REBUTTAL TESTIMONY

OF

CHERYL MARTIN
MEHRDAD KHOJASTEH
JIM MESITE, JR
MARK CUTSHAW
GEORGE BACHMAN

TO

DIRECT TESTIMONY OF DONNA DERONNE

DOCKET NO. 030438-EI:
Petition of Florida Public Utilities Company For An Increase In its Rates and Charges In Their Consolidated Electric Division

January 23, 2004

DOCUMENT NUMBER-DATE
01087 JAN 23 8
FPSC-COMMISSION CLERK

Qualifications and Experience

Q. What is your name, and title, business address, and background?

A. Witness Martin. My name is Cheryl Martin. I am the Controller for Florida Public Utilities (FPU). My business address is 401 South Dixie Highway, West Palm Beach, FL 33401. I have been employed by FPU since 1985 and performed numerous accounting functions. I was promoted to Corporate Accounting Manager in 1995 with responsibilities for managing the Corporate Accounting Department including regulatory accounting (Fuel, PGA, conservation, rate cases, Surveillance reports, reporting), tax accounting, external reports, and special projects. In January 2002 I was promoted to my current position of Controller where my responsibilities are the same as above with additional responsibilities in the purchasing and general accounting areas and Security and Exchange Commission (SEC) filings. I have been an expert witness for numerous proceedings before the Florida Public Service Commission (FPSC) including rate relief in Docket Numbers 881056-EI and 930400-EI for electric and 900151-GU and 940620-GU for natural gas. I graduated from Florida State University in 1984 with a BS degree in Accounting. Also, I am a Certified Public Accountant in the state of Florida.

Witness Khojasteh. My name is Mehrdad Khojasteh. I am the Corporate Accounting Supervisor for FPU, a position I have held since June 2003. In this position, I am the direct supervisor of the Senior Tax Accountant and I assist the Controller with supervising the Corporate Accounting Department. I am also responsible for FASB and SEC related compliance. Prior to this position I was a Regulatory Accountant from November 1996 to March 1997 and a Tax Accountant from April 1997 to May 2003. I received a BS degree from Florida Atlantic University in 1995 with a major in Accounting.

Witness Mesite. My name is Jim Mesite, Jr. I am the Senior Project Accountant in the Corporate Accounting department at FPU. In my present position I am responsible for converting the manual continuing property records of five regulated and three non-regulated operating divisions to an automated fixed asset system. I am also responsible for the preparation and filing of FPSC Staff assisted depreciation studies for the regulated electric and gas divisions, PGA and fuel filings. I am also responsible for the review and evaluation of fixed asset issues involving acquisitions, dispositions, retirements, capital versus expense, and chart of accounts. I joined FPU in 1995 as a Special Project Accountant and was promoted to my current position in March 2002. I graduated from Northeastern University in 1976 with a BS degree in Business Administration, with a major in Accounting.

Witness Cutshaw. My name is P. Mark Cutshaw. My current position is Director, Northwest Florida for Florida Public Utilities (FPU). My business address is 2825 Pennsylvania Avenue, Marianna, Florida 32447. I joined FPU in May 1991 as Division Manger in the Marianna Division. In 2001, my title was changed to Director, Northwest Florida. My work experience at FPU includes all aspects of budgeting, customer service, operations and maintenance in the Marianna/Northwest Florida Division. In 1993, I participated in the Cost of

Service study for the Marianna Division Rate Case Filing and testified during the proceedings. I have also been involved with other filings, audits and data requests for the FPSC. I graduated from Auburn University in 1982 with a B.S. in Electrical Engineering and began work with Mississippi Power Company (MPC) in June 1982. I left MPC in May 1991 while in the position of Supervisor, Electrical Operations. While at MPC, I was involved in the budgeting, operations and maintenance activities in the Hattiesburg, Laurel and Pascagoula Districts.

Witness Bachman. My name is George Bachman. I am the Chief Financial Officer and Treasurer of Florida Public Utilities Company. My business address is 401 South Dixie Highway, West Palm Beach, Florida, 33401.

