hope this will help.

Leb

Monark Monograms
Disclosure No. 9

ntry
'ees

Individual Achievement Awards
$125 per entry

Marketing, Design & Environmentally Friendly Awards
$200 per entry
$175 per entry for three or more
$300 per entry for non-GCBA members

Be in on the creation!

Prism Awards 2002

Disclosure No 9.

.anned Community – Single roduct

 single product residences. For ample, a community of only wnhomes.

necessary, each entry will be ıbdivided into a specific price range r judging purposes as determined by e final entries submitted.

ı Check if Pre-Construction

] 68. Overall Community
] 69. Architecture
] 70. Land Planning

'lanned Community – Aultiple Products

Aixture of product types such as single amily detached, single family attached, nulti-family, commercial, etc.

ike projects will be judged together ccording to price range (golf, water, ffordable, traditional neighborhood levelopment, etc.).

ɔ Check if Pre-Construction

] 71. Overall Community
] 72. Architecture
] 73. Land Planning

;ales/Leasing Centers

f necessary, each entry will be ubdivided into a specific square ootage range for judging purposes as letermined by the final entries ubmitted.

] 74. Architecture
] 75. Interior Design and Display
] 76. Landscape Architecture

Recreation/Amenities/Clubhouse

f necessary, each entry will be subdivided into a specific price range or judging purposes as determined by he final entries submitted.

] 77. Architecture
] 78. Interior Design
] 79. Land Planning
] 80. Landscape Architecture
] 81. Media Center
] 82. Pool
] 83. Concierge Services

Check only one of the following subcategories:

- ❑ For Sale
- ❑ Rental
- ❑ Active Adult

Outdoor Living Area

Includes pools, water features, patios, docks, decks, gazebos, specialty gardens, and related unique features for single family residences.

If necessary, each entry will be subdivided into a specific price range for judging purposes as determined by the final entries submitted.

☐ 84. Outdoor Living Area

Entryways

If necessary, each entry will be subdivided into a specific price range for judging purposes as determined by the final entries submitted.

☐ 85. Building Entryway
☐ 86. Community Entry

Remodeling/Rehab/Conversion

If necessary, each entry will be subdivided into a specific price range for judging purposes as determined by the final entries submitted.

☐ 87. Architecture
☐ 88. Interior Design
☐ 89. Landscape Architecture
☐ 90. Master Suite
☐ 91. Kitchen
☐ 92. Bath
☐ 93. Home Theater
☐ 94. Bonus Space (office, play, tech/brain, loft, or other area)

Check only one of the following subcategories:

- ❑ Single Family
- ❑ Multi-Family
- ❑ Commercial
- ❑ Restaurant
- ❑ Hotel
- ❑ Mixed Use
- ❑ Affordable

Commercial

If necessary, each entry will be subdivided into a specific price range for judging purposes as determined by the final entries submitted.

☐ 95. Architecture
☐ 96. Interior Design
☐ 97. Land Planning
☐ 98. Landscape Architecture

Check only one of the following subcategories:

- ❑ Retail (malls and shops)
- ❑ Office
- ❑ Industrial
- ❑ Restaurant
- ❑ Hotel
- ❑ Mixed Use

Hurricane Protection

Includes impact glass, panels, and shutters that meet local hurricane code.

If necessary, each entry will be subdivided into a specific price range for judging purposes as determined by the final entries submitted.

☐ 99. Hurricane Protection System

Environmentally Friendly

Florida Power & Light BuildSmart® Energy Efficiency

To become a Florida Power & Light BuildSmart® Builder, please contact Terry Yeager at (561) 640-2454. A Florida Power & Light BuildSmart® Builder of the year will be determined and announced at the PRISM 2002 Awards Gala.

If necessary, each entry will be subdivided into a specific square footage range for judging purposes as determined by the final entries submitted.

☐ 100. Energy Efficient Home

Florida Public Utilities Gas Advantage

To become a part of the Florida Public Utilities Gas Advantage Program, please contact the Marketing Department at (561) 838-1750.

☐ 101. Creative Gas Integration Within Design
- A. Custom Home (Both indoor and outdoor spaces)
- B. Community (Within homes and outdoor spaces such as street lighting, amenities, etc.)

☐ 102. Creative Gas Integration Within Entryway Design

MAY 15 2002

Water Efficiency

The use of water-conserving features both inside and outside new homes.

