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Post Office Box 1876  
Tallahassee, Florida 32302-1876  
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December 31, 2003

**BY HAND DELIVERY**

Ms. Blanca Bayó, Director  
Commission Clerk and Administrative Services  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket No. 030965-GU

Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Public Utilities Company are an original and fifteen copies of Florida Public Utilities Company's Modified Request for Confidential Treatment 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.

NHH/amb  
Enclosures

2003-12-31 10:00 AM  
13042 00 513  
FPC Commission

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In Re: Request for Confidential Treatment )  
of Audit Workpapers )  
\_\_\_\_\_ )

Docket No. 030965-GU  
Filed: December 31, 2003

**MODIFIED REQUEST FOR CONFIDENTIAL TREATMENT**

COMES NOW, Florida Public Utilities Company ("FPUC" of the "Company"), pursuant to section 366.093, Florida Statutes, and Rule 25-22.006, Florida Administrative Code, and requests Confidential Treatment of certain Staff workpapers. As basis, FPUC would show:

1. On September 12, 2003, the Commission Staff notified the Company that they had completed the field work associated with Audit Control No. 03-086-4-1, associated with a review of earnings for 2002. As part of the field work, staff was provided copies of documents which the Company considers to be proprietary and confidential and which had been so treated during the audit. On October 3, 2003 the Company requested that certain workpapers received by Staff in the course of that audit be treated as proprietary and confidential. Specifically the workpapers are:

WP 9-1 consisting of 5 pages - entire document  
WP 9-3 consisting of 6 pages - entire document  
WP 43-2 consisting of 3 pages - entire document

After a preliminary review by Staff and further discussions, FPUC would modify its initial request as to WP 9-3 and WP 43-2 by withdrawing the request as to WP 43-2 and revising the request as to WP 9-3 as follows:

9-3, page 1 - handwritten lines 1-3  
9-3, page 2 - handwritten lines 1-3  
9-3, page 3 - handwritten lines 1-3  
9-3, page 4 - handwritten line 1  
9-3, page 5 - handwritten lines 2-18  
9-3, page 5 - handwritten lines 22-30  
9-3, page 5 - handwritten lines 31-36  
9-3, page 6 - handwritten lines 37 and 38

2. FPUC would incorporate the reasons cited in the initial request and add that the information on pages 1 and 3 contain discussion of business strategy which if released would cause harm to the company and its customers. Such information is not released — and may not be released except in compliance with requirements of Federal regulatory agencies.

3. As to pages 4, 5, and 6, the information thereon relates to Board Audit Committee discussions with external and internal auditors as to internal audit plans and reports and as such are exempt from disclosure pursuant to section 366.093(3)(b), Florida Statutes.

4. Attached hereto is a redacted version of WP 9-3 and WP 43-2 as modified.

5. With these modifications, FPUC would request that the Commission approve the request for confidential treatment as modified.

Dated this 31<sup>st</sup> day of December, 2003.

MESSER, CAPARELLO & SELF, P.A.  
215 S. Monroe Street, Suite 701  
Post Office Box 1876  
Tallahassee, FL 32302-1876  
(850) 222-0720



NORMAN H. HORTON, JR., ESQ.  
FLOYD R. SELF, ESQ.

Attorneys for Florida Public Utilities Company

Questions brought up from Board of Directors Minutes *Follow up in Electric Case*  
for rate cases. *R*

What is the cash incentive compensation program? Explain. Who is eligible to receive this incentive. Provide the calculations used for the compensation received in 2002. Indicate which accounts this total was allocated to? When was the cash incentive plan started?

Provide an explanation of the long-term, non-cash incentive compensation plan. When was this plan started? Which employees are eligible? Explain the reasons why started. How much was allocated to what accounts in 2002, so far in 2003? How much do you plan to allocate and in what accounts for all of 2003?

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Obtain capital budget of 2003 for each division. In total BOD approved \$8,032,600.

Follow up on internal auditor reports prepared in 2002 and 2003.

