

DOCKET NO. 030438-EI: Petition for rate increase by Florida
Public Utilities Company.

WITNESS: **Direct Testimony Of Jeffrey A. Small**, Appearing On
Behalf Of Staff

DATE FILED: January 9, 2004

DOCUMENT NUMBER-DATE

00413 JAN-9 3

FPSC-COMMISSION CLERK

1 DIRECT TESTIMONY OF JEFFREY A. SMALL

2 Q. Please state your name and business address.

3 A. My name is Jeffrey A. Small and my business address is Hurston North
4 Tower, Suite N512, 400 W. Robinson Street, Orlando, Florida, 32801.

5 Q. By whom are you presently employed and in what capacity?

6 A. I am employed by the Florida Public Service Commission as a
7 Professional Accountant Specialist in the Division of Auditing and Safety.

8 Q. How long have you been employed by the Commission?

9 A. I have been employed by the Florida Public Service Commission since
10 January 1994.

11 Q. Briefly review your educational and professional background.

12 A. I have a Bachelor of Science degree in Accounting from the University
13 of South Florida. I am also a Certified Public Accountant licensed in the
14 State of Florida and I am a member of the American and Florida Institutes
15 of Certified Public Accountants.

16 Q. Please describe your current responsibilities.

17 A. Currently, I am a Professional Accountant Specialist with the
18 responsibilities of planning and directing the most complex investigative
19 audits, including audits of cross-subsidization issues, anti-competitive
20 behavior, and predatory pricing. I also am responsible for creating audit
21 work programs to meet a specific audit purpose and integrating EDP
22 applications into these programs. In addition, I serve as the acting
23 supervisor in the absence of the district office supervisor.

24 Q. Have you presented expert testimony before this Commission or any
25 other regulatory agency?

1 A. Yes. I testified in the Southern States Utilities, Inc. rate case,
2 Docket No. 950495-WS, the transfer application of Cypress Lakes Utilities,
3 Inc., Docket No. 971220-WS, and the Utilities, Inc. of Florida rate case,
4 Docket No. 020071-WS.

5 Q. What is the purpose of your testimony today?

6 A. The purpose of my testimony is to sponsor certain exceptions and
7 disclosures from the staff audit report of Florida Public Utilities
8 Company, Docket No. 030438-EI. The audit report is filed with the
9 testimony of Ruth Young and is identified as RKY-1.

10 Q. Was these exceptions and disclosures prepared by you?

11 A. Yes, I was the auditor in charge of these exceptions and disclosures.

12 Q. Please review the audit exceptions you are testifying to.

13 A. Audit Exception No. 9 discusses cost of capital. The utility's
14 revised 2004 cost of capital schedule changed the utility's presentation on
15 MFR Schedule D-1A from a projected 12-month period as of December 31, 2004,
16 to a projected 13-month average balance as of December 31, 2004. The
17 utility's projected average balance of \$1,384,187 for customer deposits in
18 its revised cost of capital schedule is understated by \$433,545 and its
19 corresponding cost rate is understated by 0.842 percent because of the
20 following:

21 • The utility's projected 2004 customer deposit balance included
22 adjustments that reduce it by \$107,000 in May and April of the test
23 year. The utility initially identified these reductions as payments
24 for anticipated refunds of customer deposits. We determined in
25 subsequent conversations with the utility staff that the projected

1 refunds were actually anticipated interest payments on customer
2 deposits that the utility routinely posts on an annual basis in May
3 and April of each year.

- 4 ● The utility calculated interest on customer deposits using a 6
5 percent rate for all deposits. We determined in subsequent
6 conversations with utility staff that approximately 32 percent of its
7 customer deposits receive a 7 percent interest rate as required of
8 nonresidential deposits in Rule 25-6.097(4), Florida Administrative
9 Code.
- 10 ● The utility calculated its projected customer deposit balance based
11 on a 3 percent annual growth rate applied to each of the prior
12 month's ending balance less payments for anticipated refunds to
13 customers.

14 We recalculated a projected 13-month average balance of \$1,817,732
15 and a corresponding cost rate of 6.842 percent based on the following
16 methodology:

- 17 ● We determined that the actual monthly growth rate is 0.424 percent or
18 an average annual growth rate of 5.088 percent based on a five-year
19 average net growth in customer deposits from December 1998 through
20 December 2002. We used the monthly ending balance of customer
21 deposits and calculated the percentage change for each month. In
22 months that the percentage change exceeded 4 percent, the previous
23 12-month average percentage was supplanted to remove nonrecurring
24 events. Such events included large one-time nonresidential deposits
25 or deposit refunds and the periodic review of customer payment

- 1 records that the utility performed to assess additional deposits on
2 customers with poor payment histories.
- 3 • The above monthly growth rate of 0.424 percent was then applied to
4 the ending December 2002 customer deposit balance to calculate
5 projected January 2003 and each subsequent projected month's balance
6 through the end of the projected period as of December 31, 2004. We
7 calculated a projected 13-month average balance of \$1,817,732 as of
8 December 31, 2004, for utility customer deposits. We did not include
9 the utility's adjustment for anticipated payments to customers
10 because customer refunds are already accounted for in the net monthly
11 growth rate calculated above.
 - 12 • We also calculated a projected \$124,361 total interest cost for the
13 13-month period ended December 31, 2004, based on: approximately 68
14 percent of customer deposits earn 6 percent interest and
15 approximately 32 percent of customer deposits earn 7 percent
16 interest.

17 The above interest cost of \$124,361 which is calculated on the
18 average customer deposit balance of \$1,817,732 generates an effective
19 interest cost rate of 6.842 percent on customer deposits for the projected
20 period 2004. I included a revised cost of capital schedule in the audit
21 report.

22 Audit Exception No. 19 discusses taxes other than income (TOTI). The
23 utility's projected 12-month period ended December 31, 2004 TOTI balance is
24 understated by \$85,617 based on the following audit staff determinations.