☐ 103. Water Efficient Home

Solar Energy

The use of the latest technological advances in solar energy construction.

☐ 104. Solar Energy Home

Individual Achievement

☐ 105. Million Dollar Sales Achievement*
- A. Individual
- B. Team Sales

☐ 106. Rookie Salesperson of the Year
☐ 107. Builder Salesperson of the Year*
☐ 108. Associate/Vendor Salesperson of the Year
☐ 109. Sales Team of the Year
☐ 110. Sales Manager of the Year
☐ 111. Marketing Director of the Year (for Builder Member)
☐ 112. Marketing Director of the Year (for Associate Member)
☐ 113. Realtor® of the Year*
☐ 114. Brokerage of the Year*
☐ 115. Mortgage Lender of the Year*
☐ 116. Title Company Professional of the Year*

* for New Home Sales

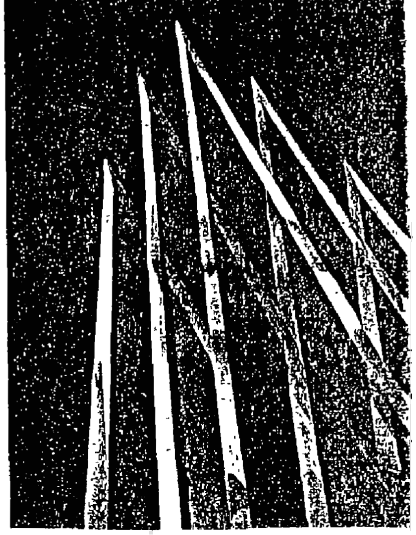
PRISM 2002 Deadlines & Key Dates

March 22, 2002
Entry Applications due

April 3, 2002
Distribute Entry Portfolios at Design Studio Ferrazzano

May 24, 2002
PRISM Entries due

August 24, 2002
PRISM Awards Gala at The Breakers Hotel in Palm Beach



Invoice

.d Coast Builders Association
2101 Corporate Drive
Boynton Beach, FL 33426
USA

Voice: 561-732-5959
Fax: 561-732-4454

Invoice Number: 022002D

Invoice Date: Feb 20, 2002

Page: 1

Duplicate

Disclosure No. 9

Sold To:
Florida Public Utilities
401 S. Dixie Hwy.
West Palm Beach, FL 33401
USA

Ship to:

Customer ID	Customer PO	Payment Terms	
001420-A		C.O.D.	
Sales Rep ID	**Shipping Method**	**Ship Date**	**Due Date**
	Courier		2/20/02

Quantity	Item	Description	Unit Price	Extension
1.00		Gold Plus Sponsorship Prism 02 allocated 64% to account 121.4010.9134	3,800.00	3,800.00

ENTERED
MAR 06 2002

We had a table for 10 people at the banquet

0.3011.63

Subtotal	3,800.00
Sales Tax	
Total Invoice Amount	3,800.00
Payment Received	
TOTAL	3,800.00

Check No:

[redacted]

Disclosure No. 9

Gold Coast Builder Association

You Are Invited

to join

Gold Coast Builders Association

as we install our
2002-2003 President

RON HYMAN

AT OUR

11TH ANNUAL
INSTALLATION DINNER DANCE AT

Benvenuto
1730 North Federal Highway
Boynton Beach, Florida
(one mile north of Boynton Beach Blvd. on Federal)

Saturday, October 5, 2002
5:30 p.m. Cocktails
6:30 p.m. Installation Ceremony and Dinner

Please RSVP by September 25, 2002

$99 Per Person

Black Tie Preferred

AUDIT DISCLOSURE 10

SUBJECT: MISSING INVOICES FOR ADVERTISING EXPENSE

STATEMENT OF FACT: The company could not locate the following invoices:

Date	Vendor	Amount
Account 121.4010.9132 Conservation Advertising		
12/01	Sunfest of WPB	1,350.00
Account 121.4010.9133 Safety Advertising		
11/01	E.W. Bullock Association	12,660.64
11/01	E.W. Bullock Association	658.18
07/02	E.W. Bullock Association	448.00
06/02	E.W. Bullock Association	528.00
11/02	E.W. Bullock Association	489.61
Account 123.4010.9133 Safety Advertising		
11/01	E.W. Bullock Association	693.94
12/01	E.W. Bullock Association	1,537.70
09/02	E.W. Bullock Association	532.50
Account 121.4010.9134 Other Infor Instruct. Cons/Adver		
11/01	E.W. Bullock Association	904.33
11/01	E.W. Bullock Association	394.95
Account 123.4010.9134 Other Infor Instru Cons/Adver		
11/01	E.W. Bullock Association	8,663.29
	Total	28,861.14

The company is in the process of obtaining duplicate invoices from its vendors and will submit them when available.

