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December 28, 2004

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

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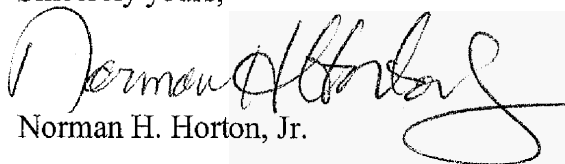
Dear Ms. Bayó:

Enclosed for filing on behalf of Florida Public Utilities Company are an original and fifteen copies of Florida Public Utilities Company's Petition for Approval of a Storm Cost Recovery Clause to Recover Storm Damage Costs in Excess of Existing Storm Damage Reserve.

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

cc: Ms. Cheryl Martin
Mr. John Slemkewicz

DOCUMENT NUMBER-DATE

13543 DEC 28 3

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public Utilities Company)
for approval of a storm cost recovery clause to)
recover storm damage costs in excess of existing)
storm damage reserve)
_____)

Docket No. _____
Date Filed: December 28, 2004

**PETITION FOR APPROVAL OF A STORM COST RECOVERY
CLAUSE TO RECOVER STORM DAMAGE COSTS IN EXCESS
OF EXISTING STORM DAMAGE RESERVE**

Florida Public Utilities Company (“Petitioner” or “Company”) hereby petitions the Commission for establishment of a temporary Storm Cost Recovery Clause to allow the Company to recover extraordinary expenditures related to Hurricanes Charley, Frances, and Jeanne, which struck Florida between mid-August and late September 2004 and caused extraordinary and significant damage and as basis would state:

1. The name and address of the principal business office of the Petitioner is:

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, FL 33401

2. The name and address of the persons authorized to receive notices and communications with respect to this Petition are as follows:

Ms. Cheryl Martin
Controller
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, FL 33402-3395

Norman H. Horton, Jr.,
Messer, Caparello & Self, P. A.
Suite 701, SunTrust Bank Building
Post Office Box 1876
Tallahassee, FL 32302-1876

3. The Company is a public utility as defined in Section 366.02, Florida Statutes, and is

engaged in business as a natural gas utility company providing distribution and gas transportation service to over 48,000 customers in its South Florida and Central Florida Divisions located in Palm Beach, Broward, Seminole, and Volusia Counties.

4. The Petitioner's present natural gas base rates have been in effect since November 18, 2004, Commission Order No. PSC-04-1110-PAA-GU in Docket No. 040216-GU. In that docket the Commission approved a return on common equity of 11.25 percent and an overall rate of return of 7.62 percent for the year ended December 31, 2005.

5. During the 2004 Hurricane Season, Florida Public Utilities Company's natural gas system sustained damages from Hurricanes Charley, Frances, and Jeanne. The preliminary cost estimates related to these hurricanes exceed \$600,000 in the aggregate. The path of Hurricane Charley carried it directly over Volusia County; Frances and Jeanne also affected this same area. Hurricanes Frances and Jeanne followed virtually the same tracks with both coming ashore north of West Palm Beach. These storms affected service in all of the areas with natural gas served by the Company. Significant expenditures were made to mobilize and demobilize our workforce to ensure an adequate number of staff with relevant expertise were available to handle the aftermath of each storm. Staff were required to report to company designated locations prior to each storm and to stay at the respective locations until the storm passed and vehicular travel was judged safe. By virtue of being a public utility and operating a gas system requires that adequate staff had to be available after each storm passes to protect the safety of the public in the event of leakage which is generally caused by damage to other above ground structures and landscaping. As part of the general mobilization of the Company's workforce prior to each storm personnel verify that all above ground structures are protected from becoming a projectile during the high winds of the storms. All items that might be

directly impacted by high winds are secured. It is virtually impossible to forecast the damage that each storm may cause prior to the event as was learned from studying past storms such as Hurricane Andrew in 1992. Hurricane Andrew experienced rapid strength gains within the last few hours before it decimated parts of southern Florida. Also, forecasted hurricane paths are not always accurate but that does not reduce the need to prepare. Although intensity forecasts, landfall and path projections have not been accurate, it is prudent to require the vast majority of our field staff and select support personnel to report prior to each hurricane and to work until it is determined that the gas distribution systems are performing safely after each storm. Furthermore, the general public and emergency management offices experience higher comfort levels with the Company announcing that adequate staffing levels will be maintained before, during and after each Hurricane.

