BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public Utilities Company for rate increase for Marianna Division.	))))	DOCKET NO. 880558-EI ORDER NO. 21532 ISSUED: 7/12/89

The following Commissioners participated in the disposition of this matter:

MICHAEL McK. WILSON, Chairman
THOMAS M. BEARD
BETTY EASLEY
GERALD L. GUNTER
JOHN T. HERNDON

ORDER GRANTING CERTAIN INCREASES

BY THE COMMISSION:

On October 3, 1988, Florida Public Utilities Company (FPUC, utility or company) filed its petition for a rate increase of $690,888 per annum for its Marianna Division. FPUC claimed a current pro forma return on investment of 5.61% and requested a return of 9.13%. In 1988, the Commission approved an historic test year ended December 31, 1987, and an attrition year ending December 31, 1989.

FPUC's proposed permanent rate schedules were suspended under Florida Statutes 366.06(3), pending the outcome of a formal hearing. Interim relief of $473,603 was granted in accordance with Ch. 366.071, Florida Statutes. The Office of Public Counsel (OPC) intervened in this docket. Thereafter, a service hearing was held in Marianna, Florida, on January 27, 1989. None of the utility's customers appeared at the hearing.

At the time of the prehearing conference on March 3, 1989, the utility modified its position and requested an annual increase of $669,808, which it calculated would return 9.32% on its rate base.

At the prehearing, the parties stipulated to roughly half of the identified issues. The utility, OPC, and Commission Staff presented testimony and exhibits in support of their positions.

I. SUMMARY OF DECISION

We authorize FPUC an increase in gross annual revenues of $539,720, which includes an attrition year increase of $172,065. FPUC shall hold an annual amount of $2,738 subject to refund with interest, pending our decision in Docket No. 881170-PU, a generic investigation of pension accounting. We have set the rate of return on common equity capital at 13.35%.

II. REVENUE REQUIREMENTS DETERMINATION

The revenue requirements of a utility are derived by establishing its rate base, net operating income (NOI) and fair rate of return. A test year of operations, traditionally based upon one year of operations, is used to derive these factors. Multiplying the rate base by the fair rate of return provides the net operating income the utility is permitted to earn. Comparing the permitted net operating income with the test year net operating income determines the net operating deficiency or excess. The total test year revenue deficiency or excess is determined by adjusting the deficiency or excess by the revenue expansion factor.

III. THE TEST YEAR

The test year in a rate case provides a set period of utility operations that may be analyzed so the Commission can set reasonable rates for the period the rates will be in effect. A test period may be based upon an historic test year, adjusted to reflect typical conditions in the immediate future, which should make it reasonably representative of expected future operations. Alternatively, a test period may be based upon a projected test period which, if appropriately developed and adjusted, may reasonably represent expected future operations. We approved FPUC's choice of an historic test year.

IV. TEST YEAR RATE BASE

To establish the FPUC's overall revenue requirements, we must determine the value of its rate base, which represents the investments on which the company is entitled to earn a reasonable return. A utility's rate base is comprised of various components including: (1) net utility plant-in-service, which is comprised of plant-in-service less accumulated depreciation and amortization, (2) total net utility plant, which is comprised of net utility plant-in-service, CWIP (where appropriate), plant held for future use, and nuclear fuel where appropriate, and (3) working capital.

FPUC initially submitted a proposed jurisdictional rate base of $7,927,404, but subsequently reduced this amount to $7,926,477, which was stipulated by the parties as follows:

A. Utility Plant-in-Service	$11,597,833
B Accumulated Depreciation & Amortization	(3,745,227)
C. Customer Advances for Construction	(44,813)
D. Net Utility Plant-in-Ser.	7,807,793
E. Construction Work-in-Progress	116,614
F. Net Utility Plant	7,924,407
G. Working Capital	2,070
H. Total Rate Base	$ 7,926,477

A. Utility Plant-in-Service

The utility's jurisdictional per books total plant-in-service includes plant-in-service of $11,440,650 dedicated to, and located in, the Marianna service area. A portion of the West Palm Beach general office facilities is also allocated to the Marianna electric operations. These general facilities are used for regulated electric, water and natural gas operations, as well as non-utility merchandising and L.P. gas operations. FPUC removed non-utility and merchandising activities and allocated the remaining $153,492 to regulated electric and gas operations based on net plant investment at year end. In addition, the company included acquisition adjustments of $3,691 and $116,614 in CWIP - Completed Not Classified. Total plant-in-service is therefore $11,714,447. An audit by our Staff of supporting documentation showed no significant differences in plant-in-service or the allocation methodology used by the company. These adjustments are consistent with adjustments made in prior rate cases with other operating divisions of the company and we therefore approve them.

B. Accumulated Depreciation and Amortization
C. Customer Advances for Construction

The depreciation reserve associated with plant-in-service totals $3,680,978. FPUC made an adjustment increasing depreciation expense $927 to correct an error made in calculating depreciation expense, making the total accumulated depreciation $3,681,905 for plant located in the Marianna service area. In addition, the utility made an adjustment of $59,631 for depreciation associated with the common plant allocated to the Marianna operations. The company also deducted $3,691 as full amortization of the acquisition adjustment, and $44,813 for customer advances for construction. An audit of the depreciation reserve showed no deviation from information contained in the MFRs filed by the company.

D. Net Utility Plant-in-Service

Net utility plant-in-service is comprised of utility plant-in-service, less accumulated depreciation and amortization and, in this case, less customer advances for construction. We find that the appropriate amount of net utility plant-in-service for the test year 1987 is $7,807,793.

E. Construction Work in Progress (CWIP)

The utility's investment in plant under construction can be accounted for by either of two methods. An Allowance for Funds Used During Construction (AFUDC) may be applied to the balance to be capitalized and later recovered through depreciation charges once the plant is placed in service. When this method is chosen, the financial statements of the utility reflect income "credits" associated with AFUDC, but the utility realizes no current cash earnings from the investment in CWIP. Alternatively, CWIP may be included as a portion of rate base. Where the latter treatment is allowed, CWIP generates cash earnings, which provide cash flow and an increase in coverage ratios. No AFUDC is taken on that portion of CWIP which is included in rate base.

In this docket, the parties stipulated that the appropriate amount of CWIP (completed not classified) is $116,614.

F. Net Utility Plant

Based upon the adjustments discussed above, total net utility plant for the test year 1987 is $7,924,407.

G. Working Capital

A traditional component of rate base is the value of working capital committed to utility operations. In recent cases we have applied the "balance sheet" approach to determine the working capital allowance, as opposed to the "formula" approach previously utilized. The balance sheet approach generally defines working capital as current assets and deferred debits that are utility-related and do not already earn a return, less current liabilities, deferred credits and operating reserves that are utility-related and upon which the company does not already pay a return.

We find the appropriate level of working capital is $2,070, as reflected on the following chart.

We note that FPUC included prepaid pension expense in its calculation of working capital. We find it appropriate to include prepaid pension expense in current assets at this time, but order FPUC to hold the annual amount of $2,738 subject to refund pending the outcome of our generic docket on pension accounting, Docket No. 881170-PU.

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WORKING CAPITAL
13 MONTH AVERAGE - JURISDICTIONAL AMOUNT
YEAR ENDED DECEMBER 31, 1987

CURRENT ASSETS	AMOUNT
Cash	$ 105,546
Sinking Fund	3,641
Working Funds	1,400
Interest Special Deposits	5,948
Divided Special Deposits	25,830
Customer Accounts Receivable	822,384
Accum. Prov. for Uncollectibles	(4,854)
Materials and Supplies	249,005
Income Tax Receivable	7,370
Prepayments - Insurance	68,124
Prepayments - Pensions	12,116
Prepayments - Other	440
Clearing Accounts	(395)
Temporary Facilities	(3,273)
Misc. Deferred Debits	6,691
Total Current Assets	1,299,973

CURRENT LIABILITIES	
Accounts Payable	$ 949,024
Salaries & Wages Accrued	27,284
Other	9,785
Taxes Accrued	105,298
Interest Accrued	72,141
Dividends Accrued	976
Tax Collections Payable	73,578
Vacation Pay Accrued	50,052
Storm Damage Reserve	0
Med. Ins. Reserve	9,765
Total Current Liabilities	1,297,903
Working Capital	2,070

H. Total Rate Base

Based upon total test year net utility plant of $7,924,407, and working capital of $2,070, the total jurisdictional rate base for 1987 is $7,926,447.

V. FAIR RATE OF RETURN

The Commission must establish the rate of return which the Company should be given an opportunity to earn on its investment in rate base. The fair rate of return should be established so as to maintain the Company's financial integrity and to enable it to acquire needed capital at a reasonable cost.

Capital Structure

The ultimate goal of providing a fair rate of return is to allow the utility an appropriate return on equity investment in rate base. Because all sources of capital cannot be clearly associated with specific utility property, the Commission has traditionally considered all sources of capital (with appropriate adjustments) in establishing a fair rate of return.

The establishment of a utility's capital structure serves to identify the sources of the capital employed by a utility, as well as the amounts and cost rates associated with each. After establishing the sources of capital, all capital costs, including the cost of equity capital, are weighted according to their relative proportion to total capital. The weighted components are then added to provide a composite or overall cost of capital. The weighted cost of capital multiplied by the net utility rate base produces an appropriate return on rate base, including a return on equity capital invested in rate base. The return is also sufficient to recover the annual cost of other types of capital, including debt.

Since a return on all sources of capital is provided by this treatment, actual debt and similar capital costs are not included in the test year operating expenses, but are treated "below the line." This insures that such capital costs are not double-counted for ratemaking purposes.

An appropriate capital structure is both economical and safe. Such a capital structure should minimize the costs of capital through an appropriate balance between debt and capital components, and should bear an appropriate relationship to the utility's actual sources of capital.

Rate of Return

Based upon our review of the record, we will set a midpoint of 13.35% for return on equity, which results in 8.91% for overall required return. The appropriate test year ranges are therefore 12.35% to 14.35% for return on equity and 8.57% to 9.24% for overall required return. We find that these figures will allow FPUC the opportunity to raise capital on a fair and reasonable basis and to maintain its financial integrity.

Based upon our review of the record, we approve the following capital structure components, amounts, and cost rates for the test year:

FLORIDA PUBLIC UTILITIES COMPANY

(MARIANNA DIVISION)

COST OF CAPITAL - 13 MONTH AVERAGE

TEST YEAR ENDED 12-31-87

CAPITAL COMPONENT	ADJUSTED AMOUNT	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	2,446,384	0.3091	13.35	4.1266
PREFERRED EQUITY	124,179	0.0157	4.76	0.0747
LONG-TERM DEBT	2,298,741	0.2905	9.69	2.8145
BANK NOTES	898,986	0.1136	7.82	0.8883
CUSTOMER DEPOSITS				
ACTIVE	351,328	0.0444	9.00	0.3995
INACTIVE	7,134	0.0009	0.00	0.0000
INVESTMENT TAX CREDIT				
3%	15,123	0.0019	0.00	0.0000
POST '70	417,950	0.0528	11.40	0.6022
DEFERRED INCOME TAXES	1,354,536	0.1711	0.00	0.0000
TOTAL	7,914,361	1.0000		8.9057

The per books amounts above were taken directly from the MFRs. Staff made an adjustment for Flo-Gas nonregulated affiliate operations, which took the value of Flo-Gas out of common equity at the total company level. The investor-supplied sources of capital for Marianna were then allocated to maintain the same proportions as in the company's consolidated capital structure. This adjustment only affected investor-supplied sources of capital because the company maintained that the amounts originally allocated to Customer Deposits, Investment Tax Credits, and Deferred Income Taxes were the actual amounts incurred by the Marianna Division.

FPUC made a pro rata working capital adjustment of $161,413 over the investor-supplied sources of capital. We allocated $45,756 of this amount directly to Notes Payable because it represented current maturities of Long-term Debt. This amount was allocated to Notes Payable instead of Long-term Debt because the 13-month average cost rate on current maturities more closely matched the Notes Payable rate than the rate for Long-Term Debt. The remaining $115,657 was allocated pro rata over all investor-supplied sources of capital. As with the earlier adjustment, the other sources of capital were not adjusted because those balances were the actual amounts incurred by the Marianna Division.

We used the respective cost rates supplied by the Company with two exceptions. We used the 13-month average cost rate of 9.69% for Long-Term Debt as opposed to the company's use of the year-end average cost rate of 10.09%. We also used a cost of equity of 13.35% for setting revenue requirements.