Q. **What is the purpose of your testimony?**

A. Witness Martin, Bachman, Mesite, Cutshaw, Khojasteh. To provide rebuttal testimony in response to the Direct Testimony provided by Donna Deronne who represents the OPC.

Construction Work in Progress (CWIP)

Q. **Should the Commission allow any construction work in progress (CWIP) in rate base?**

A. Witness Mesite. Yes, CWIP should be included in the computation of rate base. Construction Work in Process (CWIP) is a necessary component in the process of creating Plant-In-Service. As such, CWIP is an element of providing service to the ratepayer and is includable in rate base.

A project does not have to be completed and closed to plant in order to be considered a viable utility asset. During the approval process of a project it is possible to determine if a project is appropriate for inclusion in utility plant.

Q. Has CWIP historically been included in the calculation of rate base?

A. Witness Mesite. Yes, The Florida Public Service Commission (FPSC) has historically included CWIP in rate base to allow companies the opportunity to earn a return on its investments. These are valid, necessary and prudent capital expenditures that should be included in rate base to allow a fair rate of return, as well as recapture the relative interest costs on that investment. There has been no additional relevant information presented that would justify a review of the Commission's current position on this issue. Furthermore, if CWIP were to be excluded from the rate base, the inclusion of Allowance for Funds Used During Construction (AFUDC) would need to be reinstated.

Q. Ms. Deronne references that some of the plant in SWIP includes mapping/outage/work order system and SCADA. What will be the advantages of installing the mapping/outage/work order system?

A. Witness Cutshaw. During the next several years, the development of these processes will be utilized to provide necessary information and documentation related to reliability and operational issues. The availability of this type of data will improve the overall quality of service provided to customers. Currently, much of the information for reliability and operational issues is not available. I would also add that the Commission conducted a reliability audit in June 2003, and these systems were referenced in our response to that audit as programs which would be implemented. I address this in rebuttal to Ms. Young and the response is an exhibit to that rebuttal testimony.

Q. Did the Company properly include certain items as both CWIP and plant-in-service within the same period?

A. Witness Mesite. Yes, FPU's reporting methods were proper. Ms. Deronne testified that six (6) projects were inappropriately included as both CWIP and Plant-In-Service within the test year in the MFR. Due to the 13-month average method of computing rate base, the inclusion of items as both CWIP and Plant-In-Service for the same item is proper. The sum of the 13-month averages for both CWIP and Plant-In-Service will produce an accurate rate base valuation for the items under consideration.

Q. Is it proper to include replacement projects in CWIP while the assets being replaced are still contained in plant-in service?

A. Witness Mesite. Yes, it is proper. Replacement of facilities is a normal occurrence for providing electric service to the ratepayer, and it is therefore proper for the CWIP associated with the replacement, and the asset being replaced, to be concurrently included in rate base.

Q. Have retirements been properly accounted for, with respect to assets that are scheduled to be replaced during the projected test year?

A. Witness Mesite. Yes, retirements have been properly accounted for in the MFR. Retirements of the assets being replaced were accounted for in the same month in which the CWIP was placed in service. The issue concerning the reduction of rate base as a result of retirements is considered part of recurring Depreciation Study proceedings, and as such is not a component of this rate proceeding.

Net Operating Income

Q. When will the revenues for the Family Dollar begin to be realized?

A. Witness Cutshaw. The Family Dollar Distribution Center is scheduled to be fully operational in January 2005. Limited revenues will begin to be realized in June 2004 as the construction of the building progresses. Limited usage will begin in June 2004 and will gradually increase to the expected load in January 2005. This usage information is estimated based on the construction schedule provided by Family Dollar in November 2003. Based on recent information regarding work at the site, delays of 1 – 3 months can be expected.

The 2004 usage amounts from June though December are estimated as follows:

Total KWH Usage – 2,924,460 KWh

Total Billed Demand – 5,014 KW

The base revenues estimated for this usage is $20,856.35.