25 The company reallocated \$13,280 of property taxes to the electric

1 | divisions from the water division based on an analysis of the remaining
2 | life values for all personal property located within Nassau County. This
3 | increase for Nassau County property taxes in 2002 is not needed because the
4 | we have determined that the original allocation methodology, which was
5 | based on the specific taxing districts within Nassau County, was a better
6 | indicator of the electric divisions' portion of property tax obligations
7 | rather than the utility's method. The projected 2004 TOTI balance includes
8 | an adjustment of \$13,794, which is the historical 2002 adjustment of
9 | \$13,280 times a projection factor of 103.9 percent. The \$13,794 balance
10 | should be removed from projected 2004.

11 | The utility's projected balance of \$150,074 for payroll taxes is
12 | understated by \$99,411, based on our review of the utility's historical
13 | 2002 payroll and several utility errors in its MFR filing. First, The
14 | utility's filing did not include payroll taxes for allocated common
15 | salaries from corporate operations or the reallocation of salaries
16 | associated with its discontinued operations. Second, the utility's
17 | automated payroll system over accrued payroll taxes for capitalized
18 | salaries that resulted in credit balances for FUTA and SUTA taxes for the
19 | filing. Third, the utility projected 2004 FUTA and SUTA taxes in its
20 | filing using the historical 2002 balance times a projection factor of 106.1
21 | percent. These payroll taxes are limited to the first \$7,000 of an
22 | employee's salary. We believe that there is no real growth in the number
23 | of utility employees from 2002 through 2004 and that the 2002 balance
24 | should be used for the projected 2004 period. The audit report shows a
25 | detailed recalculation.

1 Audit Exception No. 20 discusses deferred income tax expense. The
2 utility's filing reflects deferred income tax balances. Included in the
3 calculation of the deferred tax balances were balances for excess tax
4 depreciation. The utility provided the following response about the excess
5 depreciation balances:

6 The 2003 and 2004 projected balances for excess tax
7 depreciation were determined using a 3 percent increase for
8 each year, with 2002 being the base year. The original 2002
9 excess depreciation amount was (\$256,960). In the final
10 review, we discovered that this number was incorrect. The
11 correct 2002 excess tax depreciation amount is \$261,144. It
12 appears that the consultants failed to use the 2002 updated
13 amount as the basis for the 2003 and 2004 projected balances.

14 We believe that the utility's projected 2003 and 2004 deferred tax
15 balances are understated by \$200,812 and \$206,649, respectively, because of
16 the incorrect projected balances for excess tax depreciation. The correct
17 deferred tax balances are (\$49,986) and \$122,981 for 2003 and 2004,
18 respectively. Additionally, this adjustment will require a corresponding
19 adjustment to the utility's current and deferred income tax balances of
20 \$76,693 and (\$190,238) for projected 2003 and 2004, respectively. The
21 correct current and deferred income tax balances are \$277,505 and \$16,411
22 for 2003 and 2004, respectively. I have attached as Exhibit JAS-1, certain
23 audit work papers that detail these adjustments.

24 Q. Please review the audit disclosures you are testifying to.

25 A. Audit Disclosure No. 5 discusses short-term debt. On April 23, 2003,

1 | the company executed an agreement with Bank of America, N.A. for a
2 | \$12,000,000 secured line of credit that replaced an expiring unsecured line
3 | of credit. The utility's short-term debt in the filing represented a
4 | declining short-term debt balance that is completely eliminated by December
5 | 31, 2004. The new line of credit includes provisions that require the
6 | utility to pledge its accounts receivable and environmental funds as
7 | collateral and agree to increase its equity ratio. The cost of the loan
8 | includes an interest rate of 90 basis points above the LIBOR rate and
9 | annual fees based on the company's outstanding balance and unused balance.

10 | Audit Disclosure No. 6 discusses cost of capital. The utility's
11 | original and revised cost of capital presentations for the projected period
12 | 2004 were prepared on a total company basis that includes regulated and
13 | non-regulated operations. The schedules include jurisdictional factors of
14 | 33 and 34 percent that are applied to the company's common debt and equity
15 | components to calculate the regulated operations capital structure. The
16 | jurisdictional factors are calculated as a ratio of the electric division
17 | rate base reduced by the direct components of the electric division's
18 | capital structure divided by the total company's debt and equity component
19 | balances. Commission Order No. PSC-94-0170-FOF-EI, issued February 10,
20 | 1994, in Docket No. 930400-EI, required that non-regulated investments
21 | shall be removed directly from equity rather than proportionately from debt
22 | and equity. The company's original and revised cost of capital
23 | presentations do not comply with the above-mentioned Order because the
24 | jurisdictional factors are applied to both the debt and equity components
25 | of the company's capital structure.

1 Audit Disclosure No. 15 discusses the State Unemployment tax (SUTA)
2 tax rate. The utility's SUTA tax rate for the historic 12-month period
3 ended December 31, 2002, was 0.57 percent. The utility's projected 2003
4 and 2004 payroll taxes were determined by applying projection factors of
5 1.03 percent and 1.06 percent, respectively, to the historic 2002 payroll
6 tax balance. The utility received notification from the Florida Department
7 of Revenue that its SUTA tax rate has been increased to 1.47 percent
8 beginning January 1, 2004. In Exception No. 20, we recalculated the
9 utility's SUTA payroll tax as \$7,541 based on review of the utility's
10 historic 2002 payroll salaries. In our adjustment we did not use the 2003
11 and 2004 projection factors because we determined that the SUTA and FUTA
12 taxes are based on the first \$7,000 of an employee's income and that the
13 number of utility employees does not significantly change during the
14 projected periods. The historic year 2002 SUTA tax of \$7,541 referenced
15 above restated in terms of the new 2004 SUTA tax rate would be \$19,448.

16 Q. Does this conclude your testimony?

17 A. Yes, it does.

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DOCKET NO. 030438-EI: Petition for rate increase by Florida Public Utilities Company.