VI. TEST YEAR NET OPERATING INCOME (NOI)

Having established FPUC's rate base and fair rate of return, the next step in the revenue requirements determination is to ascertain the net operating income applicable to the test period. Operating revenues less operating expenses equals NOI.

The Company originally proposed a net operating income of $444,324 but later revised this figure to $465,077.

We find that FPUC's estimate of 1989 revenues from sales of electricity is based upon reasonable forecasts of customers, KW and KWH billing determinants by rate class, given the characteristics of each class.

VII. TEST YEAR OPERATING INCOME

Items markes with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Request or Stipulation	Commission Adjustments	As Adjusted
(I) *Operating Revenues	$2,636,620		$2,636,620
(II) Operating Expenses			
*A. Operate. & Maint.	1,524,137		1,524,137
*B. Deprec. & Amort.	391,863		391,863
*C. Amort. of ITC	(21,987)		(21,987)
*D. Taxes Other Than Income Taxes	187,223		187,223
E. Income Taxes Currently Payable	131,472	(15,921)	115,551
*F. Deferred Income Taxes (Net)	(41,165)		(41,165)
G. Total Operating Expenses	2,171,543	(15,921)	2,155,622
(III) Net Operating Income	465,077	(15,921)	480,998

(I) Operating Revenues

The appropriate amount of test year operating revenue is $2,636,620, which includes two adjustments.

(1) Removal of Fuel and Conservation Revenues and Related Expenses

The company made adjustments to remove fuel and conservation revenues of $10,195,538, operating expenses of $10,052,580 and revenue related taxes of $163,095. These adjustments zero out the effect of fuel and conservation expenses recovered through our cost recovery clauses, and are consistent with Commission policy.

(2) Unbilled Revenue

The company made an adjustment reducing revenue $1,466 to reflect unbilled revenues for the test year. This adjustment is consistent with Commission policy.

(II) Operating Expenses

We find the appropriate amount of test year operating expenses to be $2,155,622, which includes components and adjustments noted below.

A. Operations and Maintenance

The parties stipulated to test year O&M expense of $1,524,137.

(1) Account 586 - Meter Expenses

The company purchased 96 meter retrofit kits for use over a 3 year period to repair electric meters which were no longer performing to specification. Such repairs would upgrade components to register electronically. We find that this cost should have been amortized over 3 years and not totally expensed in 1987. The $17,035 cost amortized over 3 years amounts to $5,687 per year, which reduces 1987 O&M expense by $11,357.

(2) Account 938 - Outside Service Expenses

Blue Springs is located east of Marianna and is the source of water for the company's small hydro plant. In 1987, the State of Florida claimed ownership of the springs. FPUC incurred legal expenses in 1987 in contesting this claim. This property is non-utility in nature and is not included in rate base, so any expenses connected with it should also be considered non-utility in nature and removed from O&M accounts. In 1987, approximately $19,693 was charged to Account 923 for the lawsuit brought by the State of Florida. Therefore, we will reduce 1987 expenses by $19,693.

(3) Account 930 - Miscellaneous General Expenses

We have reduced Account 930, Miscellaneous General Expenses, $3,087 to remove the cost of the following items during 1987:

a.	Image Building Advertising	$1,190
b.	Chamber of Commerce Dues (Service Area)	1,275
c.	Chamber of Commerce Dues (West Palm Beach)	204
d.	Natural Gas Dues	418
		$3,087

During the 1987 test year the company included the above items in the Marianna Division operating expenses. It is Commission policy to disallow image building advertising and Chamber of Commerce dues. Natural gas dues were incorrectly charged to the Marianna Division and also should be removed.

All parties agreed with these adjustments, which resulted in a $3,087 reduction in expenses.

(4) Employee Newsletter Expense

During the 1987 test year $2,464 was allocated to the Marianna Division for expenses incurred by an outside firm in preparing an employee newsletter. The newsletter has been discontinued, so we will eliminate this amount. All parties have agreed to this adjustment.

(5) O&M Benchmark Calculation and Adjustments

The utility made several adjustments in its filing to remove purchased power and conservation expense of $10,052,580, which is recoverable through our fuel cost recovery clauses.

In addition the company made an adjustment to increase the annual accrual of uncollectible accounts expense $3,456, equal to the average charge-off for the past three years. A similar adjustment was made in the company's last gas rate case (Order No. 16195, Docket No. 850172-GU).

The company filed its O&M benchmark calculation on MFR Schedule C-16 together with a justification of O&M expenses exceeding the benchmark on a functional basis. The company calculated a $26,067 total variance and after specific adjustments, stipulated to by all parties, the resulting variance is ($10,534). All parties stipulated to the adjusted 1987 O&M expense with no additional adjustments for benchmark variances. We approve the stipulation.

(a) Hydro Production

FPUC identified a $644 variance for hydro production in excess of the 1987 system benchmark of $6,590. The operation of a small hydro generating plant causes year to year fluctuations in operating expenses. These expenses are within a reasonable range and we find that the utility has justified them.

(b) Other Power Supply

All purchased power costs contained in this account are recovered through the Fuel Adjustment Clause. The remaining $24 is for telephone calls to Gulf Power to schedule the delivery of capacity and energy.

(c) Distribution Expenses

The company calculated a negative benchmark of $6,161 in this category, which we have recalculated as (17,518) due to our amortization of meter retrofit kits over 3 years.

(d) Customer Accounts

The benchmark for this function was $429,156 compared to the adjusted test year expense of $362,549. The company is under the benchmark in this function.

(e) Customer Service

The company is over the benchmark by $35 which we find to be an immaterial amount.

(f) Sales

FPUC is $541 over benchmark in this function. The company recorded a $645 expense for directory advertising in this account in 1987. In prior years this expense was charged to customer accounts. We find this variance to be reasonable.

(g) Administrative and General

The company calculated a $97,591 benchmark variance for this function. After making specific adjustments stipulated to by all parties and discussed above, the adjusted variance is $72,347.

FPUC submitted its explanation of justifications for this variance on MFR Schedule C-16g, page 3 of 3. The company included in is justification the following three items:

Liability Insurance	$151,700
Property Insurance	6,000
Medical Insurance	11,600
Total	$169,300

According to FPUC, the cost for these expenses has increased at a rate which exceeds CPI and customer growth. In order to try and contain these increases in the medical program, deductibles have been increased, employee premiums for dependent coverage have been increased, and limits have been placed on certain medical care.

In our opinion, the adjusted variance of $72,347 has been justified by the utility.

B. Depreciation and Amortization

The total jurisdictional depreciation and amortization expense for 1987 was $386,100. The company made adjustments increasing expenses $6,023 to correct a depreciation error made in November, 1987, and increasing expense $260 reflecting a change in the basis of allocating common plant to the company's operating divisions. The adjusted expense is $391,863 which was agreed to by all parties.

C. Amortization of Investment Tax Credit

The parties stipulated to FPUC's original filing amount of ($21,987) for amortization of its investment tax credit. This includes a jurisdictional per books figure of ($16,792) and a company adjustment of ($5,195), which was made to remove the effects of out-of-period adjustments.

D. Taxes Other Than Income Taxes

The parties stipulated to FPUC's original filing amount of $187,223 for taxes other than income, which includes the following adjustments.

(1) General Office Property Taxes

The company made an adjustment allocating $3,799 to the Marianna Division for its pro-rata share of property taxes on the West Palm Beach general office building. A similar adjustment was made in the company's last gas case (Order No. 850172-GU) and has been accepted by all parties.

(2) Non-Utility Property Taxes

The company owns several parcels of land in Marianna which are non-utility in nature. The company accordingly made an adjustment reducing expenses $1,653 to eliminate property taxes on this property. This adjustment was agreed upon by all parties.

E. Income Taxes Currently Payable

The company reduced this category $33,169 to remove the effects of out-of-period adjustments. Further, the company increased state and federal income taxes $3,164 related to the various company adjustments in its initial filing. Based on the O&M adjustments discussed above, we must further increase income taxes $15,848.

(1) Income Taxes - Interest Reconciliation

The company made an adjustment related to reconciliation of its capital structure to rate base, which increased income taxes $10,856. Because of adjustments we made to the company's capital structure, we calculated an interest expense of $344,401 compared to the company's calculation of $332,704. The tax effect of this difference results in a $5,065 reduction in taxes, or a $15,921 reduction in the company's adjusted balance.

F. Deferred Income Taxes (Net)

The appropriate amount of deferred income taxes is ($41,165), which includes a company adjustment of $513 to remove the effects of out-of-period adjustments to income taxes.

G. Total Operating Expenses

Based on the above figures, we find FPUC's total operating expenses for the test year to be $2,155,622.

(III) Net Operating Income

Based on our findings and the stipulations noted above, we find FPUC's 1987 NOI to be $480,998.

VIII. TEST YEAR REVENUE DEFICIENCY

Based on the foregoing determinations of rate base, and cost of capital, we have established FPUC's test year revenue deficiency to be $367,655, as follows:

	Rate Base	$7,926,477
x	Rate of Return	.0891
=	Required NOI	= 706,249
-	Achieved NOI	- 480,998
=	NOI Multiplier	x 1.6322
=	Revenue Increase	$ 367,655

The appropriate revenue expansion factor for the 1987 test year is 1.6322 as shown on the following chart. The factor takes into account the 34% federal income tax rate in effect during 1989 when the revenue will be collected, and the increased regulatory assessment fee.

Application of Revenue Expansion Factor

Revenue Requirement	100.000000
Uncollectible Accounts	(0.143800)
Gross Receipts Tax	(1.500000)
Regulatory Assessment Fee	(0.125000)
Net Before Income Taxes	98.231200
State Income Tax Rate	5.5000%
State Income Tax	5.402716
Net Before Federal Income Tax	92.828484
Federal Tax Rate	34.0000%
Federal Income Tax	31.561685
Net Operating Income	61.266799
Net Operating Income Multiplier	1.6322

For the 1987 test year, all parties stipulated to the use of the 40% Federal income tax rate then in effect. It was agreed that an appropriate adjustment would be made in the attrition year to reflect the current Federal tax rate of 34%. This produces the same result as calculating the tax expense at 34% in the test year.

IX. ATTRITION YEAR RATE BASE

FPUC based its attrition year calculation on the year ending December 31, 1989. Based on the stipulated and contested adjustments discussed below, we find the appropriate attrition year rate base to be $9,180,722. The items marked with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Request or Stipulation	Commission Adjustments	As Adjusted
*A. Utility Plant-in-Service	$13,629,689		$13,629,689
*B. Accumula. Deprec. & Amortization	4,427,186		4,427,186
*C. Cust. Advances for Construct.	19,475		19,475
*D. Net Utility Plant-in-Service	9,183,028		9,183,028
*E. Working Capital	47,200	(49,506)	(2,306)
*F. Total Rate Base	9,230,228	(49,506)	9,180,722

A. Utility Plant-In-Service

Attrition year plant-in-service includes electric plant of $13,450,479, a $175,519 allocation of common plant and an acquisition adjustment of $3,691. Public Counsel, our Staff and the company were in agreement as to common plant and the acquisition adjustment, but Public Counsel disagreed as to attrition year plant-in-service. Public Counsel believed the 1989 electric plant balance to be $13,338,002, while the company and Staff agreed that the plant-in-service balance is $13,450,475. This disagreement arose from the use of two different methods of calculating the 13-month average of projected plant additions.

Recalculating electric plant based on the December 31, 1988 balances and 1989 projections with which we concur, results in average plant of $13,491,729. There remains only an immaterial difference of 0.2% between the positions held by Public Counsel and FPUC on attrition year plant-in-service, which we resolve in favor of the utility.

B. Accumulated Depreciation and Amortization

Based on our finding that projected plant-in-service is $13,629,689, we find the related accumulated depreciation is $4,446,661.

C. Customer Advances for Construction

The parties agreed that the appropriate amount of customer advances is $19,475.

D. Net Utility Plant-in-Service

Based on the deduction discussed above, we find net utility plant-in-service in the attrition year to be $9,183,028.

E. Working Capital

The utility claimed an attrition year working capital allowance of $53,300, which we adjusted to ($2,306) as follows:

(1) Negative Pension Expense

The utility included pension expense in its attrition year working capital, consistent with inclusion in its test year working capital.

Based on our decision that prepaid pension expense should be inlcluded in working capital in the 1987 test year, we find that prepaid pension expense should be included in attrition year working capital.