Q. What type of residential increase is expected from the Family Dollar?

A. Witness Cutshaw. Local agencies involved with employment at the Family Dollar Distribution Center anticipate new employees to come from a six county area around the Distribution Center. Based on an anticipated employment of 425 employees in January 2005, we anticipate approximately 56 residential accounts on the FPU distribution system to be associated with Family Dollar employees. Assuming that 65% of the employees come from Jackson and Calhoun Counties and FPU provides electrical service to approximately 20% of these two counties, employees from the FPU service territory will be approximately 56 customers (425 * 0.65 * 0.2= 55.25). Based on the fact that local unemployment and under-employment will allow some existing customers to be some of the new 56 employees, a reduction of 25% was made to account for existing customers who will gain employment at Family Dollar. This will result in a total of 42 new electric accounts on the FPU electrical system as a result of Family Dollar employment. The total residential growth is expected to involve the monthly billing of 152 new residential accounts during 2004 resulting in the annual increase of approximately 181,336 Kwh's and base revenue increase of $4,806.55.

Q. Will there be any costs associated with the set up of Family Dollar?

A. Witness Cutshaw. There will be cost associated with providing service to the Family Dollar Distribution Center. Some cost will be required to provide service to the Family Dollar Distribution Center and the remainder of the cost will be required to increase the total capacity to that area of the service territory. Due to development, planning has been underway for several years to increase the capacity to this area of the service territory. As the development increases, plans will be required. They have not been completed for this area thus far. The total costs due to establishing service for Family Dollar and the completion of increased capacity projects will be approximately $1,166,000. Attached is Exhibit (JVM-3), which indicates an additional increase in the amount of $624,013 in 2004 rate base, will be necessary. Additionally, 2004 projected depreciation expense will increase by $10,435. FPUC is requesting that the additional increases in the projected 2004 rate base, and in projected depreciation expense brought about by this significant event be considered in the Company's request for rate relief. At the time of our filing we did not know if this project would materialize.

Q. What would the net effect of Family dollar be to net income for 2004?

A. Witness Cutshaw. At this time we are unable to determine all of the operating costs involved in this project. We do know the rate base and revenue impacts. The effect to 2004 revenue and expenses is not expected to be material; however the impact to rate base is significant and should be allowed as an adjustment to our original filing.

Reversal of Discontinued Operations Allocation

Q. In her testimony Ms. Deronne proposes to remove the adjustments for discontinued operations. Do you agree with her proposal?

A. Witness Khojasteh. No. We feel that the data the Company presented in the MFRs is realistic and reflective of adjustments necessary to normalize the historical year 2002 for the discontinued operations. The majority of the adjustments to the expenses are at the local level and are related to our Fernandina Beach division and relate the sale of the water division.

Firstly, the electric division in Fernandina Beach shared office space, warehouse, utilities, and other overhead with our water division. OPC's opinion assumes that with the sale of our water division the costs associated with the above overhead should be reduced. The fact is that we still have the office building, the warehouse, and other overhead and the expenses associated with the above mentioned will now have to be entirely absorbed by the electric division. The office building and inventory warehouse were reaching over capacity at the time of the sale so the sale did not provide excess or unneeded space.

Secondly, even though some of our water employees were transferred to the City after the sale, we retained some water employees to fill needed positions within our electric operations and to allow improved customer service.

Finally, we agree with OPC's opinion that Nature Coast division was not included in the allocations for the calculation of adjustments relative to the discontinued operations. However, as stated earlier most of these adjustments were at the local level and the inclusion of Nature Coast would not have had any effects on these items. The Company recalculated the common adjustment using the 2004 allocation percentages, which included Nature Coast. The adjustment amounts based on these recalculations were immaterial and did not materially affect the company's position.