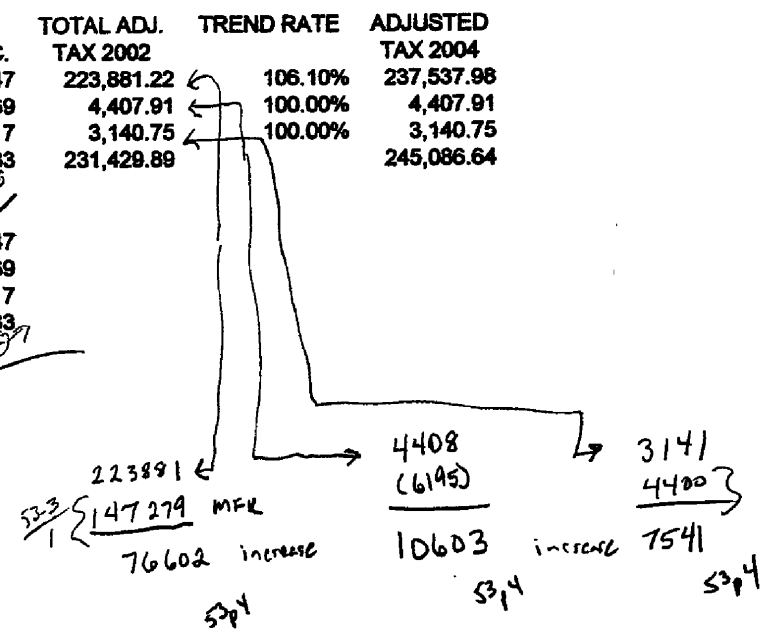
WITNESS: **Direct Testimony Of Jeffrey A. Small**, Appearing On Behalf Of Staff

EXHIBIT: JAS-1 - Audit Work Papers For Audit Exception 19

SOURCE AS INDICATED

	TOTAL PAYROLL TAX ALLOCATED	ALLOCATION TO ELECTRIC	2002 ELECTRIC PAYROLL TAX	2003 ALLOCATION FACTOR	ADJ. FOR DISC.	TOTAL ADJ. TAX 2002	TREND RATE	ADJUSTED TAX 2004
(A)	1,091,696.00	FICA	206,475.76	96.74%	17,405.47	223,881.22	106.10%	237,537.98
(C)	21,494.00	FUTA	4,065.23	1.90%	342.69	4,407.91	100.00%	4,407.91
(D)	15,315.00	SUTA	2,896.57	1.36%	244.17	3,140.75	100.00%	3,140.75
	<u>1,128,505.00</u>	TOTAL	213,437.55	100.00%	17,992.33	231,429.89		245,086.64
(B)	15,069,517.00	PAYROLL						
		FICA	240,261.00	7.24%	17,405.47			
		FUTA	240,261.00	0.14%	342.69			
		SUTA	240,261.00	0.10%	244.17			
		TOTAL	720,783.00		17,992.33			

ADDED PAYROLL
 FICA 7.24%
 FUTA 0.14%
 SUTA 0.10%



Source
 (A) $\frac{53-3}{1-4} \frac{3}{3}$
 (C) $\frac{63-3}{1-4} \frac{1}{5} P1$
 (D) $\frac{53-3}{1-4} \frac{1}{5} P2$

(B) $\frac{63-3}{1-4} \frac{1}{2} P3$

$\frac{53-3}{1-4} \frac{1}{2} P1$

TOPE Payroll Taxes
 Historical Year End 12/31/2002 - Projected Year End 12/31/2004
 12/13/03
 R. J. [unclear]

FLORIDA PUBLIC UTILITIES CORP.
 PAA Rate Case - Docket No. 030438-EI

Company made adjustments to payroll in the filing for employees that were water that are now electric.

21,696.00
3,194.00
4,675.00
3,529.00
1,744.00
1,500.00
2,655.00
19,263.00
3,837.00
5,326.00
4,276.00
7,289.00
3,374.00
1,202.00
8,848.00
20,267.00
62,930.00
2,523.00
7,036.00
2,625.00
349.00
3,230.00
1,093.00
27,396.00
6,103.00
456.00
5,418.00
2,363.00
163.00
1,181.00
791.00
1,661.00
2,248.00

FLORIDA PUBLIC UTILITIES CORP.
PAA Rate Case - Docket No. 030438-EI

JS
By 12/15/18

TOTI - Payroll Taxes

Historical Year End 12/31/2002 - Projected Year End 12/31/2004

(P)

240,261.00 PAYROLL LEFT IN FERNANDINA

124,693.00 CWIP
8,001.00 RETIREMENTS
209,073.00 401 WATER
178,587.00 402 WATER
520,354.00 TOTAL 2002 PAYROLL WATER
46.17%
280,093.00 PAYROLL ELIMINATED

SOURCE AS indicated

5323
1-4
2
p 2

FLORIDA PUBLIC UTILITIES
ANALYSIS OF PAYROLL TAX THAT SHOULD HAVE BEEN CHARGED TO ELECTRIC IN 2002
TEST YEAR ENDED DECEMBER 31, 2002
KATHY L. WELCH
NOVEMBER 21, 2003