COMPANY: FPUC - GAS  
TITLE: NOTES FROM BOARD OF  
DIRECTORS MINUTES  
PERIOD: YEAR END 12/31/02  
DATE: AUGUST 15, 2003  
AUDITOR: RKY

WP NO. 8

Compensation Committee Meeting 3/4/02

Compensation Committee : Rudy Schupp, Richard Hitchins, Paul L. Maddock, Jr. Also present was Jack English. The discussions revolved around the computations of cash incentive computations for 2001 for each of the four senior executives. Also, showed the actual incentives vs. the maximum potential. Also discussed the strategic plan goals behind several of the incentive compensation goals. The document was approved. The document was not included in the BOD minutes.

Special Directors Meeting 3/5/02

All board members were present: John T. English, Ellen Benoit, Richard Hitching, Paul Maddock Jr., Rudy Schupp. Also, Jack Brown, Secretary. Resolution for Preferred and Common stock dividends payable April 1, 2002 to holders at March 15, 2002. \$1.1875 per preferred share and \$.185 per common share.

Discussion and resolutions for Annual meeting to be held May 14, 2002 and designate Paul Maddock Jr. as candidate for office of director and resolved that Paul L Maddock be appointed to service on Audit Committee.

Received report of the compensation committee.

Resolved to authorize changes to the Pension Plan in order to conform to IRS Regs.

Board Compensation Meeting 4/16/02

Compensation Committee present along with Jack English. Discussion revolved around the subject of long-term, non-cash incentive compensation. Committee discovered that FPU is not competitive with peer group in this area because it lacks such programs. A plan was presented for review and determine the appropriate next steps. Plan not included in the BOD minutes. No action taken.

Annual Stockholders Meeting, 5/14/02

The 2001 annual report prepared by D&T was presented. Elected Paul L Maddock as director expiring 2005 annual meeting of the stockholders.

Special Directors Meeting 6/4/02

All members of the board were present along with Jack Brown Secretary. The officers of the company were elected. J.T English Pres and CEO, Charles L. Stein, Sr. VP and COO, Jack R. Brown, VP and Secretary and George M. Bachman CFO and Treasurer.

9-3 p2

Resolved to authorize a 4 for 3 stock split, in the form of stock dividend for common stock for stockholders of record on June 14, 2002. Also Resolution for Preferred and Common stock dividends payable July 1, 2002 to holders at June 14, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint D&T as outsider auditors. Discussion of the results of the Compensation Committee's research regarding LT, Non-cash incentive program. Discussion of the various attributes and plan design alternatives. The compensation will meet and formulate a plan to present to the board prior to the 8.27.02 board meeting.

Special Directors Meeting 8/27/02

All directors present along with J. English and Jack Brown.

Resolved to declare dividend for Preferred and Common stock dividends payable October 1, 2002 to holders at Sept 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

George Bachman appointed adm secretary of the audit committee replacing Jack Brown. A report presented by the audit committee re second quarter financials.

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Special Directors Meeting 9/27/02

All directors present plus Jack Brown and John English.

Discussion re modifying 401k to permit in-service withdrawals after 59-1/2, resolved to adopt Attachment B to the plan effective upon execution. NO attachment B in the BOD minutes.

Resolved to purchase Nature Coast Gas for \$490,000 cash and assume the mortgage of approx \$210,000.

Executive Committee of BOD, 11/2/02

Purpose of meeting to consider preliminary investigation of potential sale of water division to City of Fernandina beach.

Special Directors Meeting, 11/22/02 and 11/25/02

All members present along with Charles Stein, Jack Brown and George Bachman.

Discussion regarding the sale of the water division took place. Resolved to sell of \$18,950,000 cash and \$7,500,000 to be paid during the ensuing seven years. Resolved to enter into an agreement.

Special Directors Meeting, 12/3/2002

Resolved to declare dividend for Preferred and Common stock dividends payable January 2, 2003 to holders at Dec 13, 2002. \$1.1875 per preferred share and \$.1425 per common share.