The prepaid expense is on the books because of past overfunding of the plan due to inaccurate estimates of pension cost. It appears that the company used its best estimates of pension cost without acting imprudently. The negative pension costs were used to offset other employment expenses in 1986 through 1988. Therefore, ratepayers derived the benefit of the negative pension cost that gave rise to the prepaid expense.

From a policy perspective, Public Counsel believes that inclusion of prepaid pension expense in working capital would require customers (who in the past overpaid pension expense through rates) to now also pay a return on those excess payments. However, because there was no evidence that the company acted imprudently in estimates, we believe the prepaid expense should be included in working capital.

In its original filing, FPUC included $33,000 in working capital for prepaid pensions. An increase of $1,200 is necessary to recognize the increase in the prepaid expense that results from recognizing negative pension expense of $2,328 in the attrition year. As previously discussed, we reiterate that we include negative pension expense in working capital pending the outcome of Docket No. 881170-PU, and that such funds are subject to refund, with interest.

(2) Unamortized Rate Case Expense

FPUC claimed that unamortized rate case expense of $76,800 should be included in attrition year working capital. The utility believed that any reasonable and necessary cost of doing business which was paid prior to receipt of rate relief should be allowed, which then implies a carrying cost associated with the unamortized balance. Public Counsel supported Staff's position that this expense should be excluded from working capital. This is consistent with current Commission policy, as noted in Order No. 14030, Docket No. 840086-EI.

We understand that removing unamortized rate case expense from working capital reduces the level of earnings. However, we feel that this policy strikes a balance between the interest of ratepayers and stockholders, and should be an incentive to the company to hold down the cost of a rate case where possible. Accordingly, we will not reverse our current policy of excluding unamortized rate case expense from working capital, so $76,800 will be excluded from the utility's attrition year working capital allowance.

(3) Storm Damage Reserve

FPUC claimed a storm damage reserve of $19,300, which would reduce attrition year working capital. The reduction is based on a requested expense of $54,050 for a Provision for Property Insurance, discussed below. Based on our decision to allow a $17,300 annual expense for the Provision for Property Insurance, we find it is appropriate to include only $8,650 in the calculation of working capital, which will require an adjustment increasing working capital $10,650.

(4) Unamortized Depreciation Study

Working capital must be increased $9,186 to include the unamortized balance of the utility's upcoming depreciation study, which is discussed in more detail below.

(5) Trend Effects

Working capital must be increased $1,358 for the effect of changing trend factors for projected 1989 expenses, which is discussed more completely below.

(6) Total Working Capital

Based on the foregoing adjustments, we find that the appropriate test year working capital is ($2,306), as shown on the following chart. We have decided that a negative working capital allowance, rather than a zero allowance (the amount expended) is appropriate. Arbitrarily increasing working capital, by raising a negative working capital to zero, would require additional dollars of return on an inflated rate base. However, Section 366.06(1), Florida Statutes, allows a utility to earn a return only on funds actually invested in used and useful assets.

In certain instances it would be appropriate to use a zero working capital instead of a negative: (1) if a negative allowance would have the effect of penalizing a utility for subsidization received from its parent, or (2) large accumulated losses have resulted in a balance sheet which is not typical of a going concern.

In our opinion, we were not convinced that the utility has justified the use of a zero working capital allowance. We therefore allow ($2,306) as working capital allowance.

WORKING CAPITAL
13 MONTH AVERAGE - JURISDICTIONAL AMOUNT
YEAR ENDED DECEMBER 31, 1987

CURRENT ASSETS	AMOUNT
Cash	$ 119,415
Sinking Fund	15,100
Working Funds	1,400
Interest Special Deposits	5,800
Divided Special Deposits	25,900
Customer Accounts Receivable	866,382
Accum. Prov. for Uncollectibles	(10,000)
Materials and Supplies	289,700
Income Tax Receivable	0
Prepayments - Insurance	51,700
Prepayments - Pensions	34,200
Prepayments - Other	0
Clearing Accounts	0
Temporary Facilities	0
Misc. Deferred Debits	15,786
Total Current Assets	1,415,383

CURRENT LIABILITIES	
Accounts Payable	$ 999,800
Salaries & Wages Accrued	29,453
Other	10,655
Taxes Accrued	108,400
Interest Accrued	100,800
Dividends Accrued	500
Tax Collections Payable	77,500
Vacation Pay Accrued	54,031
Storm Damage Reserve	8,650
Med. Ins. Reserve	27,900
Total Current Liabilities	1,417,869
Working Capital	($2,306)

F. Total Attrition Year Rate Base

Based upon total attrition year net utility plant of \$9,183,028, and working capital of (\$2,306), the total attrition year rate base is \$9,180,722.

X. ATTRITION YEAR COST OF CAPITAL AND CAPITAL STRUCTURE

Consistent with our decision regarding the test year, we find that the appropriate attrition year return on equity to be 13.35%, with a range of 12.35% to 14.35%. Based on our review of the record, we will set an attrition year midpoint of 8.91% for overall cost of capital.

Based upon our review of the record, we approve the following capital structure components, amounts,and cost rates for the attrition year:

FLORIDA PUBLIC UTILITIES COMPANY

(MARIANNA DIVISION)

COST OF CAPITAL - 13 MONTH AVERAGE

ATTRITION YEAR ENDING 12-31-89

CAPITAL COMPONENT	ADJUSTED AMOUNT	RATIO	COST RATE	WEIGHTED COST
COMMON EQUITY	2,308,107	0.2523	13.35	3.3688
PREFERRED EQUITY	113,518	0.0124	4.75	0.0590
LONG-TERM DEBT	3,563,409	0.3896	9.81	3.8219
BANK NOTES	944,157	0.1032	10.30	1.0632
CUSTOMER DEPOSITS				
ACTIVE	408,995	0.0447	8.30	0.3711
INACTIVE	1,445	0.0002	0.00	0.0000
INVESTMENT TAX CREDIT				
3%	11,609	0.0013	0.00	0.0000
POST '70	382,220	0.0418	11.08	0.4630
DEFERRED INCOME TAXES	1,413,062	0.1545	0.00	0.0000
TOTAL	9,146,522	1.0000		9.1470

The per books amounts in the above chart were taken directly from FPUC's revised filing. We made an adjustment which took the value of Flo-Gas non-regulated affiliate operations out of common equity at the total company level. Investor-supplied sources of capital for Marianna were then allocated to maintain the same proportional amounts as in the Company's consolidated capital structure. This adjustment only affected investor-supplied sources of capital because FPUC maintained that the amounts originally allocated to Customer Deposits, Investment Tax Credits, and Deferred Income Taxes were the actual amounts incurred by the Marianna Division.

Our Staff made an adjustment which increased common equity by $6,911 and decreased Deferred Income Taxes by the same amount. A further working capital adjustment of $55,606 was allocated pro rata over investor-supplied sources of capital. As with the earlier adjustment, other sources of capital were not adjusted because those balances were the actual amounts incurred by the Marianna Division.

The approved capital structure includes accumulated deferred income taxes for the 1989 projected test year of $1,413,500.

Deferred Taxes

As a result of the tax rate reduction of the Tax Reform Act of 1986, FPUC accumulated excess deferred taxes which had been collected from customers when the Federal income tax rate was higher. IRC Section 203(e) requires that deferred taxes in excess of the new rate and related to depreciation method and life of public utility property be flowed back using the average-rate assumption method. Under this method, the "unprotected" excess in the reserve is reduced over the remaining life of the related property, beginning in the year in which the book deductions exceed the tax deductions, and continuing over the remaining life of the vintage year. Other deferred taxes, such as those resulting from book/tax basis differences, are "unprotected" in that the Code does not restrict the time period for writing them back. The requirements of the Code must be met in the treatment of the protected balances.

We accept the amortization of $11,946 for protected deferred taxes, which was calculated by Public Counsel's witness Mr. Dittmer, based on the company's records.

We find that the basis difference deferred taxes should be amortized over the remaining lives of the assets, since the basis differences are being depreciated as part of the assets to which they relate. While it is appropriate to match the amortization of the deferred taxes with depreciation of the assets, unprotected deferred taxes should be amortized beginning when the related basis differences begin reversal. We have calculated annual amortization of $3,294 under this combination of the two methods.

We also will increase the state deferred tax balance by $542 annually, calculated in the same manner as for the unprotected federal balances. In the case of state deferred taxes, since there are no protected balances, the deferred tax balance for each vintage year through 1984 should be adjusted over the remaining lives, beginning in 1989.

The total deferred tax amortization is ($14,698), composed of ($11,946) for protected Federal, ($3,294) for unprotected Federal, and $542 for state tax amortization. An adjustment of $876 reflecting the deferred tax effect of an adjustment to pension expense brings the total deferred tax adjustment to ($13,822). Applying this adjustment to the company's filing of ($10,936) on MFR C-2d, page 1, results in a total deferred tax expense of ($24,758) for 1989. On an average basis, the deferred tax balance is reduced by ($6,911), to $1,413,500.

The parties agreed that the appropriate 13 month average balance of accumulated deferred ITC for the 1989 projected test year is $393,829, which is the amount filed by FPUC on MFR D-1a, page 2.

XI. ATTRITION YEAR NET OPERATING INCOME

Items marked with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Revised Request	As Adjusted
(I) *Operating Revenues	$2,779,142	$2,779,142
(II) Operating Expenses		
*A. Operate. & Maint.	1,713,262	1,660,506
*B. Deprec. & Amort.	455,083	455,083
*C. Amort. of ITC	(21,989)	(21,989)
*D. Taxes Other Than Income Taxes	210,557	210,554
E. Income Taxes Currently Payable	(16,461)	(9,620)
*F. Deferred Income Taxes (Net)	(12,807)	(24,758)
G. Total Operating Expenses	$2,237,645	$2,269,776
(III) Net Operating Income	451,497	509,366

(I) Operating Revenues

The appropriate amount of attrition year operating revenue is $2,779,142, which was stipulated by the parties.

The company's original filing included $2,714,670 in revenue from sales of electricity, but did not include an adjustment for unbilled revenues. At Staff's request, FPUC provided a calculation of 1989 unbilled revenues of $1,661. In addition, Staff discovered a company error which should reduce sales of electricity $159. These adjustments resulted in the agreed upon level of operating revenue.

(II) Operating Expenses

We find the appropriate amount of attrition year operating expenses to be $2,269,776, which includes the components and adjustments noted below.

A. Operations and Maintenance

FPUC claimed attrition year O&M expenses of $1,749,881. We find that certain adjustments to this figure are necessary. Our adjustments total $89,375, so we will therefore allow $1,660,506 in O&M expenses.

(1) Property Insurance Expense

For the 1987 test year, the company recorded an actual expense of $9,805 for property insurance, projected to increase $10,230 in the attrition year. In 1988, however, the company's expense for property insurance was $9,432, a decrease from the amount recorded in 1987. While it is difficult to predict property insurance rates, it seems unlikely that insurance rates for 1989 will decrease further, particularly since the company will continue to acquire additional insurable property and equipment. All parties agreed that the attrition year expense should approximate the test year expense for 1987. Therefore, this expense was reduced from $10,230 to $9,805 for attrition year NOI, a reduction of $425.

(2) Account 228-1 - Provision for Property Insurance

FPUC requested an annual allowance of $54,050 to provide for a reserve for Property Insurance (storm damage reserve). This amount was based on the loss experience from Hurricane Kate in 1985, which is the only experience that the company has had in several years with a major storm. This storm caused damages of $173,000 in 1985 and 1986. Expressed in 1989 dollars by using customer growth and the Consumer Price Index, the cost would be $216,200. FPUC divided this amount by four years and requested an annual accrual of $54,050 in this account.

Rule 25-6.0143, F.A.C., Use of Accumulated Provision Accounts, discusses establishment of Account No. 228.1, Accumulated Provision for Property Insurance (previously known as Storm Damage Reserve). As set forth in the rule, this account may be established to provide for losses through accident, fire, flood, storms, nuclear accidents and similar type hazards to the utility's own property or leased from others, which is not covered by insurance, and would include provision for deductible amounts contained in property loss insurance polices. The rule directs that a schedule of risks be maintained giving a description of property involved, character of risks covered, and accrual rates. The account shall be charged for all losses not covered by insurance in accordance with the schedule of risks.

The utility has proposed a level of expense based on one storm four years ago. The company does not have adequate records to support actual damages from other storms in prior years. In addition, information was not furnished to support loss experiences related to hazards, other than hurricanes, which would be included in Account 228.1, Accumulated Provision for Property Insurance.

