

BEFORE THE PUBLIC SERVICE COMMISSION

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

DOCKET NO. 040216-GU  
ORDER NO. PSC-04-0721-PCO-GU  
ISSUED: July 26, 2004

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman  
J. TERRY DEASON  
LILA A. JABER  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON

ORDER SUSPENDING REQUEST FOR PERMANENT RATE INCREASE AND  
GRANTING REQUEST FOR INTERIM RATE INCREASE

BY THE COMMISSION:

I. BACKGROUND

This proceeding commenced on May 10, 2004, with the filing of a petition for a permanent rate increase by Florida Public Utilities Company (FPUC or the company). FPUC requested an increase of \$8,186,989 in additional annual revenues. The company based its request on a 13-month average rate base of \$65,835,210 for a projected test year ending December 31, 2005. The requested overall rate of return is 8.66% based on an 11.50% return on equity.

The company also requested an interim increase of \$1,490,980. It calculated the interim increase request using a 13-month average rate base of \$52,093,355 and an overall rate of return of 7.68% based on a return on equity of 10.40%. The interim test year is the period ended December 31, 2003.

We last granted FPUC a \$1,282,001 rate increase by Order No. PSC-95-0518-FOF-GU, issued April 26, 1995, in Docket No. 940620-GU, In Re: Application for a rate increase by Florida Public Utilities Company. In that Order we found the company's jurisdictional rate base to be \$27,241,536 for the projected test year ending December 31, 1995. The allowed rate of return was found to be 8.44% for the test year using an 11.40% return on equity.

Pursuant to Section 366.06(4), Florida Statutes, FPUC requested that we process its petition for rate relief using Proposed Agency Action (PAA) procedures. Under that section, we must enter our vote on the PAA within five months of the date on which a complete set of minimum filing requirements (MFRs) is filed. By letter dated May 21, 2004, the company was notified that its initial MFR filing was deficient. FPUC submitted revised MFRs on May 26, 2004, that met the requirements of Rule 25-7.039(1)(a), Florida Administrative Code, and that

DOCUMENT NUMBER-DATE

08081 JUL 26 3

date was established as the commencement date. Therefore, the statutory five-month timeframe pursuant to Section 366.06(4), Florida Statutes, ends on October 26, 2004. We have jurisdiction over this request for a rate increase and interim rate increase pursuant to Sections 366.06(2) and (4), and 366.071, Florida Statutes.

## II. SUSPENSION OF RATES

The company has requested both a permanent rate increase and an interim rate increase. Pursuant to Sections 366.06(3) and 366.071(2)(a), Florida Statutes, this Commission must take action to suspend the permanent rates and act on the interim request within 60 days of the filing. If we have not taken action within five months of May 26, 2004, or if our action is protested by a party other than the utility, FPUC may place its requested rates into effect under bond, escrow, or corporate undertaking subject to refund, upon notice to this Commission and upon filing the appropriate tariffs.

We have considered the proposed rates, the revenues thereby generated, and the information filed in support of the rate application. We find that it is reasonable and necessary to require further amplification and explanation regarding this data, and to require production of additional and/or corroborative data. This further examination will include on-site investigations by our staff accountants and engineers. Based on the foregoing, and to allow our staff and this Commission time to further review the company's MFRs, we hereby suspend the company's proposed final rate increase.

## III. INTERIM RATES

### A. Rate Base Adjustments

Our staff has reviewed the rate base adjustments made in the company's last case and in the current interim filing to determine if the current case was filed consistent with the findings in the company's last rate case order. The adjustments made in that last rate case were either allocation adjustments or adjustments resulting from the staff audit that was performed for setting the permanent rates. Because the company has sold its water division and acquired South Florida Natural Gas, the rate base allocation adjustments are no longer appropriate. Also, the staff audit for this case has not been completed. Therefore, the rate base adjustments from the last case are inappropriate for interim purposes, and we have made no rate base adjustments based on the last rate case.