The Company believes it is imperative to station its field employees in strategic locations throughout its operating areas in order to maintain safety to the general public, customers and the integrity of its distribution systems. By doing so the Company can readily respond to any leak call or damaged facility in a timely manner. Employees are also readily available for restoration of service to its customers in an efficient and expeditious manner.

The Company experienced service interruptions, damaged main lines, service lines and meter sets during this year's hurricanes. Damage was incurred in both the Central Florida and South Florida Gas Divisions.

6. Although the Company has a storm damage reserve account, the current reserve for storm damage is not adequate to cover the costs caused by these hurricanes. The storm reserve may have been adequate for a normal period but the landfall of three major storms in the same year is without precedent. Moreover, in the most recent rate case, there were no adjustments to the storm

recovery reserve but the extraordinary costs caused by the unprecedented series of hurricanes which hit the state and service areas served by the Company require that there be some relief.

7. To address this situation the Company is requesting the Commission to establish Storm Cost Recovery Clause that will allow Florida Public Utilities Company to recover from its ratepayers over four years its reasonable storm costs in excess of the balance in its storm reserve, as well as additional estimated amount to cover one additional major storm in the future. The clause would provide for the recovery of the Company's storm-related Operation and Maintenance costs, including in part its costs in excess of typical charges under normal operating conditions for capital expenditures and the capital expenditures that were a result of storm related damages. Rate Base will not be impacted as a result of these expenditures. Based on current estimates, the total amount to be recovered is \$860,000. The \$860,000 will be recovered over four years in equal amounts, resulting in the recovery of approximately \$215,000 per year, based on March 1, 2005 as a start date.

8. The entry of an order and approval of the recovery as requested by the Company is not without precedent. Relief has been granted for hurricane related expenses which exceeded the amounts accumulated and the Commission has expressed the intention to act expeditiously to address such requests (See for example, Order No. 93-0918 in Docket 930454-EI; Order No. 95-0264 in Docket 930405-EI; Order No. 96-0023 in Docket 951433-EI; and Order No. 98-0953 in Docket 971237-EI; as well as recent 2004 petitions by other utilities).

9. In support of the surcharge, Petitioner attaches the following items and makes them part of this petition:

- a. Attachment 1 (History of Natural Gas Storm Reserve)
- b. Attachment 2 (Storm Surcharge Calculation)
- c. Attachment 3 (Hurricane Activity by Storm for 2004)

10. The approval of the surcharge requested by the Company in this petition is an appropriate action to take in view of the unprecedented circumstances. The surcharge will enable the Company to recover the hurricane related costs while maintaining service to customers and the financial status of the Company.

WHEREFORE, Florida Public Utilities Company respectfully requests that the Commission authorize and approve a Storm Cost Recovery Clause as set forth above to allow Florida Public Utilities Company to recovery extraordinary expenditures related to Hurricane Charley, Frances, and Jeanne.

Dated this 28th day of December, 2004.

MESSER, CAPARELLO & SELF, P.A.
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NORMAN H. HORTON, JR., ESQ.

Attorneys for Florida Public Utilities Company

History of the Natural Gas Storm Reserve

	Beginning Balance	Accruals	Cost	Ending Balance
1996	0.00	13,500.00	0.00	13,500.00
1997	13,500.00	18,000.00	0.00	31,500.00
1998	31,500.00	18,000.00	0.00	49,500.00
1999	49,500.00	18,000.00	(62,430.39) *	5,069.61
2000	5,069.61	18,000.00	0.00	23,069.61
2001	23,069.61	18,000.00	0.00	41,069.61
2002	41,069.61	18,000.00	0.00	59,069.61
2003	59,069.61	0.00	0.00	59,069.61
2004(actual to Oct)	59,069.61	0.00	(542,227.17) **	(483,157.56)
2004(est. Nov to Dec)	(483,157.56)	0.00	(77,000.00) ***	(560,157.56)
Total		121,500.00	(681,657.56)	

* Expenses related to hurricane Floyd

** Expenses related to hurricanes Charlie, Frances, and Jeanne - through 10/31/04

***Additional costs are expected in 2004 and the estimated remaining expenses are expected to be approximately \$77,000.

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED NATURAL GAS DIVISION
SUMMARY OF STORM RESERVE RECOVERY SURCHARGE CALCULATION
March 1, 2005 through February 29, 2008