R 12/15/03

	TOTAL 2002	% 2002 ALLOCATED TO ELECTRIC	2002 PAYROLL CHARGED ELEC.	% OF PAYROLL	PAYROLL TAX ALLOCATED	ALLOCATION TO ELECTRIC	ELECTRIC PAYROLL TAX	ALLOCATION FACTOR
100.1840.935	120.00	31.00%	37.20	0.00%	8.99	31.00%	2.79	35.00%
100.1840.9251	7.00	37.00%	2.59	0.00%	0.52	37.00%	0.19	41.00%
100.1849.901	97,048.00	28.00%	27,173.44	0.84%	7,267.60	28.00%	2,034.83	30.00%
100.1849.903	66,197.00	28.00%	18,535.16	0.44%	4,957.27	28.00%	1,388.04	30.00%
100.1849.920	89.00	42.00%	37.38	0.00%	6.66	42.00%	2.80	39.00%
100.1849.925.1	33.00	32.00%	10.56	0.00%	2.47	32.00%	0.79	35.00%
100.1849.935	20,514.00	28.00%	5,743.92	0.14%	1,538.22	28.00%	430.14	30.00%
100.189	33,350.00		0.00	0.22%	2,497.47		0.00	
101.189	64,974.00		0.00	0.43%	4,898.19		0.00	
101.1840.920	564.00	44.00%	248.16	0.00%	42.24	44.00%	18.58	42.00%
101.1849.920	625,943.00	42.00%	262,896.06	4.15%	46,874.75	42.00%	19,887.39	39.00%
101.1849.9215	6,779.00	27.00%	2,370.33	0.06%	657.43	27.00%	177.51	28.00%
102.1849.920	408,931.00	42.00%	171,563.02	2.71%	30,593.50	42.00%	12,849.27	39.00%
103.1849.920	84,458.00	42.00%	35,472.36	0.59%	6,324.77	42.00%	2,656.40	39.00%
103.1849.9201	670,830.00	42.00%	281,746.60	4.45%	50,236.18	42.00%	21,099.20	39.00%
104.1849.9201	154,513.00	42.00%	64,895.46	1.03%	11,570.65	42.00%	4,859.80	39.00%
104.1849.9251	59,188.00	32.00%	18,939.62	0.39%	4,432.24	32.00%	1,416.32	28.00%
105.1849.920	11,632.00	42.00%	4,885.44	0.06%	871.08	42.00%	365.85	39.00%
114.1070.000	288,766.00			1.92%	21,624.71		0.00	
114.1080.000	48,840.00			0.32%	3,657.46		0.00	
114.1430.000	28,431.00			0.19%	2,129.10		0.00	
114.1630.1	75,399.00			0.50%	5,644.13		0.00	
114.1840.1	9,524.00			0.09%	713.22		0.00	
114.1850.1	8,787.00			0.08%	658.03		0.00	
114.4010.0	749,003.00	100.00%	749,003.00	4.87%	56,090.29	100.00%	56,090.29	
114.4020.0	371,414.00	100.00%	371,414.00	2.48%	27,813.63	100.00%	27,813.63	
115.1070.0	457,226.00			3.03%	34,240.10		0.00	
115.1080.0	33,381.00			0.22%	2,499.79		0.00	
115.1430.0	83,596.00			0.55%	6,260.37		0.00	
115.1630.0	60,708.00			0.40%	4,548.07		0.00	
115.1840.0	53,404.00			0.35%	3,999.24		0.00	
115.1850.1	15,058.00			0.10%	1,127.49		0.00	
115.4010.0	579,281.00	100.00%	579,281.00	3.84%	43,378.89	100.00%	43,378.89	
115.4020.0	255,886.00	100.00%	255,886.00	1.70%	19,162.43	100.00%	19,162.43	
121.1070.	660,098.00			4.31%	46,663.63		0.00	
121.1080.	121,971.00			0.81%	9,133.99		0.00	
121.1420.	33.00			0.00%	2.47		0.00	
121.1430.	58,988.00			0.38%	4,267.84		0.00	
121.1630.1	121,854.00			0.81%	9,125.23		0.00	
121.1840.	122,613.00			0.81%	9,182.07		0.00	
121.1860.3	24,625.00			0.16%	1,836.59		0.00	
121.4010.	2,869,088.00			19.04%	214,658.27		0.00	
121.4020.	323,646.00			2.15%	24,236.75		0.00	
123.1070.	183,314.00			1.22%	13,727.76		0.00	
123.1080.	47,049.00			0.31%	3,523.34		0.00	
123.1430.	18,194.00			0.12%	1,362.49		0.00	
123.1550.3	9,626.00			0.06%	720.86		0.00	
123.1630.	43,033.00			0.29%	3,222.60		0.00	
123.1840.	32,422.00			0.22%	2,427.97		0.00	
123.1860.32	39,945.00			0.27%	2,991.35		0.00	
123.4010.0	1,360,047.00			9.16%	103,347.04		0.00	
123.4020.0	136,773.00			0.91%	10,242.47		0.00	
137.1070.	124,893.00			0.83%	9,337.84		0.00	
137.1080.	8,001.00			0.05%	569.17		0.00	
137.1840.5				0.00%	0.00		0.00	
137.4010.	209,073.00			1.39%	15,656.77		0.00	
137.4020.	178,587.00			1.19%	13,373.77		0.00	
141.4160.	536,458.00			3.56%	40,173.52		0.00	
143.4160.	120,165.00			0.80%	8,668.75		0.00	
145.4160.	3,904.00			0.03%	292.36		0.00	
155.4160.	9,210.00			0.09%	699.71		0.00	
945.4160.	41,254.00			0.27%	3,089.37		0.00	
946.4160.	1,943.00			0.01%	145.80		0.00	
991.1070.	195,119.00			1.29%	14,611.60		0.00	
991.1080.	24,637.00			0.16%	1,844.68		0.00	
991.1860.	5,289.00			0.04%	396.00		0.00	
991.4010.	935,756.00			6.21%	70,075.59		0.00	
991.4020.	184,648.00			1.23%	13,627.68		0.00	
993.1070.	47,598.00			0.32%	3,564.45		0.00	
993.1080.	14,889.00			0.10%	1,114.99		0.00	
993.1860.32	22.00			0.00%	1.65		0.00	
993.4010.	431,357.00			2.86%	32,302.86		0.00	
993.4020.	57,892.00			0.38%	4,333.09		0.00	
995.1070.	45,674.00			0.30%	3,420.37		0.00	
995.1080.	2,805.00			0.02%	210.06		0.00	
995.1630.	7,855.00			0.05%	588.23		0.00	
995.1860.	1,318.00			0.01%	96.70		0.00	
995.4010.	232,850.00			1.55%	17,437.35		0.00	
995.4020.	15,298.00			0.10%	1,145.62		0.00	
996.1070.	1,580.00			0.01%	118.32		0.00	
996.1080.	305.00			0.00%	22.84		0.00	
996.4010.	22,909.00			0.15%	1,707.88		0.00	
996.4020.	2,023.00			0.01%	151.50		0.00	
				0.00%	0.00		0.00	
	15,069,517.00		2,850,143.20	100.00%	1,128,505.00		213,437.55	
	15,069,509.93						136,664.00	