Garbage and Sewer Allocation Adjustment

Q. Did the Company make any additional adjustments in its filing for discontinued operations?

A. Witness Khojasteh. Yes. During the historic 2002 test year, the Company provided billing services for garbage and sewer for the City of Fernandina Beach. The Company stopped providing these services for the City in 2003 and as a result has made an adjustment for discontinued operations for garbage and sewer.

Q. Why did the loss of garbage and sewer change the allocation to the electric divisions when the acquisition of Nature Coast did not?

A. Witness Khojasteh. The Company incurred expenses, which were allocable to all operating segments of the business. Similar to adjustments made for discontinued operations for the sale of the water, when the Company discontinued the garbage & sewer, the retained expenses had to be allocated in greater proportion to the remaining operating segments, including the electric segment. Also, garbage and sewer services were provided in our Fernandina Beach division. Garbage and sewer operations shared overhead which included office, employees, etc. with our electric operations. As the result of the sale of water, these retained expenses are going to have to be shared by our electric and propane division located in Fernandina Beach.

Furthermore, some employees who had been involved in providing customer service related work have been retained to improve our service to our electric customers.

Stock Issuance Expense

Q. Should the expenses associated with a stock equity issuance be included in the rate case?

A. Witness Khojasteh. Yes. We agree that this may not be an annual recurrence. However, we consider expenses associated with issuance of stock to be a normal expense. This was related to the sale of water as it was only expensed since the proceeds from the sale supplied the needed working capital. The Company believes that recovery should be allowed to be amortized at a maximum over five years for ratemaking purposes.

Payroll Outsourcing Costs

Q. Will Florida Public Utilities be using ADP in 2004 for payroll outsourcing?

A. Witness Martin. The company did not contract in 2003 for payroll outsourcing primarily due to delays related to our IT strategy development and internal project conflicts. The payroll outsourcing will assist us in the ability to have the internal personnel resources necessary to facilitate some of the other IT projects on the horizon such as the mapping systems in our electric divisions and implementing additional customer services. We expect to outsource our payroll by mid 2004 and the current annual cost is estimated for the total company to be $40,000 and the electric portion is $13,200.

Costs Associate with New Tree Trimming Crews

Q. How many tree trimming crews will you be adding to increase reliability?

A. Witness Cutshaw. FPU is currently utilizing 2.5 tree trimming crews in the Northwest Florida Division and 1 tree trimming crew in the Northeast Florida Division. The 2.5 tree trimming crews in Northwest Florida requires that 2 crews be utilized for 6 months and 3 tree trimming crews be used for 6 months. FPU plans to add 1.5 tree-trimming crews in the Northwest Florida Division in order to have 4 crews in Northwest Florida and 1 crew in Northeast Florida. This will allow both divisions to complete tree trimming activities at an acceptable level. The Northwest Florida Division used three (3) tree trimming crews at the end of 2003 in order to fulfill the annual requirement of 2.5 tree trimming crews. This makeup will allow FPU to provide a four (4) year trim cycle on overhead distribution lines.

Tax Consulting Expense

Q. Do you agree with the staff' audit exception 16 and OPC's recommendations relating to the adjustments to the tax consulting amount?

A. Witness Khojasteh. Yes. The Company concurs with PSC's audit exception #16, which suggests a $26,000 reduction from the $84,000 projected amount for tax consulting and the subsequent reduction of $9,389 allocated to electric in 2004.

Q. What circumstances have created the increase in outside tax accounting?

A. Witness Khojasteh. The workload has continued to increase in the administration areas over time. Also, there are numerous increases as a result of Sarbanes-Oxley, other SEC rules, and tax compliance that have contributed to this overall work load increase in our accounting areas. Instead of increasing staff in our corporate accounting areas, we determined it was most prudent to make increases in our use of tax outsourcing because of the complexity of this area and the needed expertise. We were better able to use our internal personnel resources to cover work additions in other areas and make the best use of our personnel.

Revision to Projection Factors

Q. How did you determine what projection factor to use for operation and maintenance expenses?

A. Witness Khojasteh. We choose the factors similar to those in previous rate cases. The application of these factors produced the expected and reasonable projected amounts. After the application of the factors, the projected expenditures were reviewed by the division managers and accounting department to verify that they are in line with their expectations.