A review of the current filing shows that the company's adjustments are reasonable and consistent with the last case, with the exception of the following adjustments:

Adjustment 1: Unamortized Rate Case Expense - The company included in working capital \$4,576 in deferred rate case expense associated with this docket. In its last rate case, we allowed one half of unamortized rate case expense in working capital, but only after approving the total rate case expense. We have not yet approved rate case expense and it is pro forma in nature and beyond the interim test year. Therefore, we find that the deferred rate case expense

shall be removed from working capital, and reduce working capital by \$4,576. See Order No. PSC-03-0380-PCO-SU, issued March 19, 2003, in Docket No. 020408-SU, In re: Application for rate increase in Seminole County by Alafaya Utilities, Inc.

Adjustment 2: Net Overrecovery – Unbundling - The company made an adjustment to remove an unbundling net overrecovery, thereby increasing working capital by \$61,178. The company's expenses and revenues for unbundling are recovered through the Transition Cost Recovery Clause, similar to the PGA and conservation clauses. The company correctly included overrecoveries for PGA and conservation in working capital. Thus, consistent with our practice, we find that unbundling net overrecoveries shall be treated like PGA and conservation overrecoveries and included in working capital as a liability. The rationale for including overrecoveries as a reduction to working capital is to provide the company with an incentive to make its projections for the cost recovery clause as accurate as possible and to avoid large overrecoveries. See Order No. PSC-04-0180-PCO-GU, issued February 23, 2004, in Docket No. 030954-GU, In re: Petition for a rate increase by Indiantown Gas Company. Therefore, we find that working capital shall be increased by \$683 for the unbundling underrecovery, and decreased by \$61,861 for the overrecovery to reverse the company's adjustments. This results in including a net overrecovery of \$61,178 (\$61,861 - \$683) in working capital.

Adjustment 3: Negative Working Capital - According to MFR Schedule F-1, the 13-month average per books working capital is a negative \$2,592,754. FPUC made several adjustments to working capital, as reflected in Attachment 1A, which resulted in a negative working capital balance of \$1,530,974. The company then made a further adjustment to increase adjusted working capital by \$1,530,974 to produce a working capital allowance of zero. In its last rate case, the balance sheet methodology was used and resulted in a positive working capital, therefore no adjustment was necessary to bring it to zero.

In Order No. 21532, issued June 12, 1989, in Docket No. 880558-EI, In re: Petition of Florida Public Utilities Company for rate increase for Marianna Division, this Commission stated:

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.

Because of the time constraints for interim rates, we have not attempted to determine if FPUC is being subsidized by its parent or whether the reasons causing the negative working capital are typical of a going concern. The determination of the appropriate interim amount is one strictly made following the formula found in Section 366.071, Florida Statutes.

The file and suspend law “was designed to provide accelerated [rate] relief without sacrificing the protections inherent in the overall regulatory scheme.” Florida Power Corporation v. Hawkins, 367 So. 2d 1011, 1013 (Fla. 1979). Interim rates, which are one aspect of this scheme, were designed “to make a utility whole during the pendency of the proceeding without the interjection of any opinion testimony.” Citizens v. Public Service Commission, 435 So. 2d 784, 786 (Fla. 1983). Thus, the provision of interim rates is a quick and dirty means by which a utility can obtain immediate financial relief. Citizens v. Mayo, 333 So. 2d 1, 5 (Fla. 1976). In the full case the company will have the opportunity to demonstrate any special circumstances that require the negative balance to be reversed and we will analyze this issue further at that time.

In pre-filed testimony, FPUC stated that it is neither logical nor appropriate for adjusted working capital to reflect a negative balance due to Commission mandated adjustments, as they would result in an artificially reduced overall rate base. However, FPUC’s working capital was negative before any Commission adjustments were made. Therefore, we shall reverse the company’s adjustment to bring working capital to zero. Application of the balance sheet methodology yields a negative working capital balance. Use of this methodology is consistent with the treatment allowed in the last rate case. Therefore, we shall reduce working capital by \$1,530,974.

Based on the net effect of the adjustments discussed above, we find interim rate base to be \$50,496,627. Our calculation of Rate Base is shown on Attachments 1 and 1A.