FLORIDA PUBLIC UTILITIES CORP.
 PAA Rate Case - Docket No. 030438-EI
 TOTI - Payroll Taxes
 Historical Year End 12/31/2002 - Projected Year End 12/31/2004

12/15/03

PER COMPANY
DIFFERENCE-ERROR FUTA
AND CO. DID NOT ALLOCATE PAYROLL TAX FOR COMMON EXPENSE A

SOURCE as indicated

53-8
1-4
2
P3

Jeff

SOURCE

FLORIDA PUBLIC UTILITIES
 ANALYSIS OF PAYROLL JOURNAL ENTRIES
 TEST YEAR ENDED DECEMBER 31, 2002
 KATHY L. WELCH
 NOVEMBER 21, 2003

Note: The company has a before tax amount and an after tax amount. The after tax amount adds tax and benefits on to the capitalized payroll, the ECP payroll, and the Flo-Gas payroll and removes those taxes from account 408. This schedule uses the before tax.

	JANUARY 2002	FEBRUARY 2002	MARCH 2002	APRIL 2002	MAY 2002	JUNE 2002	JULY 2002	AUGUST 2002	SEPTEMBER 2002	OCTOBER 2002	NOVEMBER 2002	DECEMBER 2002	TOTAL 2002	BY 2002 ALLOCATED TO ELECTRIC	2002 PAYROLL CHARGED B/LC.
100.1840.835	41.00											79.00	120.00	21.00%	25.20
100.1840.9251							7.00						7.00	37.00%	2.59
100.1849.901	7,818.00	7,279.00	6,125.00	7,146.00	11,783.00	7,739.00	5,109.00	7,485.00	7,756.00	6,294.00	12,658.00	8,856.00	97,048.00	28.00%	27,173.44
100.1849.903	4,800.00	5,005.00	5,421.00	5,189.00	7,448.00	4,229.00	5,267.00	4,704.00	5,488.00	5,327.00	7,205.00	6,114.00	86,197.00	28.00%	18,535.16
100.1849.920							89.00						89.00	42.00%	37.38
100.1849.925.1								33.00					33.00	32.00%	10.56
100.1849.935	1,365.00	970.00	866.00	1,909.00	2,514.00	1,733.00	1,815.00	2,294.00	1,519.00	1,397.00	2,624.00	1,478.00	20,514.00	28.00%	5,743.92
100.186	3,280.00	2,975.00	2,981.00	1,474.00	2,111.00	1,803.00	2,875.00	2,332.00	271.00	9,515.00	533.00	3,400.00	33,350.00		0.00
101.163	5,145.00	5,116.00	4,253.00	5,144.00	7,578.00	5,017.00	5,718.00	3,818.00	5,113.00	3,818.00	8,330.00	5,824.00	64,874.00		0.00
101.1849.920					584.00								584.00	44.00%	248.16
101.1849.920	49,884.00	49,879.00	45,274.00	47,468.00	71,931.00	48,980.00	51,281.00	45,337.00	53,771.00	44,883.00	70,004.00	47,491.00	625,943.00	42.00%	262,896.06
101.1849.9215													8,779.00	37.00%	3,248.23
102.1849.920	30,673.00	30,275.00	30,448.00	31,149.00	47,635.00	31,850.00	33,389.00	32,033.00	32,487.00	30,451.00	48,339.00	31,802.00	408,531.00	42.00%	171,583.02
103.1849.920	6,055.00	6,478.00	6,321.00	5,151.00	10,448.00	5,092.00	6,849.00	7,432.00	7,541.00	6,417.00	10,141.00	8,535.00	84,458.00	42.00%	35,472.36
103.1849.9201	45,483.00	46,414.00	119,034.00	46,611.00	68,504.00	47,341.00	48,171.00	47,097.00	45,553.00	48,990.00	67,089.00	44,553.00	670,830.00	42.00%	281,748.60
104.1849.9201	13,433.00	12,673.00	13,813.00	12,982.00	20,944.00	11,633.00	9,383.00	10,444.00	10,767.00	10,999.00	18,812.00	10,880.00	154,513.00	42.00%	64,865.46
104.1849.9251	3,185.00	4,734.00	4,875.00	4,573.00	7,077.00	4,749.00	3,454.00	4,835.00	4,894.00	4,535.00	7,192.00	4,983.00	59,188.00	37.00%	21,888.82
105.1849.920	771.00	764.00	751.00	741.00	1,116.00	551.00	884.00	775.00	811.00	777.00	1,997.00	1,894.00	11,832.00	42.00%	4,985.44

AS indicated

HISTORICAL YEAR END 12/31/2002 - Projected Year End 12/31/2004

TOT - Payroll Taxes

FLORIDA PUBLIC UTILITIES CORP.
PAA Rate Case - Docket No. 030438-EI

12/15/03
K. Welch

53-3
1-4
10-1-11

SOURCE AS SCHEDULE

**FLORIDA PUBLIC UTILITIES
ANALYSIS OF PAYROLL JOURNAL ENTRIES
TEST YEAR ENDED DECEMBER 31, 2002
KATHY L. WELCH
NOVEMBER 21, 2003**