Discussion for 2003 estimates of revenues, expenses, earnings and amounts budgeted for capital

9-3 03

expenditure. Resolved that capital budget for 2003 was \$8,032,600.

Discussed the D&T report of the third quarter.

Audit Committee Meeting 2/24/03

Discussion of the internal audit report regarding information technology. **PSC Note: Obtain the internal audit report.** Discussion re the external auditors. D&T vs. BDO Seidman. Decision delayed until March meeting.

Compensation Committee Meeting 2/24/02

All members present. Distributed info which described in detail the computations of the cash incentive for fiscal year 2002 for each of the four officers. The total cash incentive awards was \$64,870 for 2002. The committee recommenced the following contingent upon the sale of the water division.

1. All employees except the fourteen of the senior management team and increase of an additional 1-1/2 percent to the previously approved 1-1/2%.
2. All fourteen members of the senior management team a 3% increase except for George Bachman who is to be awarded an increase to \$130,000 per year.

All effective Jan 1, 2003.

3. Suggested amending directors fee to \$700 for any meeting.

Special Directors Meeting 3/4/03

All directors present along with Jack Brown. Resolved to declare dividend for Preferred and Common stock dividends payable April 1, 2003 to holders at March 14, 03. \$1.1875 per preferred share and \$.1425 per common share.

Discussion and resolution to move the banking and line of credit relationship to Bank of America from Sun Trust. Checks for 2500 or under have to be signed by one person over 2500 signed by two people. J.English, C. Stein, Jack Brown, George Bachman, Cheryl Martin.  
Resolved that payroll account be signed by one of the above.

Resolutions re the sale of the water assets to City of Fernandina Beach that each appropriate person is authorized to perform necessary transactions to effect the sale.

Resolved to increase the directors fee to \$700 for each meeting. Resolved to award cash incentives to four senior members a total of \$64,870. Resolved that executive officer agreement be extended for three years.

Audit committee meeting 3/14/03

Present from the committee Hitchens, Maddock, Schupp. Also Bachman, J English and Bonnie Erdek to keep the record.

9-3 pf

2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 Audit Committee Meeting 5/12/03  
20 All members were present along with Bachman and English.  
21 Also present were Bob Watts and Dale Buschman of BDO Seidman for part of the meeting.

22 [REDACTED]  
23 [REDACTED]  
24 [REDACTED]  
25 [REDACTED]  
26 [REDACTED]  
27 [REDACTED]  
28 [REDACTED]  
29 [REDACTED]  
30 [REDACTED]

Auditors left and management came back.

31 [REDACTED]  
32 [REDACTED]  
33 [REDACTED]  
34 [REDACTED]  
35 [REDACTED]  
36 [REDACTED]



37  
38

Annual Stockholders Meeting 5/13/03

Presented the annual report by D&T. Nominated English and Benoit to board through 2006 annual meeting of the stockholders.

Special Directors Meeting 6/3/03

Four present, Schupp absent. Reviewed the first Q financial results. Resolved to elect officers effective 6/3/03. English Pres and CEO, Stein, SVP and COO, Jack Brown, VP and Sect. George Bachman, CFO and Treasurer.

Resolved to declare dividend for Preferred and Common stock dividends payable July 1, 2003 to holders at June 13, 03. \$1.1875 per preferred share and \$.1425 per common share.

Resolved to appoint BDO Seidman for auditor for year ending 12/31/03.

Resolved that Code of Ethics be adopted as company policy statement.

9-3p6



FPUC - Gas  
2002 Over Earnings Review  
Audit #03-086-4-1 Undocketed  
TYE 12/31/02

9/3/03

Title \_\_\_\_\_

COMPANY: FPUC - GAS  
TITLE: A&G SALARIES  
PERIOD: YEAR END 12/31/02  
AUDITOR: RKY  
DATE: SEPT 4, 2003  
AUDITOR: RKY  
  
WP NO. 43-2

H11

In reading the board of directors minutes it was discovered that there is a "Cash Incentive Compensation Program" for four of the officers. As explained by George Bachman, the board of directors took a survey of officers salaries for comparable companies. The board reduced these salaries by 15% and said that if the officers met its goals, they they would receive up to 15% more salary.