2004 STORM COSTS IN EXCESS OF RESERVE
FUTURE STORM RESERVE PROVISION
NET STORM COSTS TO BE RECOVERED
ANNUAL AMOUNT

560,000	
<u>300,000</u>	
<u>860,000</u>	Over 4 Years
<u>215,000</u>	

RATE SCHEDULE	BILLS	THERMS	CUSTOMER CHARGE	NON-GAS ENERGY CHARGE	TOTAL CUST. & ENGY CHG REVENUE	STORM REVENUES	STORM REVENUES AS % OF TOTAL REVENUES	DOLLARS THERMS	TAX FACTOR	STORM SURCHARGE FACTOR
RESIDENTIAL	534,000	11,824,460	4,272,000	6,224,869	10,496,869	88,643	0.84447%	0.00750	1.00503	0.00753
COMMERCIAL SMALL (General Service & GS Transportation)	42,156	13,541,970	632,340	4,948,642	5,580,982	47,130	0.84447%	0.00348	1.00503	0.00350
COMM. LRG VOLUME (Large Vol & LV Transportation < 50,000 units)	13,644	29,534,570	613,980	8,163,060	8,777,040	74,120	0.84447%	0.00251	1.00503	0.00252
LARGE VOL TRANSPORT. (LG VOL TRANS. > 50,000 units)	0	0	0	0	0	0	0.84447%	0.00251	1.00503	0.00252
INTERRUPTIBLE and Interruptible Transportation	168	5,622,570	40,320	564,506	604,826	5,108	0.84447%	0.00091	1.00503	0.00091
TOTAL	589,968	60,523,570	5,558,640	19,901,077	25,459,717	215,000				

HURRICANE CHARLIE

	South Florida		Central Florida	
	Capital	34413 Expense	34419 Capital	34418 Expense
September:				
Payroll			535.00	18,869.00
Transportation			62.00	1,204.00
Inventory			245.00	329.00
Petty Cash Receipts		(2,000.00)	6.50	332.62
PL				3,685.57
JE 34 Reclass		2,000.00		
October:				
Payroll				1,855.00
Transportation				
Inventory				
Petty Cash Receipts				
PL				300.00
JE 33 Reclass				
	0.00	0.00	848.50	26,575.19

HURRICANE FRANCES

	South Florida		Central Florida	
	34452	34453	34450	34451
	Capital	Expense	Capital	Expense
	<hr/>	<hr/>	<hr/>	<hr/>
September:				
Payroll	745.16	250,418.00		30,310.70
Transportation		6,353.00		2,256.00
Inventory		3,712.00	356.00	431.00
Petty Cash Receipts	246.59	10,268.03		450.22
PL	17,200.00	6,701.85		
JE 34 Reclass		(3,000.00)		
JE 33 Reclass		2,152.38		2,844.14
October:				
Payroll		40,929.00		6,438.00
Transportation		29.00		
Inventory				
Petty Cash Receipts		1,759.40		153.22
PL	18,755.13	7,840.34	15.60	3,116.72
JE 34 Reclass				
JE 33 Reclass	(17,200.00)	(2,152.38)		(2,844.14)
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	19,746.88	325,010.62	371.60	43,155.86
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HURRICANE JEANNE

	South Florida 34506		Central Florida 34502	
	Capital	Expense	Capital	Expense
September:				
Payroll				17,382.70
Transportation		3,537.00		1,446.00
Inventory		113.00		
Petty Cash Receipts		1,934.67		
PL		1,024.83		115.46
JE 33 Reclass		121.40		792.36
October:				
Payroll		89,026.00		3,829.00
Transportation		26.00		
Inventory		429.00		
Petty Cash Receipts		149.09		221.00
PL		6,470.13		814.64
JE 33 Reclass		(121.40)		(792.36)
	0.00	102,709.72	0.00	23,808.80

**2004 HURRICANES
Natural Gas**

Attachment 3
Page 4 of 4

	South Florida		Central Florida	
	Capital	Expense	Capital	Expense
Payroll	745.16	380,373.00	535.00	78,684.40
Transportation	0.00	9,945.00	62.00	4,906.00
Inventory	0.00	4,254.00	601.00	760.00
Petty Cash Receipts	246.59	12,111.19	6.50	1,157.06
PL	35,955.13	22,037.15	15.60	8,032.39
JE 33,34 Reclass	(17,200.00)	(1,000.00)	0.00	0.00
	19,746.88	427,720.34	1,220.10	93,539.85

Actual Costs:

Total Expense	521,260.19
Total Capital	20,966.98
Total to storm reserve	542,227.17

Estimated Remaining Costs:

Payroll	50,000
AP	25,000
Inventory	2,000
Transportation	
Total Estimated Costs	77,000

Total Storm costs 2004	619,227.17
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