Note: The company has a before tax amount and an after tax amount. The after tax amount adds tax and benefits on to the capitalized payroll, the ECP payroll, and the Flo-Gas payroll and removes those taxes from account 406. This schedule uses the before tax

	JANUARY 2002	FEBRUARY 2002	MARCH 2002	APRIL 2002	MAY 2002	JUNE 2002	JULY 2002	AUGUST 2002	SEPTEMBER 2002	OCTOBER 2002	NOVEMBER 2002	DECEMBER 2002	TOTAL 2002	IN 2002 ALLOCATED TO ELECTRIC	2002 PAYROLL CHARGED ELEC.
114.1070.000	21,629.00	26,992.00	32,940.00	26,327.00	19,890.00	21,002.00	21,888.00	30,398.00	21,907.00	21,158.00	22,949.00	21,686.00	288,766.00		
114.1080.000	6,099.00	5,714.00	5,615.00	2,807.00	2,514.00	2,716.00	3,091.00	8,989.00	1,991.00	2,220.00	3,782.00	4,338.00	48,840.00		
114.1430.000	1,578.00	1,302.00	2,007.00	1,027.00	2,549.00	879.00	4,521.00	2,297.00	1,304.00	4,395.00	1,894.00	4,948.00	28,431.00		
114.1830.1	6,133.00	5,397.00	8,229.00	5,449.00	5,391.00	6,545.00	5,385.00	8,588.00	5,891.00	6,581.00	5,644.00	8,378.00	75,369.00		
114.1840.1	419.00	811.00	974.00	788.00	988.00	774.00	947.00	539.00	540.00	453.00	1,633.00	648.00	9,524.00		
114.1850.1	284.00	485.00	879.00	280.00	2,799.00	905.00	780.00	1,220.00	308.00	528.00	85.00	236.00	8,787.00		
114.4010.0	55,502.09	58,306.00	88,510.00	55,403.00	54,787.00	55,550.00	55,811.00	90,462.00	56,880.00	59,585.00	59,172.00	59,055.00	749,009.00	100.00%	749,009.00
114.4020.0	28,167.00	18,587.00	40,716.00	27,247.00	28,900.00	34,899.00	29,300.00	45,903.00	36,773.00	26,989.00	28,183.00	25,770.00	371,414.00	100.00%	371,414.00
115.1070.0	24,860.00	24,431.00	50,418.00	40,370.00	39,137.00	27,176.00	35,734.00	62,913.00	44,246.00	34,614.00	40,072.00	33,263.00	457,226.00		
115.1080.0	1,157.00	1,539.00	5,184.00	2,205.00	3,199.00	2,141.00	730.00	3,854.00	4,630.00	913.00	4,181.00	3,648.00	33,381.00		
115.1430.0	2,741.00	2,661.00	3,283.00	1,629.00	10,603.00	18,480.00	11,193.00	12,550.00	5,803.00	7,755.00	4,870.00	2,230.00	83,588.00		
115.1830.0	3,699.00	4,044.00	6,234.00	8,210.00	4,705.00	3,820.00	5,545.00	7,607.00	4,315.00	4,589.00	3,786.00	4,180.00	60,706.00		
115.1840.0	3,575.00	5,285.00	5,977.00	4,573.00	3,937.00	3,865.00	4,345.00	6,497.00	3,525.00	4,107.00	3,744.00	3,634.00	53,404.00		
115.1850.1	821.00	797.00	1,783.00	1,805.00	1,056.00	1,021.00	1,377.00	2,112.00	1,531.00	672.00	1,399.00	882.00	15,056.00		
115.4010.0	34,165.00	39,275.00	78,539.00	44,094.00	46,823.00	47,274.00	47,814.00	68,264.00	46,552.00	46,735.00	41,337.00	39,299.00	579,261.00	100.00%	579,261.00
115.4020.0	37,273.00	39,000.00	16,990.00	18,897.00	10,685.00	12,624.00	14,014.00	28,785.00	15,688.00	23,930.00	17,789.00	22,231.00	255,886.00	100.00%	255,886.00

Total Electric all accts with our HQ allow 3,118,652.00

Per C-33 3,317,087
Diff - Accrued PR on 107-185 accts

Expense only

Historical Year End 12/31/2002 - Projected Year End 12/31/2004

FLORIDA PUBLIC UTILITIES CORP.
PAA Rate Case - Docket No. 030438-EI

10/16/03

11/5/03

11/13/03
11/18/03

SOURCE as indicated

FLORIDA PUBLIC UTILITIES
 ANALYSIS OF PAYROLL JOURNAL ENTRIES
 TEST YEAR ENDED DECEMBER 31, 2002
 KATHY L. WELCH
 NOVEMBER 21, 2003

Note: The company has a before tax amount and an after tax amount. The after tax amount adds tax and benefits on to the capitalized payroll, the ECP payroll, and the Flo-Gas payroll and removes those taxes from account 408. This schedule uses the before tax