Q. Is the Company's use of combined trend rates appropriate?

A. Witness Khojasteh. Yes. It is the Company's position that customer growth will have a direct effect on the need for additional employees. It is true that the use of new technologies and computers may help in the efficiencies with which employees perform their jobs. Many times, new technologies and computers actually help us serve our customers better and do not decrease the work load. However, this does not negate the fact that customer growth will necessitate the addition of new employees.

The use of combined factors such as customer growth and inflation are appropriate. As new employees are added over time as a result of customer growth, inflation has to be taken into account in order to account for additional payroll expense due to issues such as pay raises associated with cost of living and general economic conditions effecting payroll.

Q Can accounts be annualized to estimate 2003 expenses?

A Witness Khojasteh. No. Annualizing the 2003 expenses does not necessarily produce an accurate picture of the expected expenses as they relate to the 2004 projected amounts.

Rates should be made on normalized expenses. The projections in 2004 have been normalized for these items and to base a normal year on a partial year with these anomalies is not correct. 2003 amounts were unusually low due to a number of reasons as follows:

For amounts relating to accounts 562 – 589:

- Fernandina Beach division's Operations Manager position was vacant for a period of ten months during 2003.
- Temporary budgetary restraints in 2003 caused a delay in purchase of certain items.
- In 2003 there was a temporary shift in work from operations to capital projects.
- Many new reliability projects and efforts were delayed until funding is received in 2004.

<u>For amounts relating to accounts 901 – 905:</u>

- Fernandina Beach division's Customer Service Manager position was vacant for part of 2003. This amounted to approximately two month's salary for this position.
- Vacancies in customer service positions.
- Vacancies in Meter Reading positions.
- Temporary budgetary restraints in 2003 caused a delay and reduced expenses in these accounts.

<u>For amounts relating to accounts 920 – 926:</u>

- Corporate Accounting added a new position (Corporate Accounting Supervisor) in June of 2003.
- IT Department had a position vacant due to maternity leave in 2003.
- IT Department upgraded an existing position in the middle of 2003.
- Customer Relations Department added a new position in the middle of 2003.

For amounts relating to accounts 570 – 598:

- Temporary budgetary restraints in 2003 caused a delay and reduced tree-trimming expenses in that year.
- Temporary budgetary restraints in 2003 caused a delay and reduced transmission and underground line maintenance expenses in that year.
- Temporary budgetary restraints in 2003 caused a delay and reduced substation maintenance expenses in that year.

Q. Why is the Company making specific adjustments for new positions in addition to its trending adjustments for customer growth?

A. Witness Khojasteh. The specific adjustments for new position in addition to the trending for customer growth and payroll are for newly created positions and are needed on top of the general growth in our staffing level. Many of the new positions are going to be used to improve customer service and reliability or perform functions that have not been completed historically and are not a result of increases in personnel due to customer growth.

Q. Are additional employees being added to expenses due to customer growth or new programs?

A. Witness Khojasteh. The Northwest Florida Division is adding an Engineering Technician position due to the implementation of a new mapping/customer outage system and a new Supervisory and Data Acquisition system (SCADA). The Northeast Florida Division is adding a new Warehouse position and an Engineering Technician position due to increase work resulting from customer growth.

Reduction to Storm Reserve Accrual

Q. What is the basis for the storm reserve increase?

A. Witness Cutshaw. The storm reserve was determined using a Maximum Historical Event model similar to the model used by Gulf Power Company in its 1996 study in determining the appropriate Storm Reserve. The Maximum Historical Event was an actual recorded hurricane event. FPU did not use the Stochastic Hurricane Event, which consists of modeling for the projected worst-case theoretical event. The modeling process involved identifying facilities in both divisions and using loss rates used in the Gulf Power Study. These models indicated a storm reserve amount in 2014 should be set at $4,413,839.