Per Docket No. 030004-GU, AUS No. 03-037-4-2 for year ended 12/31/02, none of the above accounts are included in Conservation expense.

OPINION: Staff was unable to verify whether these expenses were allowable for ratemaking purposes.

EXHIBITS

COMPANY SUBMITTED SURVEILLANCE REPORT FOR THE
12 MONTHS ENDED 12/31/02

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
EARNINGS SURVEILLANCE REPORT SUMMARY
DECEMBER 2002

SCHEDULE 1

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	$3,549,871	69,659	$3,619,530	$0	$3,619,530
AVERAGE RATE BASE	$55,572,710	(6,675,946)	$48,896,764	3,337,012	$52,233,776
AVERAGE RATE OF RETURN	6 39%		7.40%		6.93%
II. YEAR END RATE BASE (JURISDICTIONAL)	$58,302,684	(3,793,779)	$54,508,905	3,413,179	$57,922,084

III. REQUIRED RATES OF RETURN
AVERAGE CAPITAL STRUCTURE
(FPSC ADJUSTED BASIS)

LOW	6.81%
MIDPOINT	7.07%
HIGH	7.31%

IV. EARNED RETURN ON EQUITY
(FPSC ADJUSTED BASIS)

A. INCLUDING FLEX RATE REVENUES	12.75%
B. EXCLUDING FLEX RATE REVENUES	12.75%

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Cheryl Martin, Controller
(Name & Title)

Cheryl Martin
(Signature)

3/14/03
(Date)

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
RATE BASE
DECEMBER 2002

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION*	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	$71,729,203	$26,456,629	$45,272,574		$7,776,989	$53,049,563	$2,523,147	$55,572,710
FPSC ADJUSTMENTS:								
NONUTILITY PLANT	(839,908)	(459,308)	(380,600)			(380,600)		(380,600)
LAKE WORTH GEN. CONST. PROJECT					(2,958,334)	(2,958,334)		(2,958,334)
SFNG ACQUSITION GOOD WILL	(3,337,012)		(3,337,012)			(3,337,012)		(3,337,012)
TOTAL FPSC ADJUSTMENTS	(4,176,920)	(459,308)	(3,717,612)		(2,958,334)	(6,675,946)		(6,675,946)
FPSC ADJUSTED	67,552,283	25,997,321	41,554,962		4,818,655	46,373,617	2,523,147	48,896,764
FLEX RATE REVENUES								
ADJUSTED FOR FLEX RATE REVENUES	67,552,283	25,997,321	41,554,962		4,818,655	46,373,617	2,523,147	48,896,764
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
SFNG ACQUSITION GOOD WILL	3,337,012		3,337,012			3,337,012		3,337,012
TOTAL PRO FORMA ADJUSTMENTS	3,337,012		3,337,012			3,337,012		3,337,012
PRO FORMA ADJUSTED	$70,889,295	$25,997,321	$44,891,974		$4,818,655	$49,710,629	$2,523,147	$52,233,776