We feel that it is appropriate to normalize expenses caused by unusual events such as storms, and therefore will allow the utility to establish this account. We note, however, that as an alternative method of normalizing expenses, a utility could request special accounting treatment to amortize a non-recurring expense over a period of years. We find that the utility's request of $54,050 annual accrual to this account is excessive. Aside from the damages inflicted by Hurricane Kate, there was no record that the utility experienced more than $10,000 damages in any year. Public Counsel witness Mr. Dittmer testified that a $17,300 annual accrual would be a reasonable expense for this account. We agree, and have reduced the utility's $54,050 request by $36,750.

(3) Pension Expense

All parties agreed that attrition year pension expense is negative, but they did not agree on the amount. For the 1989 attrition year, estimates of pension cost were provided by the company's actuary in two separate letters from Claire L. Wolkoff, consulting actuary of Buck Consultants, to Mr. Darryl Troy, Assistant Treasurer of FPUC. The second, most recent letter is dated February 13, 1989, and indicates that the estimated pension cost for 1989 is ($21,000) instead of previous estimates of ($15,000) to ($75,000).

We find that the second letter provides a timely and reliable estimate of pension cost for the attrition year. The company's original filing included a negative pension expense in the 1987 test year and zero pension expense in the attrition year. The estimate of pension expense was revised after the actuary's February letter. Total company pension expense of ($21,000) is allocated based on payroll. Marianna's portion of 14%, adjusted for capitalization, produces a ($2,328) expense for the attrition year.

(4) Rate Case Expense

Rate case expense is normally amortized over the expected period between rate case filings. However, it has been approximately eleven years since this company's last electric rate case. FPUC attributes this to franchise negotiations with the City of Marianna. These negotiations ended in 1985, yet the company did not file this rate case until 1988, three years later. Further, it has been approximately four years since the last investor-owned electric utility's rate case before this Commission. Since FPUC purchases almost all its power requirements, it has no exposure to the earnings attrition from increased production costs experienced by other electric utilities, as these costs are automatically recovered through FPUC's approved fuel and purchased power adjustment clause. As a result, it would appear that FPUC's next rate case will most likely be more than three to four years in the future, as is normally assumed for establishing rate case expense amortization. Therefore, we find that a five year amortization period is reasonable for FPUC. If the company requests another rate increase in less than five years and carries an unamortized balance on its books as a result of this case, we will consider appropriate treatment of the balance at that time.

In its original request, FPUC projected $91,611 in rate case expense, which was later revised to $99,000, and finally to $102,984 ($34,328 per year over three years). This constitutes a $3,791 increase over the original filing. According to FPUC, actual rate case expense through January 31, 1989 was $73,339, with an estimated additional $29,645 in expense during January through June, 1989. FPUC appears to have counted January expense twice since actual expenses are calculated through January 31.

We do not feel it wise to allow FPUC to increase the projected amount in this account and ignore the possibility that projected amounts in other accounts may have decreased. We therefore allow $91,611 as rate case expense, and we will increase FPUC's attrition year O&M expense by $12,215.

(5) Depreciation Study

FPUC commissioned a depreciation study to be completed in 1989, as required by Rule 25-6.0436(8)(a), F.A.C. This expense will therefore be incurred in the attrition year. FPUC's consultant, Stone and Webster, estimated a fee of $10,000 for the study, based on time and materials. The utility wished to amortize this expense over four years, to which Public Counsel objected. While we are aware that pro forma increases can distort a utility's financial projections because offsetting deductions are not given consideration, we will allow this expense adjustment because it is a known expense. Amortized over four years, the yearly expense will be $2,625. We also increased working capital

$9,186 to include the unamortized balance, as noted above.

(6) Trend Effects

In deriving attrition year O&M expenses, FPUC originally projected that inflation would average 4.31% for 1988 and 5.3% for 1989. Our Staff used data from Review of the U.S. Economy, January, 1989, and determined that 1988 inflation averaged 4.1% and 1989 inflation would average 4.6%. The company agreed to lower its estimates for both years to 4.1% and 4.6% for 1988 and 1989, respectively. The company projected that payroll increases would average 4% in 1988 and 5% in 1989. In fact, payroll increases averaged 2.81% for 1988, with a projected increase of 5% for 1989. Since Staff's calculations included actual 1988 payroll increases of 2.81%, the company agreed to use this figure for the 1988 trend factor for payroll. There were two other original company calculated percentages which changed because they had been derived from either payroll or inflation. Inflation X Customer Growth changed from 106.26% to 106.05% for 1988 and 114.14% to 113.14% for 1989. Payroll X Customer Growth changed from 105.94% to 104.73% for 1988 and from 113.46% to 112.16% for 1989.

Therefore, the appropriate trending factors are listed in the chart below:

Trend Basis	Key	Projection Years 1988	1989
No Trend Basis	0	0.00%	0.00%
Inflation Only	1	104.10	108.89%
Customer Growth	2	101.87%	103.90%
Payroll Increases	3	102.81%	107.95%
Sales/KWH	4	97.82%	102.50%
Revenues/$s	5	101.56%	105.35%
Plant	6	107.27%	116.35%
Inflation X Cust. Growth	7	106.05%	113.14%
Payroll X Cust. Growth	8	104.73%	112.16%
Other	9		

Since the company projected 1989 expenses, it is necessary to use various factors to recognize that economic and specific company events affect the amount of charges incurred in the course of conducting business activities. As indicated above, several factors changed as a result of changing economic conditions or company policy. Anticipated inflation and pay increases for company employees in 1989 decreased, as did related factors (Inflation X Customer Growth and Payroll X Customer Growth). Since the known test year numbers are multiplied by certain factors to calculate a projected figure one or two years in the future, it is necessarily only an approximation of the actual number. Not to use the most current figures available for such items as anticipated inflation or company policy changes for payroll increases would further distort the projection. Using current factors will tend to more closely approximate the actual 1989 expenses.

B. Attrition Year Depreciation and Amortization

The appropriate amount of attrition year deprec.ation and amortization expense is $455,083.

C. Attrition Year Taxes Other Than Income Taxes

FPUC originally calculated attrition year Taxes - Other as $210,394. The parties stipulated that this expense should be increased by $1,177 to reflect the recent increase in the regulatory assessment fee from 0.000833 to 0.00125. When adjusted by the applicable trend factors, as shown below, the appropriate amount of Taxes - Other is $210,554 for the attrition year.

Type of Tax	Trend Basis	1989 Attr. Yr.
Federal Unemployment	FLAT	$ 1,186
State Unemployment	FLAT	142
FICA	RATE INCR./ Payroll	60,920
State Intangible	Revenue	796
Regulatory Assessment Fee	RATE INCR./	3,530
Real and Personal Prop.	Plant	99,680
State Gross Receipts	Revenue	40,185
Emergency Excise Tax	ACRS Deprecia.	2,418
Other Occupational License	Inflation	1,697
TOTAL		$210,554

D. Attrition Year Income Taxes - Current
E. Attrition Year Deferred Tax

The company requested tax expense totalling ($56,973) on its MFR C-2d, page 3, including current tax of ($24,048), deferred tax of ($10,936) and ITC of ($21,989).

We made an adjustment of $33,261 to the requested current tax expense for the tax effect of previously-discussed adjustments to revenues and expenses. The interest reconciliation and interest synchronization adjustments, calculated together, reduce current tax by ($18,833), to ($9,620).

The deferred tax expense proposed by FPUC reflects adjustments to refund excess deferred taxes resulting from the decrease in the Federal corporate tax rate to 34% and the increase in the state rate to 5.5%. We will further reduce this expense by ($14,698) for the excess deferred tax adjustment and increase it by $876 for the effect of our other adjustments. The net reduction of ($13,822) results in deferred tax expense of ($24,758).

F. Amortization of Investment Tax Credits

The proper amount of investment tax credit amortization expense is ($21,989).

G. Net Operating Income

Based on our findings and the stipulations noted above, we find FPUC's attrition year NOI to be $509,366.

XII. ATTRITION YEAR AND TOTAL REVENUE INCREASE

Based on the foregoing determinations of rate base, NOI and cost of capital for the attrition year, we find FPUC's required revenue increase for the attrition year to be $172,065. Added to the test year increase of $367,655, we approve a total annual revenue increase of $539,720. As previously noted, $2,738 annually shall be held subject to refund with interest pending the outcome of Docket No. 881170-PU.

We have used the stipulated revenue expansion factor of 1.6322 for the attrition year as shown on the following chart. The factor takes into account the 34% federal income tax rate in effect during 1989 when the revenue will be collected, as well as the increased regulatory assessment fee.

Application of Revenue Expansion Factor

Revenue Requirement		100.000000
Uncollectible Accounts		(0.143800)
Gross Receipts Tax		(1.500000)
Regulatory Assessment Fee		(0.125000)

Net Before Income Taxes		98.231200
State Income Tax Rate		5.5000%

State Income Tax		5.402716

Net Before Federal Income Tax		92.828484
Federal Tax Rate		34.0000%

Federal Income Tax		31.561685

Net Operating Income	61.266799	
		============
Net Operating Income Multiplier		1.6322
		============

XIII. RATES

Cost of Service Allocations

The parties stipulated that the methodologies used in FPUC's revised cost of service study are reasonable. The revised study incorporates an allocation of Account 369, 75% on average number of customers and 25% on class noncoincident demand.

Purchased Power Demand Charge Costs

FPUC purchases virtually all electricity necessary to serve its customers. All purchased power costs (demand, energy and fuel charges) are recovered through the Commission's fuel clause on an equal cents/KWH basis, except for line losses by class. The parties stipulated that the demand charge portion of the purchased power cost should be allocated to rate classes on a 12 CP basis, and recovered through class-specific KWH charges. The specific charges for purchased power demand cost should be separately identified, and shall not be rolled into base rates. Recovery of such costs shall continue to be tracked through the fuel docket, with over-or underrecoveries to be trued-up in the fuel docket. This change shall be made at the beginning of a six-month period in the fuel docket, rather than at the time the utility's new base rates go into effect.

Allocation of Revenue Increases Among Rate Classes

The utility's revenue increase should be spread among rate classes in a manner that moves class rate of return indices as close as is reasonable to parity, or the system rate of return. The RS and OL-2 classes, whose rate of return indices are below parity, will receive increases of 13% in total revenues (based on estimated purchased power costs) after implementation of the change in the allocation of the purchased power demand charges. The SL-3 class, the rate of return of which is also below parity, will be increased such that its rate of return index is .5. The remainder of the increase not required to fund other stipulated issues should be distributed between the GSD and the OL classes, moving them to the same rate of return.

The rates of return by customer class with the revenue increase we have approved are:

Rate Code	ROR/Index
RS	6.93%/ 0.76
GS	12.81%/ 1.40
GSD	11.54%/ 1.26
OL	11.53%/ 1.26
OL-2	8.71%/ 0.95
TOTAL OL	10.01%/ 1.09
SL-1/SL-2	13.87%/ 1.52
SL-3	4.54%/ 0.50
TOTAL SL	11.55%/ 1.26
TOTAL RET	9.15%/ 1.00

Customer and Demand Charges

We find that the following changes in customer charges are appropriate:

	Present	Approved
RS	$ 5.00	$ 6.65
GS	6.50	9.20
GSD	15.00	35.00

These charges are made to move the charge close to the company's customer unit cost.

Demand charges for the GSD class shall be increased from $1.65 per KW to $1.94 per KW. To reduce the impact of the rate increase on low load factor customers, we have set the demand charge below unit cost of $2.40, leaving the nonfuel energy charge near its current level.

GSD Rate Schedule

Minimum Bill Provision. FPUC's current GSD rate schedule includes minimum charges equal to the customer charge plus the demand charge for the minimum KW to take service on that rate schedule. We find that this minimum charge provision (which is actually a minimum billing demand provision), should be eliminated from the GSD rate schedule. Such a minimum charge penalizes those customers whose maximum demands happen to fall near the class break point. However, customers whose maximum demands fall near the class break point do not necessarily impose a proportionately larger cost burden on the utility.

Ratchet Provision Elimination. FPUC presently has a 75% ratchet provision on its GSD rate schedule. The parties stipulated that the provision be eliminated, in accordance with our policy.

Written Contract. FPUC's present GSD rate schedule requires a written contract for a period of one or two years. However, in recent years the utility has not required a written contract, and we therefore approve the utility's proposal to eliminate the rate schedule provision requiring a written contract. We further approve a twelve-month minimum term of service rather than a term of "one or two years" as the schedule presently provides.