This modeling process is appropriate in order to protect assets without adversely impacting customer rates should an event occur. As stated in Mr. Hugh Larkin's testimony, the annual storm reserve accrual amount was exceeded in 1995 due to Hurricane Opal. The track of this storm was approximately 110 miles west of Marianna and still impacted Marianna to the extent that the annual accrual amount was exceeded by $21,225. If the track of the storm had been closer to Marianna, the storm damage would have been significant which is contrary to the statement in Mr. Larkin's testimony that "any storm would more than likely dissipate significantly by the time it reached the Marianna service territory". Numerous occurrences over the years have illustrated that major hurricanes are still capable of causing severe damage to distribution and transmission facilities after traveling up to 100 miles inland. Marianna is located approximately 50 miles inland from the coast.

Both divisions have experienced numerous Tropical Storms in or near the division. In addition to this, the Northwest Florida Division has sustained a direct impact by five Category 1 or 2 storms. Although the Northeast Florida Division has not sustained a direct impact by a hurricane, the hurricane track of two Category 1 -2 storms and one Category 3 -5 have passed with 30 miles of the island. Although the frequency seems to be less in the Northeast Florida Division, the coastal location and density make this extremely vulnerable to severe damage.

Fernandina Beach (Northeast Florida Division) is located on an island directly along the eastern coast of Florida. Although we have not had recent historical storms significantly affecting this location, we have had several storms that have come in close proximity. If this island were to receive a direct or close impact, there would be significant damage and cost. It would not be prudent or responsible as a company to not provide for the possibility of a major storm in this area; it is a possibility. We cannot use the assumption that we expect that this location will never be hit by a major storm since recent history has not shown this as an actual event.

Rate Case Expense Amortization

Q. Was the time lag between the current rate case and the previous rate cases normal or were there extenuating circumstances that allowed this to happen?

A. Witness Martin. No, the time between our last rate proceeding and this rate proceeding is abnormal and is a result of unusual events that allowed us to stay out of rate proceedings. Some of these major factors were unusual economic benefits to some of our historic operating costs such as pension expense, and the benefits experienced by good customer growth. These factors that allowed us to have our recent extended period of time between rate proceedings are not expected to have the same extreme impact in the future. As many of these items return to normal levels, and at this time because of expected continued improvements to our reliability and customer service measures, along with other factors, we strongly expect to have another electric rate proceeding in four years.

Q. When do you plan to file the next rate case?

A. Witness Martin. At this time we anticipate we will need another rate proceeding in four years and accordingly, it would be appropriate to amortize rate case expense over this same period. The four-year period for amortization is consistent with past commission practice and it provides a reasonable period for the company to recover its costs.

Economic Development Expense

Q. Should the economic development expense be included in the expenses?

A. Witness Cutshaw. Yes. The requirements for the recovery of economic development expenses are included in FPSC Rule 25-6.0426. Amounts shown in this rate proceeding meet the requirements of this rule and should be included.

Interest Synchronization Adjustment

Q. Do you agree with Donna Deronne's interest synchronization adjustment?

A. Witness Khojasteh. No. In her testimony, Ms. Deronne has made an adjustment for interest synchronization (Exhibit DD-1, Schedule C-8). This schedule's calculations are based on adjustments to rate base (Exhibit DD-1, Schedule B-1) with which the Company disagrees.

Income Taxes

Q. Does Florida Public Utilities qualify for the 30% bonus tax depreciation in 2002?

A. Witness Khojasteh. Florida Public Utilities qualifies for the 30% bonus tax depreciation provided by "Job Creation and worker assistance Act of 2002". However, the Company's 2004 projected capital structure does not account for the Job Creation and Work Assistance Act of 2002.

As a result even though the deferred tax may be understated, the effects will be revenue-neutral since it will result in offsetting amount to current tax payable thus increasing working capital by the same amount.