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
AVERAGE RATE OF RETURN
INCOME STATEMENT
DECEMBER 2002

	(1) OPERATING REVENUES	(2) O & M GAS EXPENSE	(3) O & M OTHER	(4) DEPRECIATION & AMORTIZATION	(5) TAXES OTHER THAN INCOME	(6) INCOME TAXES CURRENT	(7) DEFERRED INCOME TAXES (NET)	(8) INVESTMENT TAX CREDIT (NET)	(9) GAIN/LOSS ON DISPOSITION	(10) TOTAL OPERATING EXPENSES	(11) NET OPERATING INCOME
PER BOOKS	$40,139,640	$17,004,460	$13,054,809	$2,402,415	$3,386,993	$801,098	($17,995)	($42,011)		$36,589,769	$3,549,871
FPSC ADJUSTMENTS:											
GENERAL LIABILITY INSURANCE ADJ.			(78,250)			29,445				(48,805)	48,805
FUEL COST RECOVERIES	(15,933,334)	(17,004,460)			(80,883)	433,501				(16,651,842)	718,508
FUEL OVER/UNDER RECOVERIES	(1,126,828)					(424,025)				(424,025)	(702,803)
CONSERVATION/UNBUNDLING RECOVERIE	(2,304,667)		(2,293,054)		(10,318)	(487)				(2,303,859)	(808)
INT. & INC. TAX SYNCHRONIZATION						54,885				54,885	(54,885)
NONUTILITY DEPRECIATION EXPENSE				(37,526)		14,121				(23,405)	23,405
ENVIRONMENTAL AMORTIZATION ADJ				(100,000)		37,630				(62,370)	62,370
RIGHT OF WAY EXPENSE			30,154			(11,347)				18,807	(18,807)
AEP	(267,660)		(266,225)		(1,435)					(267,660)	
PRIOR PERIOD ADJUSTMENT UNCOLLECTIBLES			7,470			(2,811)				4,659	(4,659)
ACCRUED A/P EXPENSES S/B 2002			2,352			(885)				1,467	(1,467)
TOTAL FPSC ADJUSTMENTS	(19,632,489)	(17,004,460)	(2,597,553)	(137,526)	(92,636)	130,027				(19,702,148)	69,659
FPSC ADJUSTED	20,507,151		10,457,258	2,264,889	3,294,357	931,125	(17,995)	(42,011)		16,887,621	3,619,530
FLEX RATE REVENUES											
ADJUSTED FOR FLEX RATE REVENUES	20,507,151		10,457,256	2,264,889	3,294,357	931,125	(17,995)	(42,011)		16,887,621	3,619,530
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:											
TOTAL PRO FORMA ADJUSTMENTS											
PRO FORMA ADJUSTED	$20,507,151		$10,457,256	$2,264,889	$3,294,357	$931,125	($17,995)	($42,011)		$16,887,621	$3,619,530
PER BOOKS CURRENT MONTH AMOUNT	$5,056,759	$2,597,961	$1,512,874	$236,220	$358,770	($61,102)	$87,365	($2,972)		$4,729,116	$327,643

SCHEDULE 3

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
YEAR END RATE OF RETURN
RATE BASE
DECEMBER 2002

	(1) PLANT IN SERVICE	(2) ACCUMULATED DEPRECIATION & AMORTIZATION*	(3) NET PLANT IN SERVICE	(4) PROPERTY HELD FOR FUTURE USE	(5) CONSTRUCTION WORK IN PROGRESS	(6) NET UTILITY PLANT	(7) WORKING CAPITAL	(8) TOTAL RATE BASE
PER BOOKS	$80,329,544	$27,068,698	$53,260,846		$2,461,214	$55,722,060	$2,580,624	$58,302,684
FPSC ADJUSTMENTS:								
NONUTILITY PLANT	(839,908)	(459,308)	(380,600)			(380,600)		(380,600)
LAKE WORTH GENERATION PROJECT					0	0		0
SFNG ACQUSITION GOOD WILL	(3,413,179)		(3,413,179)			(3,413,179)		(3,413,179)
TOTAL FPSC ADJUSTMENTS	(4,253,087)	(459,308)	(3,793,779)		0	(3,793,779)		(3,793,779)
FPSC ADJUSTED	$76,076,457	$26,609,390	$49,467,067		$2,461,214	$51,928,281	$2,580,624	$54,508,905
PRO FORMA REVENUE INCREASE AND ANNUALIZATION ADJUSTMENTS:								
SFNG ACQUSITION GOOD WILL	3,413,179		3,413,179			3,413,179		3,413,179
TOTAL PRO FORMA ADJUSTMENTS	3,413,179		3,413,179			3,413,179		3,413,179
PRO FORMA ADJUSTED	$79,489,636	$26,609,390	$52,880,246		$2,461,214	$55,341,460	$2,580,624	$57,922,084