Power Factor Percentage Goal. FPUC's power factor percentage goal is 80% for its GSD rate power factor clause. The parties stipulated that the goal be increased to 85%, which is consistent with the goals maintained by other Florida investor-owned utilities.

Primary Metering Discount. FPUC's present provision for primary voltage discount states that the utility may meter at secondary voltage and add losses to adjust to primary metering. FPUC agreed with our Staff that this provision does not properly adjust for metering differences between primary voltage and secondary voltage customers, and that in the future, transformation losses of 1.0% should be credited to primary voltage customers' bills to adjust for their line losses. Both the billing KW and KWH should be adjusted for primary voltage customers who own their transformers.

Transformer Ownership Discount. The company's primary voltage discount credits customers' bills for the average cost of transformer equipment allocated to the GSD rate. The company had proposed on 80¢/KW discount which removed the cost associated with poles, line transformers, and secondary lines from the GSD rate. The parties stipulated that only the average cost associated with transformation equipment should be credited to primary voltage cutomers who own their transformers. This is consistent with the practice of other investor-owned utilities as well as past Commission policy. This credit should be set at $0.44/KW/month.

Applicability Criteria. The company has no policy established for determining how often a customer's demand must meet or exceed 25 KW for the customer to be placed in the GSD category. We find that the company should develop criteria to be consistently applied to determine which customers should be in the GSD class. Standardized criteria will ensure that all customers are treated consistently in the classification process.

Also, the company has no provision in its demand class for a nondemand customer to opt up to a demand rate class. One goal of rate design is to group customers with homogeneous usage characteristics, the most important of which is load factor. To avoid excluding small but high load factor customers in the demand class, we find that smaller nondemand customers should be allowed to opt for a demand rate if it is advantageous to them. Customers opting for a demand rate should be required to remain on that rate for at least 12 months.

Implementation of GSLD Rate Schedule

FPUC proposed to implement a separate rate class for customers with maximum demands over 1,000 KW. The parties stipulated that the customer load factor of the four proposed GSLD customers does not justify creation of a separate rate class. Also, the utility did not present any evidence to show that the cost to serve these large customers warrants a separate rate class.

Elimination of RST Rate

FPUC presently has RS and RST rate schedules. The RST rate applies to residential and commercial water heating service. The parties stipulated that the utility should eliminate the RST rate schedules because it is not cost-based. RST customers' water heaters are load managed for a maximum of 30 minutes a day, 15 in the morning and 15 in the afternoon or evening. The company can not quantify savings attributable to this load management and the RST rate does not recover the costs of the RST meters and timers.

Sports Fields

FPUC currently allows sports fields operated by non-profit organizations and having connected loads of less than 300 KW to be served under the GS rate schedule. All other general service customers whose demands exceed 25 KW must take service on GSD. We find that these customers should be required to take service under the GSD rate schedule. However, transferring sports field customers to the present GSD rate schedule would result in an excessive increase in their rates. Therefore, a transition rate should be established, with the sports fields to receive the maximum percentage increase in total revenues granted to any other class, with a non-fuel energy charge of $0.018993/KWH and a customer charge of $12.00. Further, these customers should be given the option of taking service under the GSD rate schedule. The transition rate shall be in effect until the utility's next rate proceeding for this division, at which time this Commission will either place these customers on the GSD rate schedule or establish a new transition rate.

Standby Rates

The company's tariff presently includes Breakdown/ Auxiliary service. This provision should be removed from the company's tariff, with standby/supplemental rates to be implemented no later than three months from the date of this Order, designed in accordance with Order No. 17159 for recovery of the customer-related and local facilities costs. Because the company is a non-generating utility, costs for Production and Bulk Transmission must be developed to recover standby customers' impact on the company's wholesale purchased power costs. We note that the implementation of standby/supplemental rates have no base revenue impact because no customers presently require such service.

Adjustment to Unbilled Revenues

An adjustment to unbilled revenue is necessary to account for the energy delivered during 1988 but billed after January 1, 1989, under the new rates. Such unbilled energy occurs whenever there are cycle-billed customers, or customers who are not billed on a calendar month basis. This adjustment has the effect of reducing the revenue requirements of each class, since more revenue will be received for a portion of the energy actually produced in 1988. Since all of FPUC's customers are cycle-billed and increases have been requested for all classes, we will allow the utility to spread the increased revenue across all classes in the same proportion that the base revenue increase is allocated.

Service Charges

We approve the following revised service charges, which we find to be cost-based:

	Present	Company Cost	Approved
Initial Connection	$10.00	$31.49	$30.00
Reestablish Service to Inactive Account	7.00	14.10	15.00
Temporary Disconnect then Reconnect	7.00	25.02	25.00
Reestablish Active Service	7.00	15.74	15.00
Reconnect after Disconnect for Nonpayment	10.00	31.27	30.00
Connect and Disconnect Temporary Service	10.00	29.08	30.00

Street Lighting

The company has three street lighting service rate schedules, SL-1, SL-2 and SL-3. Rate schedule SL-2 is applicable for mercury vapor street lights and SL-3 for high pressure sodium vapor lights. SL-1 is applicable to the City of Marianna for street lighting and is a significantly lower rate than SL-2 or SL-3. We find that the SL-1 rate schedule should be eliminated and the City of Marianna should be required to take service on the same rate schedules as all other street lights.

However, immediately transferring the City of Marianna to the SL-2 rate schedule would result in an excessive increase in its street lighting rate. Therefore, a transition rate should be established as a first step toward moving Marianna to the appropriate rate schedule. The City of Marianna (SL-1) should receive the maximum percentage increase in total revenues granted to any other class, with a non-fuel energy transition rate of $0.038534/KWH. This rate should be in effect until the utility's next rate proceeding for this division, at which time this Commission will either place the City of Marianna on the SL-2 rate schedule, or establish a new transition rate.

We do not approve FPUC's proposed street and outdoor lighting rates, as shown on its MFR Schedule E-17d. Instead, we find that the non-fuel energy charge for OL, OL-2, SL-2 and SL-3 should be set at unit cost. Maintenance charges should be set to recover each rate class's operating and maintenance expenses. Pole charges should be increased to $1.95, and fixture charges should be set at rates which would produce the remainder of each class's revenue requirement. Our approved rates are shown in Schedule 5, attached hereto. The rates were designed to recover each class's revenue requirement.

XIV. INTERIM INCREASE

The company was granted an interim rate increase of $473,603 pursuant to Section 366.071, Florida Statutes, by Order No. 20472 issued on December 20, 1988. The interim increase was calculated on a December 31, 1987 test year which is the same test year used herein, and, was approved subject to refund pending the outcome of this docket. In general, a refund should be ordered if it is necessary to reduce the rate of return during the pendency of the proceeding to the same level within the range of the newly authorized rate of return which is found fair and reasonable on a prospective basis, as provided by Chapter 366.071, Florida Statutes.

In this docket, the interim increase of $473,603 was calculated using an 8.8% rate of return, which is lower than the rate approved herein. Therefore, no refund is necessary.

XV. CONCLUSIONS OF LAW

1. Florida Public Utilities Company is a public utility within the meaning of Section 366.02, Florida Statutes, and is subject to the jurisdiction of this Commission.

2. This Commission has legal authority to approve an historic test period as the basis for ratemaking, in this case the period ended December 31,1987. The Commission further has statutory authority to approve and consider an attrition year test period for ratemaking purposes. The appropriate attrition year period in this case is the year ending December 31, 1989.

3. The adjustments to rate base made in this order are reasonable and proper. The utility's average adjusted rate base is $7,926,477 for the test year ending December 31, 1987. Rate base for the attrition year ending December 31, 1989, is $9,180,722. These rate base amounts represent the property used and useful in serving the public and on which the utility is entitled by law to earn a fair rate of return.

4. Each of the adjustments made to the company's operating income made or approved in this order are reasonable and proper. For ratemaking purposes, Florida Public Utilities Company's net operating income for the test year ending December 31, 1987, is $480,998. Net operating income for the period ending December 31, 1989, is $509,366.

5. The test year rate of return on the equity of Florida Public Utilities Company lies in the range of 12.35% to 14.35%, with a mid-point of 13.35%. The mid-point of the overall rate of return for the test year is 8.91%, with a range from 8.57% to 9.24%.

6. The attrition-year return on equity lies within the range of 12.35% to 14.35%, with a mid-point of 13.35%. The mid-point of the overall rate of return for the attrition year is 8.91%.

7. Florida Public Utilities Company is authorized to increase its rates and charges $539,720 annually in its Marianna division.

8. The rate schedules and changes approved in this order are fair, just and reasonable.

9. Florida Public Utilities Company is providing adequate service as required by Chapter 366, Florida Statutes, and Chapter 25-7, Florida Administrative Code.

Now, therefore, in consideration of the above, it is

ORDERED by the Florida Public Service Commission that the findings of fact and conclusions of law set out in this order are hereby approved. It is further

ORDERED that the stipulations entered into between Florida Public Utilities Company and the Commission Staff and between Florida Public Utilities Company, Staff, and the Office of Public Counsel to resolve specific issues in these proceedings are hereby approved and adopted in this order. It is further

ORDERED that Florida Public Utilities Company is authorized to collect increased revenues of $539,720 annually, in its Marianna division. It is further

ORDERED that Florida Public Utilities Company shall file revised tariffs reflecting the rates and charges approved in this order. It is further

ORDERED that Florida Public Utilities Company shall establish an Account No. 228.1, Accumulated Provision for Property Insurance, in accordance with Rule 25-6.0143, Florida Administrative Code, and as approved in this Order. It is further

ORDERED that Florida Public Utilities Company shall hold the annual amount of $2,738 subject to refund pending our decision in Docket No. 881170-PU, as discussed herein. It is further

ORDERED that the rate increase authorized in this order shall be effective for billings rendered for all meter readings taken on and after June 25, 1989. It is further

ORDERED that Florida Public Utilities Company shall include in each bill, in the first billing cycle of which this increase is effective, a bill stuffer explaining the nature of the increase, average level of the increase, a summary of tariff changes, and the reasons therefor. The bill stuffer shall be submitted to the Commission's Division of Electric and Gas for approval before implementation.

By ORDER of the Florida Public Service Commission, this 12th day of JULY, 1989.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

(S E A L)

MER

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days after the issuance of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

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COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE RATE BASES

SCHEDULE 1
24-May-89
04:31 PM

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED	STAFF RECOMMENDATION: ADJUSTMENTS	STAFF RECOMMENDATION: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
1			PLANT IN SERVICE		11,440,650						
2			COMMON PLANT ALLOCATED		153,492						
3			ACQUISITION ADJUSTMENT		3,691						
4											
5											
6											
7											
8											
9											
10											
11											
12											
13			Total plant in service	0	11,597,833	0	11,597,833	0	11,597,833	0	11,597,833
14											
15			DEDUCTIONS:								
16			DEPRECIATION RESERVE-PLANT IN SERVICE		3,680,978						
17	1		CORRECT CALCULATION ERROR			927					
18			DEPRECIATION RESERVE-COMMON PLANT		59,631						
19			ACCUM. AMORT.-ACQUISITION ADJ.		3,691						
20			CUSTOMER ADVANCES FOR CONST.		44,813						
21											
22											
23											
24											
25			Total depreciation reserve	0	3,789,113	927	3,790,040	0	3,790,040	0	3,790,040
26											
27											
28			Net plant in service	0	7,808,720	(927)	7,807,793	0	7,807,793	0	7,807,793
29											
30											
31			CONSTRUCTION WORK IN PROGRESS		116,614						
32											
33											
34											
35											
36											
37											
38			Total CWIP	0	116,614	0	116,614	0	116,614	0	116,614
39											
40											
41			PROPERTY HELD FOR FUTURE USE		0						
42											
43											
44											
45			Total prop. held for future use	0	0	0	0	0	0	0	0
46											
47											
48											
49											