Q. Does Florida Public Utilities qualify for the 50% bonus tax depreciation in 2003?

A. Witness Khojasteh. Florida Public Utilities qualifies for the 50% bonus tax depreciation provided by "Job Growth Tax Relief Reconciliation Act of 2003". However, the Company's 2004 projected capital structure does not account for the Jobs and Growth Tax Relief Reconciliation Act of 2003.

As a result even though the deferred tax may be understated, the effects will be revenue-neutral since it will result in offsetting amount to current tax payable thus increasing working capital by the same amount.

Q. Does this complete your testimony?

A. Witness: Martin, Khojasteh, Mesite, Bachman, and Cutshaw. Yes

Rebuttal to the Testimony of Donna Deronne
Office of Public Counsel
Florida Public Utilities, Consolidated
Electric Rate Case
Docket No. 030438-EI
Exhibit_____(JVM-3)
Witness. James V. Mesite, Jr.

Florida Public Utilities Company
Consolidated Electric Rate Case
Effect on 2004 Rate Base and NOI Due to Additional Plant

PROJECT: Additional Plant Due to Family Dollar Warehouse Approval

Account 364: Poles
$270,000 - $30,000 per Month January through September 2004

Annual Depreciation Rate (Per Depr. Study Effective 1/1/04)
4.2%

2004	1010 ACTIVITY	1010 BALANCE	1070 INCREASES	1070 DECREASES	1070 BALANCE	1080 ACTIVITY	1080 BALANCE	CURRENT MONTH ACCRUAL
December 2003								
January 2004			30,000.00		30,000.00	-		
February 2004			30,000.00		60,000.00			
March 2004			30,000.00		90,000.00			
April 2004			30,000.00		120,000.00			
May 2004			30,000.00		150,000.00			
June 2004			30,000.00		180,000.00			
July 2004			30,000.00		210,000.00			
August 2004			30,000.00		240,000.00			
September 2004	270,000 00	270,000.00	30,000.00	(270,000.00)				
October 2004	-	270,000.00				(945.00)	(945.00)	(945.00
November 2004	-	270,000.00				(945.00)	(1,890.00)	(945.00
December 2004	-	270,000.00				(945.00)	(2,835.00)	(945.00
Total This Year	**270,000.00**		**270,000.00**	**(270,000.00)**		**(2,835.00)**		**(2,835.00)**
13-Month Average		**90,000.00**			**90,000.00**		**(472.50)**	

Increase in 2004 Rate Base for this Account **179,527.50**

Change in 2004 NOI **(2,835.00)**

Account 365: Conductor and Devices
$270,000 - $30,000 per Month January through September 2004

Annual Depreciation Rate (Per Depr. Study Effective 1/1/04)
3.8%

2004	1010 ACTIVITY	1010 BALANCE	1070 INCREASES	1070 DECREASES	1070 BALANCE	1080 ACTIVITY	1080 BALANCE	CURRENT MONTH ACCRUAL
December 2003		-			-			
January 2004	-	-	30,000.00		30,000.00			-
February 2004	-	-	30,000.00		60,000.00			
March 2004	-	-	30,000.00		90,000.00			
April 2004	-	-	30,000.00		120,000.00			
May 2004			30,000.00		150,000.00			
June 2004			30,000.00		180,000.00			
July 2004	-	-	30,000 00		210,000.00			
August 2004			30,000.00		240,000.00			
September 2004	270,000.00	270,000.00	30,000 00	(270,000.00)				
October 2004	-	270,000.00				(855.00)	(855.00)	(855.0(
November 2004	-	270,000.00				(855.00)	(1,710.00)	(855.0(
December 2004	-	270,000.00				(855.00)	(2,565.00)	(855.0(
Total This Year	**270,000.00**		**270,000.00**	**(270,000.00)**		**(2,565.00)**		**(2,565.00)**
13-Month Average		**90,000.00**			**90,000.00**		**(427.50)**	

Increase in 2004 Rate Base for this Account **179,572.50**

Change in 2004 NOI **(2,565.00)**

Rebuttal to the Testimony of Donna Deronne
Office of Public Counsel
Florida Public Utilities, Consolidated
Electric Rate Case
Docket No. 030438-EI
Exhibit______(JVM-3)
Witness: James V. Mesite, Jr.