*INCLUDES CUSTOMER ADVANCES FOR CONSTRUCTION

3/14/2003

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
DECEMBER 2002

AVERAGE	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS PRORATA	ADJUSTMENTS SPECIFIC	ADJUSTED RETAIL	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MID POINT COST RATE (%)	MID POINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
LONG TERM DEBT	$24,166,350	609,788	$24,776,138	(3,526,235)		$21,249,903	43.46	7.97	3.46	7.97	3.46	7.97	3.46
SHORT TERM DEBT	7,645,798	192,318	7,838,116	(1,115,551)		6,722,565	13.75	2.05	0.28	2.05	0.28	2.05	0.28
PREFERRED STOCK	290,822	4,690	295,512	(42,058)		253,454	0.52	4.75	0.02	4.75	0.02	4.75	0.02
CUSTOMER DEPOSITS	3,148,842		3,148,842			3,148,842	6.44	6.81	0.44	6.81	0.44	6.81	0.44
COMMON EQUITY	14,803,766	(806,796)	13,996,970	(1,992,102)		12,004,868	24.55	10.40	2.55	11.40	2.80	12.40	3.04
DEFERRED INCOME TAXES	5,117,031		5,117,031			5,117,031	10.46						
TAX CREDITS-ZERO COST	696		696			696							
TAX CREDITS-WEIGHTED COST	399,405		399,405			399,405	0.82	7.68	0.06	7.98	0.07	8.28	0.07
TOTAL	$55,572,710		$55,572,710	($6,675,946)		$48,896,764	100.00		6.81		7.07		7.31

YEAR END	SYSTEM PER BOOKS	ADJUSTMENT FOR FLO-GAS	RETAIL PER BOOKS	ADJUSTMENTS PRORATA	ADJUSTMENTS SPECIFIC	ADJUSTED RETAIL	RATIO (%)	LOW POINT COST RATE (%)	LOW POINT WEIGHTED COST (%)	MID POINT COST RATE (%)	MID POINT WEIGHTED COST (%)	HIGH POINT COST RATE (%)	HIGH POINT WEIGHTED COST (%)
LONG TERM DEBT	$24,501,929	653,428	$25,155,357	(1,934,069)		$23,221,288	42.60	7.97	3.40	7.97	3.40	7.97	3.40
SHORT TERM DEBT	9,384,766	246,965	9,631,731	(740,546)		8,891,185	16.31	1.69	0.28	1.69	0.28	1.69	0.28
PREFERRED STOCK	295,738	5,145	300,883	(23,142)		277,741	0.51	4.75	0.02	4.75	0.02	4.75	0.02
CUSTOMER DEPOSITS	3,443,939		3,443,939			3,443,939	6.32	6.71	0.42	6.71	0.42	6.71	0.42
COMMON EQUITY	15,107,305	(905,538)	14,201,767	(1,096,022)		13,105,745	24.04	10.40	2 50	11.40	2.74	12.40	2.98
DEFERRED INCOME TAXES	5,189,668		5,189,668			5,189,668	9.52						
TAX CREDITS-ZERO COST	232		232			232							
TAX CREDITS-WEIGHTED COST	379,107		379,107			379,107	0.70	7.42	0 05	7 71	0.05	8.00	0.06
TOTAL	$58,302,684		$58,302,684	($3,793,779)		$54,508,905	100.00		6.67		6.91		7.16

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS
EARNED RETURN ON COMMON EQUITY
FPSC ADJUSTED BASIS
DECEMBER 2002

SCHEDULE 5

A. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY INCLUDING FLEX RATE REVENUES

FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.40
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.46)
SHORT TERM DEBT	(0.28)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.44)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.07)
SUBTOTAL	(4.27)
TOTAL	3.13
DIVIDED BY RECONCILED COMMON EQUITY RATIO	0.2455
JURISDICTIONAL RETURN ON COMMON EQUITY	12.75

B. FPSC ADJUSTED AVERAGE JURISDICTIONAL RETURN ON COMMON EQUITY EXCLUDING FLEX RATE REVENUES

NET OPERATING REVENUE EXCLUDING FLEX RATE REVENUES	$3,619,530
RATE BASE EXCLUDING FLEX RATE REVENUES	$48,896,764
FPSC ADJUSTED AVERAGE EARNED RATE OF RETURN	7.40
LESS: RECONCILED AVERAGE JURISDICTIONAL WEIGHTED COST RATES FOR:	
LONG TERM DEBT	(3.46)
SHORT TERM DEBT	(0.28)
PREFERRED STOCK	(0.02)
CUSTOMER DEPOSITS	(0.44)
TAX CREDITS - WEIGHTED COST (MIDPOINT)	(0.07)
SUBTOTAL	(4.27)
TOTAL	3.13
DIVIDED BY RECONCILED COMMON EQUITY RATIO	0.2455
JURISDICTIONAL RETURN ON COMMON EQUITY	12.75

3/14/2003