COMPARATIVE RATE BASES

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING SYSTEM PER BOOKS	COMPANY FILING JURISDICTIONAL PER BOOKS	COMPANY FILING ADJUSTMENTS	COMPANY FILING JURISDICTIONAL ADJUSTED	STAFF RECOMMENDATION ADJUSTMENTS	STAFF RECOMMENDATION JURISDICTIONAL ADJUSTED	COMMISSION VOTE ADJUSTMENTS	COMMISSION VOTE JURISDICTIONAL ADJUSTED
50											
51			NUCLEAR FUEL (NET)		0						
52											
53											
54											
55			Total nuclear fuel	0	0	0	0	0	0	0	0
56											
57											
58			Net utility plant	0	7,925,334	(927)	7,924,407	0	7,924,407	0	7,924,407
59											
60											
61			WORKING CAPITAL		2,070						
62											
63		3	PREPAID PENSION			0		0		0	
64											
65											
66											
67											
68											
69											
70											
71											
72											
73											
74											
75											
76											
77											
78											
79											
80			Total working capital	0	2,070	0	2,070	0	2,070	0	2,070
81											
82											
83			TOTAL RATE BASE	0	7,927,404	(927)	7,926,477	0	7,926,477	0	7,926,477

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DOCKET NO. 880558-EI
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COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE NET OPERATING INCOME

SCHEDULE 2
24-May-89
04:31 PM

LINE NO.	CO. ADJ. NO. / ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED	COMPANY STIPULATIONS AND REVISIONS: ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS: JURISDICTIONAL ADJUSTED	STAFF: ADJUSTMENTS	STAFF: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
1		REVENUE FROM SALES OF ELECTRICITY		12,759,348								
2	7	Eliminate fuel revenues			(10,088,108)							
3	7	Eliminate fuel overrecoveries			109,637							
4	7	Eliminate conservation revenues			(53,972)							
5	7	Revenue taxes - fuel & conservation			(163,095)							
6	7	Net unbilled revenue			(1,466)							
7												
8		Total sales of electricity	0	12,759,348	(10,197,004)	2,562,344	0	2,562,344	0	2,562,344	0	2,562,344
9												
10												
11		OTHER OPERATING REVENUES		74,276								
15												
16		Total other operating revenues	0	74,276	0	74,276	0	74,276	0	74,276	0	74,276
17												
18												
19		Total operating revenues	0	12,833,624	(10,197,004)	2,636,620	0	2,636,620	0	2,636,620	0	2,636,620
20												
21												
22		OPERATING EXPENSES:										
23		OPERATION & MAINTENANCE		11,609,862								
24	7	Eliminate purchased power			(9,915,234)							
25	7	Eliminate fuel underrecoveries			(83,374)							
26	7	Eliminate conservation expense			(53,972)							
27	12	Uncollectible expense			3,456							
28	8	Meter retrofit kits					(11,357)		(11,357)		(11,357)	
29	9	Legal fees - non-utility					(19,693)		(19,693)		(19,693)	
30	10	Advertising expense					(1,190)		(1,190)		(1,190)	
31	10	Chamber of commerce					(1,479)		(1,479)		(1,479)	
32	10	Natural gas dues					(418)		(418)		(418)	
33	11	Employee newsletter					(2,464)		(2,464)		(2,464)	
34												
35												
36												
37												
38		Total operation & maintenance	0	11,609,862	(10,049,124)	1,560,738	(36,601)	1,524,137	(36,601)	1,524,137	(36,601)	1,524,137
39												
40												
41		DEPRECIATION AND AMORTIZATION		386,100								
42	13	Correct error			6,023							
43	13	Adjust common plant depreciation			(260)							
47												
48		Total depreciation and amortization	0	386,100	5,763	391,863	0	391,863	0	391,863	0	391,863
49												
50												
51		DECOMMISSIONING		0								
55												
56		Total decommissioning	0	0	0	0	0	0	0	0	0	0
57												
58												
59		TAXES OTHER THAN INCOME		348,172								

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO. 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE NET OPERATING INCOME

SCHEDULE 2
24-May-89
04:31 PM

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED
60		7	Revenue taxes - fuel			(162,263)	
61		7	Revenue taxes - conservation			(632)	
62		15	Allocate gen. office property taxes			3,799	
63		15	Non-utility property taxes			(1,653)	
64							
65		N/A	Effect of other adjustments				
66							
67			Total taxes other than income	0	348,172	(160,949)	187,223
68							
69							
70			INCOME TAXES CURRENTLY PAYABLE	0	134,773		
71		15	Out of period adjustment			(33,169)	
75		15	Interest expense reconciliation			10,856	
76		15	Effect of other adjustments			3,164	
77							
78			Total income taxes - current	0	134,773	(19,149)	115,624
79							
80							
81			DEFERRED INCOME TAXES (NET)	0	(41,678)		
82		15	Out of period adjustment			513	
88							
89			Total deferred income taxes (net)	0	(41,678)	513	(41,165)
90							
91							
92			INVESTMENT TAX CREDIT (NET)		(16,792)		
93		15	Out of period adjustment			(5,195)	
98							
99			Total investment tax credit (net)	0	(16,792)	(5,195)	(21,987)
100							
101							
102			(GAIN)/LOSS ON SALE				
110							
111			Total (gain)/loss on sale	0		0	0
112							
113							
114			Total operating expenses	0	12,420,437	(10,228,141)	2,192,296
115							
116							
117			Net operating income	0	413,187	31,137	444,324
118							

LINE NO.	DESCRIPTION	COMPANY STIPULATIONS AND REVISIONS: ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS: JURISDICTIONAL ADJUSTED	STAFF: ADJUSTMENTS	STAFF: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
60	Revenue taxes - fuel						
61	Revenue taxes - conservation						
62	Allocate gen. office property taxes						
63	Non-utility property taxes						
64							
65	Effect of other adjustments						
66							
67	Total taxes other than income	0	187,223	0	187,223	0	187,223
68							
69							
70	INCOME TAXES CURRENTLY PAYABLE						
71	Out of period adjustment						
75	Interest expense reconciliation			(15,921)		(15,921)	
76	Effect of other adjustments	15,848		15,848		15,848	
77							
78	Total income taxes - current	15,848	131,472	(73)	115,551	(73)	115,551
79							
80							
81	DEFERRED INCOME TAXES (NET)						
82	Out of period adjustment			0		0	
88							
89	Total deferred income taxes (net)	0	(41,165)	0	(41,165)	0	(41,165)
90							
91							
92	INVESTMENT TAX CREDIT (NET)						
93	Out of period adjustment						
98							
99	Total investment tax credit (net)	0	(21,987)	0	(21,987)	0	(21,987)
100							
101							
102	(GAIN)/LOSS ON SALE						
110							
111	Total (gain)/loss on sale	0	0	0	0	0	0
112							
113							
114	Total operating expenses	(20,753)	2,171,543	(36,674)	2,155,622	(36,674)	2,155,622
115							
116							
117	Net operating income	20,753	465,077	36,674	480,998	36,674	480,998
118							

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Schedule 3

FLORIDA PUBLIC UTILITIES COMPANY
(MARIANNA DIVISION)
COST OF CAPITAL - 13 MONTH AVERAGE
TEST YEAR ENDED 12-31-87

COMMISSION VOTE

CAPITAL COMPONENT	PER BOOKS	ADJUSTED FOR NONREGULATED AFFILIATE	STAFF SPECIFIC ADJUSTMENTS	STAFF GENERAL ADJUSTMENTS	STAFF ADJUSTED	RATIO	% COST RATE	WEIGHTED COST
COMMON EQUITY	2,683,915	2,402,120		49,444	2,451,564	0.3093	13.35	4.1290
PREFERRED EQUITY	111,161	121,932		2,510	124,442	0.0157	4.76	0.0747
LONG-TERM DEBT	2,061,447	2,257,149		46,459	2,303,608	0.2906	9.69	2.8161
BANK NOTES	762,470	837,792	45,756	17,244	900,792	0.1136	7.82	0.8887
CUSTOMER DEPOSITS								
ACTIVE	351,328	351,328			351,328	0.0443	9.00	0.3989
INACTIVE	7,134	7,134			7,134	0.0009	0.00	0.0000
INVESTMENT TAX CREDIT								
3%	15,123	15,123			15,123	0.0019	0.00	0.0000
POST '70	417,950	417,950			417,950	0.0527	11.40	0.6013
DEFERRED INCOME TAXES	1,354,536	1,354,536			1,354,536	0.1709	0.00	0.0000
TOTAL	7,765,064	7,765,064	45,756	115,657	7,926,477	1.0000		8.9087

COST RATE FOR POST '70 ITC:

	DOLLARS	RATIO	COST RATE	WEIGHTED COST RATE
COMMON EQUITY	2,451,564	0.5024	13.35	6.7072
PREFERRED EQUITY	124,442	0.0255	4.76	0.1214
LONG-TERM DEBT	2,303,608	0.4721	9.69	4.5745
TOTAL	4,879,614	1.0000		11.4031

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARI
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARISON OF
REVENUE EXPANSION FACTORS

SCHEDULE 4
24-May-89
04:31 PM

LINE NO.	DESCRIPTION	COMPANY	STAFF	COMMISSION VOTE
1	Revenue Requirement	100.000000	100.000000	100.000000
2				
3	Uncollectible Accounts	(0.143800)	(0.143800)	(0.143800)
4				
5	Gross Reciepts Tax	(1.500000)	(1.500000)	(1.500000)
6				
7	Regulatory Assessment Fee	(0.125000)	(0.125000)	(0.125000)
8		-----------	-----------	-----------
9	Net Before Income Taxes	98.231200	98.231200	98.231200
10				
11	State Income Tax Rate	5.5000%	5.5000%	5.5000%
12		-----------	-----------	-----------
13	State Income Tax	5.402716	5.402716	5.402716
14		-----------	-----------	-----------
15	Net Before Federal Income Taxes	92.828484	92.828484	92.828484
16				
17	Federal Tax Rate	34.0000%	34.0000%	34.0000%
18		-----------	-----------	-----------
19	Federal Income Tax	31.561685	31.561685	31.561685
20		-----------	-----------	-----------
21	Net Operating Income	61.266799	61.266799	61.266799
22		===========	===========	===========
23				
24	Net Operating Income Multiplier	1.6322	1.6322	1.6322
25		===========	===========	===========

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DOCKET NO. 880558-EI
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COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

SCHEDULE 5
24-May-89
04:31 PM

COMPARATIVE REVENUE REQUIREMENTS

LINE NO.	DESCRIPTION [1]	COMPANY FILING [2]	COMPANY REVISED [3]	STAFF RECOMMENDATION [4]	COMMISSION VOTE [5]
1	Adjusted Jurisdictional Rate Base	$7,926,477	$7,926,477	$7,926,477	$7,926,477
2					
3	Required Rate of Return	9.27%	9.27%	8.91%	8.91%
4					
5					
6	Required Net Operating Income	734,784	734,784	706,249	706,249
7					
8	Adjusted Achieved Test Year				
9	Jurisdictional Net Operating Income	444,324	465,077	480,998	480,998
10					
11	Jurisdictional NOI Deficiency	290,460	269,707	225,251	225,251
12					
13	Revenue Expansion Factor	1.794660	1.632200	1.632200	1.632200
14					
15	Revenue Increase - Test Year	521,278	440,216	367,655	367,655

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE RATE BASES
ATTRITION YEAR

SCHEDULE 6
24-May-89
12:16 PM

				COMPANY FILING				COMPANY STIPULATIONS AND REVISIONS		STAFF RECOMMENDATION		COMMISSION VOTE	
LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	SYSTEM PER BOOKS	JURISDICTIONAL PER BOOKS	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	JURISDICTIONAL ADJUSTED
1			PLANT IN SERVICE		$13,450,479								
2			COMMON PLANT ALLOCATED		175,519								
3			ACQUISITION ADJUSTMENT		3,691								
4													
5													
6													
7													
8													
9													
10													
11													
12													
13			Total plant in service	0	13,629,689	0	13,629,689	0	13,629,689	0	13,629,689	0	13,629,689
14													
15			DEDUCTIONS:										
16			DEPRECIATION RESERVE-PLANT IN SERVICE		4,340,048								
18			DEPRECIATION RESERVE-COMMON PLANT		83,447								
19			ACCUM. AMORT.-ACQUISITION ADJ.		3,691								
20			CUSTOMER ADVANCES FOR CONST.		19,475								
21													
22													
23													
24													
25			Total depreciation reserve	0	4,446,661	0	4,446,661	0	4,446,661	0	4,446,661	0	4,446,661
26													
27													
28			Net plant in service	0	9,183,028	0	9,183,028	0	9,183,028	0	9,183,028	0	9,183,028
29													
30													
31			CONSTRUCTION WORK IN PROGRESS		0								
32													
33													
34													
35													
36													
37													
38			Total CWIP	0	0	0	0	0	0	0	0	0	0
39													
40													
41			PROPERTY HELD FOR FUTURE USE		0								
42													
43													
44													
45			Total prop. held for future use	0	0	0	0	0	0	0	0	0	0
46													
47													
48													
49													
50													