Florida Public Utilities Company
Consolidated Electric Rate Case
Effect on 2004 Rate Base and NOI Due to Additional Plant

PROJECT: Additional Plant Due to Family Dollar Warehouse Approval

Account 362: Sub-Station
$270,000 - $30,000 per Month January through September 2004

Annual Depreciation Rate (Per Depr. Study Effective 1/1/04)
3.0%

2004	1010 ACTIVITY	1010 BALANCE	1070 INCREASES	1070 DECREASES	1070 BALANCE	1080 ACTIVITY	1080 BALANCE	CURRENT MONTH ACCRUAL
December 2003		-			-		-	
January 2004	-	-			-	-	-	-
February 2004	-	-			-	-	-	-
March 2004	-	-			-	-	-	-
April 2004	-	-			-	-	-	-
May 2004	-	-			-	-	-	-
June 2004	-	-			-	-	-	-
July 2004	-	-	202,000.00		202,000.00	-	-	-
August 2004	-	-	202,000.00		404,000.00	-	-	-
September 2004	606,000.00	606,000.00	202,000.00	(606,000.00)	-	-	-	-
October 2004	-	606,000.00			-	(1,515.00)	(1,515.00)	(1,515.00)
November 2004	-	606,000.00			-	(1,515.00)	(3,030.00)	(1,515.00)
December 2004	-	606,000.00			-	(1,515.00)	(4,545.00)	(1,515.00)
Total This Year	**606,000.00**		**606,000.00**	**(606,000.00)**		**(4,545.00)**		**(4,545.00)**
13-Month Average		**202,000.00**			**50,500.00**		**(757.50)**	

Increase in 2004 Rate Base for this Account 251,742.50

Change in 2004 NOI (4,545.00)

Account 368: Transformers

$20,000 May 2004

Annual Depreciation Rate (Per Depr. Study Effective 1/1/04)
4.2%

2004	1010 ACTIVITY	1010 BALANCE	1070 INCREASES	1070 DECREASES	1070 BALANCE	1080 ACTIVITY	1080 BALANCE	CURRENT MONTH ACCRUAL
December 2003		-			-		-	
January 2004	-	-			-	-	-	-
February 2004	-	-			-	-	-	-
March 2004	-	-			-	-	-	-
April 2004	-	-			-	-	-	-
May 2004	20,000.00	20,000.00	20,000.00	(20,000.00)	-	-	-	-
June 2004	-	20,000.00			-	(70.00)	(70.00)	(70.00)
July 2004	-	20,000.00			-	(70.00)	(140.00)	(70.00)
August 2004	-	20,000.00			-	(70.00)	(210.00)	(70.00)
September 2004	-	20,000.00			-	(70.00)	(280.00)	(70.00)
October 2004	-	20,000.00			-	(70.00)	(350.00)	(70.00)
November 2004	-	20,000.00			-	(70.00)	(420.00)	(70.00)
December 2004	-	20,000.00			-	(70.00)	(490.00)	(70.00)
Total This Year	**20,000.00**		**20,000.00**	**(20,000.00)**		**(490.00)**		**(490.00)**
13-Month Average		**13,333.33**			**-**		**(163.33)**	

Increase in 2004 Rate Base for this Account 13,170.00

Change in 2004 NOI (490.00)

TOTAL FOR ALL ACCOUNTS

Change in 2004 Plant in Service For This Project	**395,333.33**
Change in 2004 CWIP For This Project	**230,500.00**
Change in 2004 Reserve For This Project	**(1,820.83)**
Net Change in 2004 Rate Base for this Account	**624,012.50**
Change in 2004 NOI	**(10,435.00)**

030438 Exhibit JVM-3 ADDITION OF FAMILY DOLLAR PLANT.xls, 1/23/04, 2:02 PM, SPA