	JANUARY 2002	FEBRUARY 2002	MARCH 2002	APRIL 2002	MAY 2002	JUNE 2002	JULY 2002	AUGUST 2002	SEPTEMBER 2002	OCTOBER 2002	NOVEMBER 2002	DECEMBER 2002	TOTAL 2002	IN 2002 ALLOCATED TO ELECTRIC	2002 PAYROLL CHARGED ELEC.
121.1070.	44,926.00	47,835.00	50,782.00	49,343.00	73,241.00	44,713.00	40,112.00	57,386.00	54,512.00	50,489.00	78,646.00	58,083.00	650,088.00		
121.1080.	5,544.00	5,478.00	6,056.00	8,887.00	10,988.00	10,723.00	12,383.00	18,189.00	9,588.00	11,488.00	15,224.00	9,507.00	121,971.00		
121.1420.	33.00	0.00					0.00						33.00		
121.1430.	5,727.00	4,039.00	2,864.00	4,332.00	4,231.00	3,675.00	2,815.00	3,007.00	3,192.00	4,482.00	5,150.00	13,684.00	56,988.00		
121.1630.1	8,987.00	9,090.00	9,908.00	12,378.00	14,073.00	10,546.00	9,894.00	8,477.00	9,844.00	9,407.00	11,865.00	7,554.00	121,854.00		
121.1840.	8,865.00	8,989.00	8,597.00	8,851.00	14,809.00	10,540.00	10,273.00	9,883.00	10,117.00	8,422.00	14,182.00	9,255.00	122,813.00		
121.1880.3	759.00	658.00	1,356.00	836.00	3,488.00	1,384.00	853.00	881.00	2,580.00	3,147.00	6,482.00	2,111.00	24,525.00		
121.4010.	222,256.00	245,210.00	225,891.00	208,702.00	333,719.00	227,118.00	228,314.00	215,473.00	213,382.00	209,351.00	330,545.00	209,127.00	2,869,088.00		
121.4020.	24,686.00	31,294.00	27,423.00	28,680.00	36,368.00	24,230.00	29,018.00	25,593.00	18,136.00	23,642.00	28,833.00	25,945.00	323,648.00		
123.1070.	15,824.00	17,280.00	25,189.00	20,260.00	12,528.00	12,685.00	12,912.00	20,465.00	11,360.00	10,694.00	11,565.00	12,542.00	183,314.00		
123.1080.	2,144.00	1,776.00	3,217.00	1,296.00	8,560.00	3,112.00	4,482.00	5,582.00	3,630.00	5,905.00	4,149.00	3,156.00	47,049.00		
123.1430.	782.00	1,408.00	2,127.00	1,752.00	1,494.00	2,585.00	1,080.00	2,540.00	1,501.00	968.00	1,452.00	515.00	18,194.00		
123.1550.3	1,279.00	555.00	588.00	1,528.00	22.00	850.00	789.00	527.00	2,599.00	174.00	755.00	0.00	9,826.00		
123.1630.	2,870.00	3,469.00	4,151.00	2,989.00	2,751.00	3,175.00	1,623.00	9,399.00	3,443.00	2,000.00	3,777.00	3,368.00	43,033.00		
123.1840.	1,748.00	2,019.00	3,572.00	2,082.00	2,486.00	2,569.00	3,639.00	4,158.00	2,717.00	2,745.00	2,748.00	1,949.00	32,422.00		
123.1880.32	2,830.00	3,691.00	4,399.00	3,655.00	4,434.00	2,353.00	5,008.00	3,648.00	2,586.00	2,002.00	1,933.00	3,608.00	39,945.00		
123.4010.0	109,041.00	100,860.00	166,629.00	65,748.00	106,982.00	102,860.00	108,613.00	181,271.00	101,624.00	100,898.00	118,781.00	106,730.00	1,380,047.00		
123.4020.0	10,576.00	10,486.00	13,789.00	8,974.00	9,008.00	12,529.00	10,946.00	15,874.00	11,238.00	12,987.00	9,827.00	10,539.00	136,773.00		
137.1070.	13,533.00	13,383.00	15,284.00	6,265.00	17,391.00	15,387.00	7,593.00	9,914.00	6,140.00	6,873.00	6,371.00	6,779.00	124,893.00		
137.1080.	132.00	191.00	310.00	488.00	436.00	1,382.00	1,284.00	362.00	687.00	735.00	1,867.00	337.00	8,001.00		
137.1840.5	0.00	0.00	0.00								0.00		0.00		
137.4010.	15,651.00	18,625.00	25,478.00	14,381.00	13,983.00	14,658.00	15,533.00	22,489.00	15,599.00	16,991.00	18,146.00	17,539.00	209,073.00		
137.4020.	14,280.00	8,857.00	18,510.00	14,058.00	10,620.00	10,227.00	14,079.00	23,371.00	15,300.00	16,945.00	18,698.00	13,744.00	178,587.00		

Historical Year End 12/31/2002 - Projected Year End 12/31/2004
 1077 - Payroll Taxes
 FLORIDA PUBLIC UTILITIES CORP.
 PAA Rate Case - Docket No. 030438-EI

12/03

53-2
 1-4-3
 2-1-3

SOURCE as indicated

FLORIDA PUBLIC UTILITIES
 ANALYSIS OF PAYROLL JOURNAL ENTRIES
 TEST YEAR ENDED DECEMBER 31, 2002
 KATHY L. WELCH
 NOVEMBER 21, 2003

Note: The company has a before tax amount and an after tax amount. The after tax amount adds tax and benefits on to the capitalized payroll, the ECP payroll, and the Flo-Gas payroll and removes those taxes from account 408. This schedule uses the before tax