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE RATE BASES
ATTRITION YEAR

SCHEDULE 6
24-May-89
12:16 PM

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED	COMPANY STIPULATIONS AND REVISIONS: ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS: JURISDICTIONAL ADJUSTED	STAFF RECOMMENDATION: ADJUSTMENTS	STAFF RECOMMENDATION: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
51			NUCLEAR FUEL (NET)		0								
52													
53													
54													
55			Total nuclear fuel	0	0	0	0	0	0	0	0	0	0
56													
57													
58			Net utility plant	0	9,183,028	0	9,183,028	0	9,183,028	0	9,183,028	0	9,183,028
59													
60													
61			WORKING CAPITAL		47,200	0							
62													
63		25	PREPAID PENSION					1,200		1,200		1,200	
64		26	UNAMORTIZED RATE CASE EXPENSE					4,900		(71,900)		(71,900)	
65		27	STORM DAMAGE RESERVE							10,650		10,650	
66		35	UNAMORTIZED DEPRECIATION STUDY							9,186		9,186	
67		28	TREND EFFECTS							1,358		1,358	
68													
69													
70													
71													
72													
73													
74													
75													
76													
77													
78													
79													
80			Total working capital	0	47,200	0	47,200	6,100	53,300	(49,506)	(2,306)	(49,506)	(2,306)
81													
82													
83			TOTAL RATE BASE	0	$9,230,228	$0	$9,230,228	$6,100	$9,236,328	($49,506)	$9,180,722	($49,506)	$9,180,722

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

SCHEDULE 7
24-May-89
02:43 PM

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED	COMPANY STIPULATIONS AND REVISIONS: ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS: JURISDICTIONAL ADJUSTED	STAFF: ADJUSTMENTS	STAFF: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
1			REVENUE FROM SALES OF ELECTRICITY		$2,714,670								
2		30	UNBILLED REVENUES					1,661		1,661		1,661	
3		30	CORRECT ERROR					(159)		(159)		(159)	
4													
5													
6													
7													
8			Total sales of electricity	0	2,714,670	0	2,714,670	1,502	2,716,172	1,502	2,716,172	1,502	2,716,172
9													
10													
11			OTHER OPERATING REVENUES		62,970								
12													
13													
14													
15													
16			Total other operating revenues	0	62,970	0	62,970	0	62,970	0	62,970	0	62,970
17													
18													
19			Total operating revenues	0	2,777,640	0	2,777,640	1,502	2,779,142	1,502	2,779,142	1,502	2,779,142
20													
21													
22			OPERATING EXPENSES:										
23			OPERATION & MAINTENANCE		1,749,881								
24		31	PROPERTY INSURANCE EXPENSE					(425)		(425)		(425)	
25		32	PROVISION FOR PROPERTY INSURANCE							(36,750)		(36,750)	
26		33	PENSION EXPENSE					(2,328)		(2,328)		(2,328)	
27		34	RATE CASE EXPENSE					3,791		(12,215)		(12,215)	
28		35	DEPRECIATION STUDY					2,625		2,625		2,625	
29		38	TREND AND APPLICATION OF FACTORS					(40,282)		(40,282)		(40,282)	
30													
31													
32													
33													
34													
35													
36													
37													
38			Total operation & maintenance	0	1,749,881	0	1,749,881	(36,619)	1,713,262	(89,375)	1,660,506	(89,375)	1,660,506
39													
40													
41			DEPRECIATION AND AMORTIZATION		455,083								
42		39	DIFFERANCES DUE TO LOWER PLANT IN SERVICE								455,083		455,083
43													
44													
45													
46													
47													
48			Total depreciation and amortization	0	455,083	0	455,083	0	455,083	0	455,083	0	455,083
49													
50													

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ORDER NO. 21532
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COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

SCHEDULE 7
24-May-89
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LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING SYSTEM PER BOOKS	COMPANY FILING JURISDICTIONAL PER BOOKS	COMPANY FILING ADJUSTMENTS	COMPANY FILING JURISDICTIONAL ADJUSTED	COMPANY STIPULATIONS AND REVISIONS ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS JURISDICTIONAL ADJUSTED	STAFF ADJUSTMENTS	STAFF JURISDICTIONAL ADJUSTED	COMMISSION VOTE ADJUSTMENTS	COMMISSION VOTE JURISDICTIONAL ADJUSTED
51			DECOMMISSIONING		0								
52								0		0		0	
53													
54													
55													
56			Total decommissioning	0	0	0	0	0	0	0	0	0	0
57													
58													
59			TAXES OTHER THAN INCOME		210,394								
60		40	INCREASE IN REGULATORY ASSESSMENT FEE					1,177		1,177		1,177	
61		41	VARIOUS ADJUSTMENTS					(1,014)		(1,017)		(1,017)	
62													
63													
64													
65		N/A	Effect of other adjustments										
66													
67			Total taxes other than income	0	210,394	0	210,394	163	210,557	160	210,554	160	210,554
68													
69													
70			INCOME TAXES CURRENTLY PAYABLE		(24,048)								
71		42	Interest expense reconciliation					(6,697)		(18,833)		(18,833)	
72		42	Effect of other adjustments					14,284		33,261		33,261	
73													
74													
75													
76													
77													
78			Total income taxes - current	0	(24,048)	0	(24,048)	7,587	(16,461)	14,428	(9,620)	14,428	(9,620)
79													
80													
81			DEFERRED INCOME TAXES (NET)	0	(10,936)								
82		42	Effect of other adjustments							(13,822)		(13,822)	
83		42	Return excess deferred taxes					(1,871)					
84													
85													
86													
87													
88													
89			Total deferred income taxes (net)	0	(10,936)	0	(10,936)	(1,871)	(12,807)	(13,822)	(24,758)	(13,822)	(24,758)
90													
91													
92			INVESTMENT TAX CREDIT (NET)		(21,989)								
93		42	Adjust amortization										
94													
95													
96													
97													
98													
99			Total investment tax credit (net)	0	(21,989)	0	(21,989)	0	(21,989)	0	(21,989)	0	(21,989)

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

SCHEDULE 7
24-May-89
02:43 PM

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING: SYSTEM PER BOOKS	COMPANY FILING: JURISDICTIONAL PER BOOKS	COMPANY FILING: ADJUSTMENTS	COMPANY FILING: JURISDICTIONAL ADJUSTED	COMPANY STIPULATIONS AND REVISIONS: ADJUSTMENTS	COMPANY STIPULATIONS AND REVISIONS: JURISDICTIONAL ADJUSTED	STAFF: ADJUSTMENTS	STAFF: JURISDICTIONAL ADJUSTED	COMMISSION VOTE: ADJUSTMENTS	COMMISSION VOTE: JURISDICTIONAL ADJUSTED
101													
102			(GAIN)/LOSS ON SALE										
103													
104													
105													
106													
107													
108													
109													
110													
111			Total (gain)/loss on sale	0		0	0	0	0	0	0	0	0
112													
113													
114			Total operating expenses	0	2,358,385	0	2,358,385	(30,740)	2,327,645	(88,609)	2,269,776	(88,609)	2,269,776
115													
116													
117			Net operating income	0	$419,255	$0	$419,255	$32,242	$451,497	$90,111	$509,366	$90,111	$509,366
118													

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COMMISSION VOTE

Schedule C-16b (Projections)

NON-FUEL OPERATION AND MAINTENANCE EXPENSES
ATTRITION YEAR DECEMBER 31,1989

Schedule 8
Page 1 of 9

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
MARIANNA DIVISION

DOCKET NO.: 880558-EI

EXPLANATION: For the projected test years, provide projected and prior year data by primary account.

Type of Data Shown:
Historic Test Year Ended 12/31/87
Projection Years 1988 and 1989

Witness: TROY

TREND BASIS		PROJECTION YEARS 1988	1989
No Trend Basis	0	0.00%	0.00%
Inflation only	1	104.10%	108.89%
Customer Growth	2	101.87%	103.90%
Payroll Increases	3	102.81%	107.95%
Sales / KWH	4	97.82%	102.50%
Revenues / $	5	101.56%	105.35%
Plant	6	107.27%	116.35%
Inflation x Customer Growth	7	106.05%	113.14%
Payroll x Customer Growth	8	104.73%	112.16%
Other	9		

ACCT NO.	OPERATION EXPENSES PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS	1988	1989
	HYDRAULIC POWER GENERATION						
538	Electric Expenses						
	Payroll Trended	2,041	2,098	2,203	3	102.81%	107.95%
	Non Payroll Trended	765	796	833	1	104.10%	108.89%
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	2,806	2,894	3,036			
539	Misc Hydr Pwr Gen Exp						
	Payroll Trended	2,568	2,640	2,772	3	102.81%	107.95%
	Non Payroll Trended	670	697	730	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	3,238	3,337	3,502			
	Subtotal	6,044	6,231	6,538			

Supporting Schedules:

Recap Schedules:

2/4/SCHC16B

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Schedule C-1ab (Projections)

Schedule 8

ACCT No.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	PROJECTION YEARS 1989	TREND BASIS		
	OTHER POWER SUPPLY						
557	Other Expenses						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	24	25	26	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	24	25	26			
	Subtotal	24	25	26			
	DISTRIBUTION EXPENSES						
580	Operation Supervision/Engr						
	Payroll Trended	46,335	47,637	50,019	3	102.81%	107.95%
	Non Payroll Trended	14,802	15,409	16,118	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	61,137	63,046	66,137			
582	Station Expenses						
	Payroll Trended	71	73	77	3	102.81%	107.95%
	Non Payroll Trended	67	70	73	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	138	143	150			
*583	Operation of Overhead Line						
	Payroll Trended	24,826	26,000	27,845	8	104.73%	112.16%
	Non Payroll Trended	1,710	1,813	1,935	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	26,536	27,813	29,780			
584	Underground Line Exp						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	131	139	148	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	131	139	148			

* ACCOUNTS WHERE STAFF AND OPC DIFFER(PAYROLL TRENDED) AS SHOWN IN ISSUE 38

Supporting Schedules:

Recap Schedules:

Schedule C-1eb (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
*585	Street Lighting/Signal Sys						
	Payroll Trended	1,183	1,239	1,327	8	104.73%	112.16%
	Non Payroll Trended	3,107	3,295	3,515	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	4,290	4,534	4,842			
*586	Meter Expenses						
	Payroll Trended	61,701	64,619	69,204	8	104.73%	112.16%
	Non Payroll Trended	25,769	27,328	29,155	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	87,470	91,947	98,359			
*587	Customer Install Exp						
	Payroll Trended	3,066	3,211	3,439	8	104.73%	112.16%
	Non Payroll Trended	1,931	2,048	2,185	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	4,997	5,259	5,624			
*588	Misc Distr Expense						
	Payroll Trended	29,553	30,951	33,147	8	104.73%	112.16%
	Non Payroll Trended	7,991	8,474	9,041	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	37,544	39,425	42,188			
589	Rents						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	1,349	1,362	1,376	9	101.00%	102.00%
	Other Trended		0	0	0	0.00%	0.00%
	Total	1,349	1,362	1,376			
	Subtotal	223,592	233,668	248,604			

* ACCOUNTS WHERE STAFF AND OPC DIFFER(PAYROLL TRENDED) AS SHOWN IN ISSUE ... ;

Supporting Schedules:

Recap Schedules:

Schedule C-16b (Projections)

Schedule 8

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
	CUSTOMER ACCOUNTS						
901	Supervision						
	Payroll Trended	30,302	31,153	32,711	3	102.81%	107.95%
	Non Payroll Trended	8,859	9,222	9,647	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	39,161	40,375	42,358			
*902	Meter Reading Exp						
	Payroll Trended	51,496	53,932	57,758	8	104.73%	112.16%
	Non Payroll Trended	27,220	28,867	30,797	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	78,716	82,799	88,555			
*903	Cust Rec & Coll Exp						
	Payroll Trended	142,148	148,872	159,433	8	104.73%	112.16%
	Non Payroll Trended	42,652	45,232	48,256	7	106.05%	113.14%
	Other Trended	25,664	29,599	31,293	9		
	Total	210,664	223,703	238,982			
904	Uncoll Accts						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	18,506	18,795	19,496	5	101.56%	105.35%
	Other Trended		0	0	0	0.00%	0.00%
	Total	18,506	18,795	19,496			
905	Misc Cust Accts Exp						
	Payroll Trended	40	41	43	3	102.81%	107.95%
	Non Payroll Trended	15,462	16,096	16,837	1	104.10%	108.89%
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	15,502	16,137	16,880			
	Subtotal	362,549	381,809	406,271			