The year 2001 results would be paid in 2002. This showed up in March 03. The incentive paid to the four officers in 2002 was \$72,056. This was allocated to the different divisions.

Time limits precluded researching this further during this audit. Research this for the electric and gas rate cases.

Actual Journal entry was for \$119,034.00. This includes 2 payrolls + 72,056 in cash incentive.

}  $\frac{43-2}{1}$

Journals

Select journal to display account transactions.

Account . . : 001.0.3.1849.9201 ADM OFFICERS SALARY

Period . . . . . : 2002 03 MAR 3/31/2002 Monetary USD

Start balance . . . : .00 Posted activity . . . . . .00

End balance . . . . : .00 Unposted activity . . . . . .00

O	Journal	Date	Reference	Source	N/A	Amount
-	24449	2/28/2002	9A	JE		9,271.13-
-	24757	3/31/2002	9A	JE		11,879.66
-	24768	3/31/2002	9	JE		119,034.00
-	25034	4/15/2002	13	JE		121,642.53-

Bottom

F2=Function keys F3=Exit F5=Fold/unfold F24=More keys

43-2  
181

DATE: 04/03/2002  
TIME: 13:12:53

DETAIL LIST ALL PAYROLL ENTRIES FOR MONTH OF MARCH 2002

PAGE:  
PRGM:

EDP ACCOUNT#	REF.	AMOUNT	TITLE
100.1840.9261	0	3,233.00	EMPLOYEE PENSIONS/BEN-PENSIONS
100.1840.9262	0	10,212.00	EMPLOYEE PENSIONS/BEN-OTHER
		13,445.00	*
100.1849.901	0	6,125.00	CUSTOMER ACCTS SUPERVISION
100.1849.903	0	5,421.00	CUSTOMER RECORDS & COLL EXP
100.1849.935	0	896.00	MAINTENANCE -GENERAL PLANT
		12,442.00	*
100.1860.1	1 3640	1,486.00	OTHER W I P -DEF'D DEBIT ATLANTIC UTILITIES NG ONLY 11/9/01 C. MARTIN~!
100.1860.1	1 3940	1,196.00	OTHER W I P -DEF'D DEBIT ATLANTIC UTILITIES JACK BROWN 10/18/01 AQUISITIONS~!
100.1860.1		850.00	OTHER W I P -DEF'D DEBIT CENTRAL FLA PROPANE PLANT
100.1860.23		.28	MISC. DEF DR-PENNY ELIMINATION
		3,532.28	*
100.2320.8	0	1,471,441.28	A/P - PAYROLL
		1,471,441.28	*
		1,468,912.00	**
101.1630.1	0	4,253.00	MATERIALS & SUPP.CLEARING-ACG
		4,253.00	*
101.1849.920	0	45,274.00	ADM/GEN SALARY-ACCOUNTING DEPT
		45,274.00	*
		49,527.00	**
102.1849.920	0	30,448.00	ADM/GEN SALARY-IS DEPARTMENT
		30,448.00	*
		30,448.00	**
103.1849.920	0	6,321.00	ADM/GEN SALARY-EXECUTIVE DEPT
103.1849.9201	0	119,034.00	ADM OFFICERS SALARY
		125,355.00	*
		125,355.00	**
104.1849.920	0	13,813.00	ADM/GEN SALARY-PERSONNEL/SAFE
104.1849.9251	0	4,875.00	INJURIES & DAMAGES-PERSONNEL
		18,688.00	*
		18,688.00	**
105.1840.9251	0	6,577.00	INJURIES & DAMAGES-GENERAL
		6,577.00	*
105.1849.920	0	751.00	ADM/GEN SALARY-GENERAL
		751.00	*
		5,826.00	**
114.1070.3646	1 2	2,298.00	POLES/TOWERS-LINE EXT-REV PROD LOCAL NON-TRACKED IR

JE 9

43

10/10/02