	JANUARY 2002	FEBRUARY 2002	MARCH 2002	APRIL 2002	MAY 2002	JUNE 2002	JULY 2002	AUGUST 2002	SEPTEMBER 2002	OCTOBER 2002	NOVEMBER 2002	DECEMBER 2002	TOTAL 2002	IN 2002 ALLOCATED TO ELECTRIC	2002 PAYROLL CHARGED ELEC.
141.4160.	51,827.00	49,283.00	40,168.00	36,281.00	53,797.00	37,415.00	37,036.00	33,173.00	38,474.00	39,436.00	89,494.00	49,974.00	536,468.00		
143.4160.	11,813.00	8,242.00	14,228.00	7,252.00	7,225.00	7,999.00	7,234.00	12,043.00	9,880.00	8,684.00	12,379.00	13,486.00	120,165.00		
145.4160.	765.00			287.00	283.00	0.00		0.00	311.00	820.00	423.00	1,025.00	3,904.00		
155.4160.	0.00	763.00	1,083.00	800.00	702.00	647.00	817.00	1,108.00	734.00	719.00	1,030.00	1,027.00	9,210.00		
945.4160.	3,297.00	3,670.00	6,428.00	4,832.00	3,828.00	3,777.00	4,686.00	3,809.00	1,892.00	1,886.00	1,805.00	2,148.00	41,254.00		
948.4160.											1,140.00	803.00	1,943.00		
991.1070.	12,471.00	12,286.00	13,147.00	15,273.00	22,830.00	14,100.00	18,390.00	16,639.00	16,506.00	15,945.00	19,902.00	17,630.00	195,119.00		
991.1080.	1,497.00	1,042.00	700.00	1,318.00	2,615.00	1,843.00	1,555.00	1,670.00	3,245.00	2,206.00	5,247.00	1,899.00	24,637.00		
991.1860.	1,714.00	1,427.00	1,232.00	161.00	114.00	228.00	378.00					38.00	5,286.00		
991.4010.	68,391.00	67,365.00	72,988.00	77,096.00	110,128.00	70,351.00	73,186.00	64,506.00	71,937.00	68,367.00	111,849.00	80,114.00	936,758.00		
991.4020.	15,702.00	15,553.00	14,050.00	12,471.00	18,857.00	13,309.00	14,154.00	18,582.00	13,962.00	14,345.00	24,558.00	9,105.00	184,846.00		
993.1070.	3,032.00	2,768.00	8,584.00	3,604.00	4,982.00	3,361.00	3,750.00	3,421.00	1,482.00	4,047.00	3,270.00	5,319.00	47,596.00		
993.1080.	380.00	860.00	1,338.00	2,145.00	4,486.00	754.00	714.00	1,324.00	1,154.00	741.00	852.00	141.00	14,886.00		
993.1880.32										22.00			22.00		
993.4010.	40,486.00	38,628.00	52,377.00	31,884.00	31,189.00	28,285.00	30,469.00	43,873.00	30,968.00	34,884.00	31,971.00	37,513.00	431,357.00		
993.4020.	3,151.00	3,773.00	4,588.00	3,529.00	6,039.00	5,861.00	3,510.00	6,199.00	6,154.00	6,246.00	5,463.00	3,378.00	57,882.00		
995.1070.	3,980.00	2,965.00	4,728.00	4,133.00	2,395.00	3,133.00	2,806.00	4,058.00	4,088.00	4,188.00	4,980.00	4,230.00	45,674.00		
995.1080.			221.00	299.00	146.00	844.00	199.00	190.00	641.00	81.00	117.00	87.00	2,805.00		
995.1630.	646.00	483.00	1,195.00	670.00	700.00	655.00	660.00	928.00	95.00	740.00	633.00	419.00	7,855.00		
995.1860.	482.00	218.00	353.00		265.00					0.00	0.00		1,318.00		
995.4010.	24,185.00	19,256.00	28,231.00	15,090.00	15,153.00	14,900.00	15,393.00	24,771.00	19,476.00	19,111.00	17,842.00	19,642.00	232,850.00		
995.4020.	1,426.00	1,162.00	1,830.00	1,306.00	1,518.00	1,522.00	1,031.00	2,185.00	817.00	1,086.00	1,031.00	406.00	15,298.00		
998.1070.											487.00	1,063.00	1,580.00		
998.1080.											84.00	221.00	305.00		
998.4010.											8,153.00	14,653.00	22,806.00		
998.4020.											885.00	1,338.00	2,023.00		
	1,156,437.00	1,168,941.00	1,471,441.00	1,125,174.00	1,466,574.00	1,137,641.00	1,152,773.00	1,402,206.00	1,148,356.00	1,142,724.00	1,508,946.00	1,188,304.00	15,089,517.00		27,813,658.00
	1,156,435.12	1,168,939.48	1,471,441.28	1,125,184.01	1,466,580.19	1,137,633.16	1,152,765.01	1,402,206.13	1,148,354.14	1,142,721.00	1,508,951.94	1,188,298.17	15,089,508.69		
	1.88	1.52	(0.28)	(10.01)	(6.19)	7.84	7.99	(0.13)	1.86	3.00	(5.94)	5.83			

Historical Year End 12/31/2002 - Projected Year End 12/31/2004

7872 Page 11 Taxes
 FLORIDA PUBLIC UTILITIES CORP.
 PAA Rate Case - Docket No. 030438-EI

12/13/03

Per 15,050,047
 C-33
 accrual? Tax.
 Accrued payroll is \$245,638.10

153.0
 1/24/04
 2-10

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

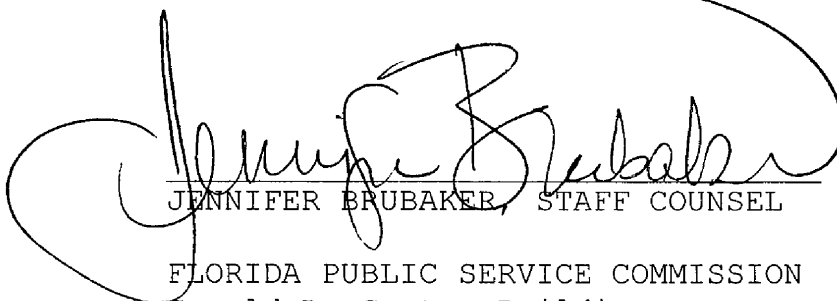
In re: Petition for rate
increase by Florida Public
Utilities Company.

DOCKET NO. 030438-EI

FILED: January 9, 2004

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the Direct Testimony of Jeffrey A. Small was furnished to **Norman H. Horton, Jr.**, Messer, Caparello & Self, P.A., P.O. Box 1876, Tallahassee, Florida 32302-1876, and **Stephen C. Burgess, Esquire**, Office of Public Counsel, c/o The Florida Legislature, 111 West Madison Street, Room 812, Tallahassee, Florida 32399-1400, by U.S. Mail, on this 9th day of January, 2004.



JENNIFER BRUBAKER, STAFF COUNSEL

FLORIDA PUBLIC SERVICE COMMISSION
Gerald L. Gunter Building
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Telephone No. (850) 413-6228
Facsimile No. (850) 413-6229