* ACCOUNTS WHERE STAFF AND FPC DIFFER(PAYROLL TRENDED) AS SHOWN IN ISSUE 38

Schedule C-1ob (Projections)

Schedule 8
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ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
	CUSTOMER SERVICE & INFORMATION						
910	Misc Cust Svc & Info Exp						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	35	37	40	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	35	37	40			
	Subtotal	35	37	40			
	SALES						
912	Demonstr & Selling Exp						
	Payroll Trended	1,198	1232	1,293	3	102.81%	107.95%
	Non Payroll Trended	286	298	311	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	1,484	1,530	1,604			
913	Advertising Exp						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	679	707	739	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	679	707	739			
	Subtotal	2,163	2,237	2,343			
	ADMINISTRATIVE & GENERAL EXPENSES						
920	Admin & Gen Exp						
	Payroll Trended	139,667	143,612	150,792	3	102.81%	107.95%
	Non Payroll Trended		0	0	0	0.00%	0.00%
	Other Trended		1,[illegible]	3,256	9		
	Total	139,667	145,032	154,043			

Schedule C-1ab (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
920.1	Undistributed Payroll						
	Payroll Trended	3,300	3,393	3,562	3	102.81%	107.95%
	Non Payroll Trended	0	0	0	0	0.00%	0.00%
	Other Trended		0	0	0	0.00%	0.00%
	Total	3,300	3,393	3,562			
921	Ofc Supply & Exp						
	Payroll Trended		0	0	0	0.00%	0.00%
	Non Payroll Trended	27,430	28,555	29,869	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	27,430	28,555	29,869			
922	Admin Exp Trans-Cr						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	(40,090)	(42,073)	(44,623)	9		
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	(40,090)	(42,073)	(44,623)			
923	Outside Svcs Employed						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	48,269	50,248	52,560	1	104.10%	108.89%
	Other Trended		0	2,625	9	0.00%	0.00%
	Total	48,269	50,248	55,185			
924	Property Insurance						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	9,005	9,432	9,005	9		
	Other Trended		0	17,300	0	0.00%	0.00%
	Total	9,005	9,432	27,105			
925	Injuries & Damages						
	Payroll Trended		0	0	0	0.00%	0.00%
	Non Payroll Trended	197,920	161,[illegible]	150,216	9		
	Other Trended		0	0	0	0.00%	0.00%
	Total	197,920	161,952	150,216			

[redacted] [redacted] [redacted]

Schedule C-1sb (Projections)

Schedule 8

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
926.1	Pension						
	Payroll Trended		0	0	0	0.00%	0.00%
	Non Payroll Trended	(7,735)	(11,233)	(2,328)	9		
	Other Trended		0	0	0	0.00%	0.00%
	Total	(7,735)	(11,233)	(2,328)			
926.2	Employee Benefits						
	Payroll Trended		0	0	0	0.00%	0.00%
	Non Payroll Trended	61,438	57,305	57,213	9		
	Other Trended	1,644	1,711	1,790	1	104.10%	108.89%
	Total	63,082	59,016	59,003			
928	Regulatory Comm Exp						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	2,430	2,530	2,646	1	104.10%	108.89%
	Other Trended		0	18,322	9		
	Total	2,430	2,530	20,968			
930	Misc Gen Exp						
	Payroll Trended		0	0	0	0.00%	0.00%
	Non Payroll Trended	17,939	19,024	20,296	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	17,939	19,024	20,296			
931	Rents						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	21,638	21,854	22,071	9	101.00%	102.00%
	Other Trended		0	0	0	0.00%	0.00%
	Total	21,638	21,854	22,071			
	Subtotal	483,667	447,730	495,372			
	Total Operation Expense	1,078,074	1,071,737	1,159,194			

Supporting Schedules:

Recap Schedules:

274/SCHC1s8

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Schedule C-1ab (Projections)

Schedule 8

ORDER NO. 21532
DOCKET NO. 880558-EI
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ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
	MAINTENANCE EXPENSES PRIMARY ACCOUNTS						
	HYDRAULIC POWER GENERATION						
542	Maint of Structures						
	Payroll Trended	159	163	172	3	102.81%	107.95%
	Non Payroll Trended	82	85	89	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	241	248	261			
543	Maint of Rsrvrs/Dams/Wtrwys						
	Payroll Trended	141	145	152	3	102.81%	107.95%
	Non Payroll Trended	85	88	93	1	104.10%	108.89%
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	226	233	245			
544	Maint of Elec Plant						
	Payroll Trended	587	603	634	3	102.81%	107.95%
	Non Payroll Trended	136	142	[illegible]	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	723	745	782			
	Subtotal	1,190	1,226	1,288			
	DISTRIBUTION						
590	Maint Supervision/Engr						
	Payroll Trended	15,621	16,060	16,663	3	102.81%	107.95%
	Non Payroll Trended	4,536	4,722	4,939	1	104.10%	108.89%
	Other Trended		0	0	0	0.00%	0.00%
	Total	20,157	20,782	21,602			
*593	Maint of Overhead Lines						
	Payroll Trended	169,839	177,872	190,491	8	104.73%	112.16%
	Non Payroll Trended	204,438	216,806	231,301	7	106.05%	113.14%
	Other Trended		0	0	9		
	Total	374,277	394,678	421,792			

* ACCOUNTS WHERE STAFF AND OPC DIFFER(PAYROLL TRENDED) AS SHOWN IN ISSUE 38

Supporting Schedules: Recap Schedules: 274/SCHC1a8

Schedule C-1sb (Projections)

Schedule 8

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1987	PROJECTION YEARS 1988	1989	TREND BASIS		
*594	Maint of Underground Lines						
	Payroll Trended	281	294	315	8	104.73%	112.16%
	Non Payroll Trended	907	962	1,026	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	1,188	1,256	1,341			
*595	Maint of Line Transformers						
	Payroll Trended	10,366	10,856	11,627	8	104.73%	112.16%
	Non Payroll Trended	16,182	17,161	18,308	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	26,548	28,017	29,935			
*596	Maint of Street Lighting						
	Payroll Trended	4,747	4,972	5,324	8	104.73%	112.16%
	Non Payroll Trended	6,435	6,824	7,281	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	11,182	11,796	12,605			
*597	Maint of Meters						
	Payroll Trended	352	369	395	8	104.73%	112.16%
	Non Payroll Trended	114	121	129	7	106.05%	113.14%
	Other Trended		0	0	0	0.00%	0.00%
	Total	466	490	524			
	Subtotal	433,818	457,019	487,999			

* ACCOUNTS WHERE STAFF AND OPC DIFFER(PAYROLL TRENDED) AS SHOWN IN ISSUE 38

ACCT NO.	ADMINISTRATIVE & GENERAL EXPENSES	TEST YEAR 1987	1988	1989	TREND BASIS		
932	Maint of General Plant						
	Payroll Trended	1,321	1,358	1,426	3	102.81%	107.95%
	Non Payroll Trended	9,734	10,133	10,599	1	104.10%	108.89%
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	11,055	11,491	12,025			
	Subtotal	11,055	11,491	12,025			
	Total Maintenance Expense	446,063	469,736	501,312			
	TOTAL O & M EXPENSES	1,524,137	1,541,473	1,660,506			

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Schedule 9

FLORIDA PUBLIC UTILITIES COMPANY
(MARIANNA DIVISION)
COST OF CAPITAL - 13 MONTH AVERAGE
ATTRITION YEAR ENDING 12-31-89

COMMISSION VOTE

CAPITAL COMPONENT	COMPANY ADJUSTED	ADJUSTED FOR NONREGULATED AFFILIATE	STAFF SPECIFIC ADJUSTMENTS	STAFF GENERAL ADJUSTMENTS	STAFF ADJUSTED	RATIO	% COST RATE	WEIGHTED COST
COMMON EQUITY	2,671,070	2,330,672	6,911	(18,522)	2,319,061	0.2526	13.35	3.3722
PREFERRED EQUITY	115,337	114,991		(912)	114,079	0.0124	4.75	0.0590
LONG-TERM DEBT	3,646,783	3,609,596		(28,598)	3,580,998	0.3901	9.81	3.8265
BANK NOTES	578,458	956,389		(7,574)	948,815	0.1033	10.30	1.0645
CUSTOMER DEPOSITS								
ACTIVE	408,995	408,995			408,995	0.0445	8.30	0.3698
INACTIVE	1,445	1,445			1,445	0.0002	0.00	0.0000
INVESTMENT TAX CREDIT								
3%	11,609	11,609			11,609	0.0013	0.00	0.0000
POST '70	382,220	382,220			382,220	0.0416	11.08	0.4613
DEFERRED INCOME TAXES	1,420,411	1,420,411	(6,911)		1,413,500	0.1540	0.00	0.0000
TOTAL	9,236,328	9,236,328	0	(55,606)	9,180,722	1.0000		9.1532

COST RATE FOR POST '70 ITC:

	DOLLARS	RATIO	COST RATE	WEIGHTED COST RATE
COMMON EQUITY	2,319,061	0.3856	13.35	5.1478
PREFERRED EQUITY	114,079	0.0190	4.75	0.0901
LONG-TERM DEBT	3,580,998	0.5954	9.81	5.8412
TOTAL	6,014,138	1.0000		11.0790

COMPANY: FLORIDA PUBLIC UTILITIES CO. - MARI
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

COMPARISON OF
REVENUE EXPANSION FACTORS
Attrition Year

Schedule 10
24-May-89
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LINE NO.	DESCRIPTION	COMPANY	STAFF	COMMISSION VOTE
1	Revenue Requirement	100.000000	100.000000	100.000000
2				
3	Uncollectible Accounts	(0.143800)	(0.143800)	(0.143800)
4				
5	Gross Reciepts Tax	(1.500000)	(1.500000)	(1.500000)
6				
7	Regulatory Assessment Fee	(0.125000)	(0.125000)	(0.125000)
8				
9	Net Before Income Taxes	98.231200	98.231200	98.231200
10				
11	State Income Tax Rate	5.5000%	5.5000%	5.5000%
12				
13	State Income Tax	5.402716	5.402716	5.402716
14				
15	Net Before Federal Income Taxes	92.828484	92.828484	92.828484
16				
17	Federal Tax Rate	34.0000%	34.0000%	34.0000%
18				
19	Federal Income Tax	31.561685	31.561685	31.561685
20				
21	Net Operating Income	61.266799	61.266799	61.266799
22				
23				
24	Net Operating Income Multiplier	1.6322	1.6322	1.6322
25				

COMPANY: FLORIDA PUBLIC UTILITIES CO. – MARIANNA
DOCKET NO.: 880558-EI
TEST YEAR: DECEMBER 31, 1987

SCHEDULE 11
24-May-89
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COMPARATIVE REVENUE REQUIREMENTS

ATTRITION YEAR

LINE NO.	DESCRIPTION [1]	COMPANY AS FILED [2]	COMPANY ADJUSTED [3]	STAFF RECOMMENDATION [4]	COMMISSION VOTE [5]
1	Adjusted Jurisdictional Rate Base	$9,230,228	$9,236,328	$9,180,722	$9,180,722
2					
3	Required Rate of Return	9.13%	9.32%	9.02%	9.15%
4					
5					
6	Required Net Operating Income	842,720	860,826	828,101	840,036
7					
8	Adjusted Achieved Test Year				
9	Jurisdictional Net Operating Income	419,255	451,497	509,366	509,366
10					
11	Jurisdictional NOI Deficiency	423,465	409,329	318,735	330,670
12					
13	Revenue Expansion Factor	1.6315	1.6322	1.6322	1.6322
14					
15	**Total Revenue Increase**	$690,888	$668,107	$520,241	$539,720
16					
17	1987 Test Year Increase	521,278	440,216	345,661	367,655
18					
19	1989 Increase	169,610	227,891	174,580	172,065
20					
21					
22			SUMMARY		
23	1987 Test Year Increase				
24	Schedule No.	$521,278	$440,216	$345,661	$367,655
25					
26	1989 Increase – Line 21	169,610	227,891	174,580	172,065
27					
28	Total Increase – Line 15	$690,888	$668,107	$520,241	$539,720
29					