#### B. Test Year Net Operating Income

A review of the net operating income adjustments made in the company’s last case and in the current interim filing shows that the company’s adjustments are consistent with the last case, with the exception of the following adjustments:

Adjustment 4: Interest Earned on Cash in Working Capital – In the company’s last rate case, we made an adjustment to include the interest earned on interest bearing cash that was included in working capital. The company included the three-year average of cash in working capital in the interim test year. Consistent with the last rate case, revenues shall be increased by \$1,448 to include the interest earned on cash.

Adjustment 5: Annualization of Overheads for Discontinued Operations – In March 2003, FPUC sold its water operation. As a result, overheads are now allocated over fewer entities. FPUC made an adjustment to increase expenses by \$64,822 and \$534 to include three months of overheads to annualize these expenses. Pursuant to Section 366.071(5)(b)1., Florida Statutes, the only annualization adjustments that should be made to the interim test year amounts are customer rate changes that became effective during the interim test year. Therefore, expenses shall be reduced by \$64,822 and by \$534.

Adjustment 6: Taxes Other Than Income – Gross Receipts Tax - The calculated revenues include gross receipts tax (GRT) of \$1,172,812. The company has included \$1,177,606 of GRT

in its calculation of taxes other than income (TOTI). The GRT included in the calculated revenues represents the actual amount of GRT collected. The GRT included in TOTI represents a calculated amount based on total revenues. The amount of GRT included in revenues should match the amount of GRT included in TOTI. Therefore, TOTI shall be reduced by \$4,794 to reflect the actual amount of GRT collected.

Adjustment 7: Taxes Other Than Income – Regulatory Assessment Fees - The company has included \$265,788 of regulatory assessment fees (RAFs) in its calculation of taxes other than income. The company removed a total of \$151,283 of RAFs related to fuel, conservation and unbundling, and Area Expansion Program revenues to reflect a balance of \$114,505. Based on calculated revenues of \$21,719,048, RAFs should reflect a balance of \$108,595, and we have, therefore, adjusted taxes other than income to decrease RAFs by \$5,910.

Adjustment 8: Income Taxes – Interest Reconciliation Adjustment – Based on the approved capital structure and cost rates, we have increased the company's income tax expense by \$26,994.

Adjustment 9: Income Taxes – Tax Effect of Permanent Differences – To reflect the income tax on permanent differences (nondeductible meals of \$8,641), we have increased the company's income tax expense by \$3,251.

Adjustment 10: Income Taxes – Tax Effect of Other Adjustments – Based on our other income and expense adjustments, we have increased the company's income tax expense by \$29,166.

Based on the net effect of the adjustments discussed above, we find interim test year net operating income to be \$3,096,833. Our calculation of net operating income is shown on Attachment 2.

### C. Cost of Capital

This Commission traditionally establishes a range around the return on equity of plus or minus 100 basis points, and interim rates are set using the return on equity at the low end of the range (the authorized return on equity minus 100 basis points). However, in the last rate case, we approved a stipulation by Order PSC-95-0518-FOF-GU, issued April 26, 1995, in which FPUC's return on equity was set at 11.40% with no range. In its request for interim rates, FPUC used a return on equity of 10.40%. This agrees with our traditional method, and we find that the 10.40% return on equity is appropriate.

In agreement with its last rate case, FPUC removed non-utility investment (Flo-Gas, its propane gas operations) specifically from common equity at the consolidated level in reconciling rate base and capital structure. Our adjustment to interim rate base has a nominal impact effect on the overall cost of capital because the rate base adjustment is reconciled to the capital structure on a pro rata basis over investor sources. This treatment slightly increases the relative weight of deferred taxes, investment tax credits, and customer deposits in the capital structure. Based upon the proper components, amounts, and cost rates associated with the capital structure

for the interim test year ended December 31, 2003, we calculate a weighted average cost of capital of 7.65%. Our calculation of the cost of capital is shown on Attachment 3.

D. Revenue Expansion Factor and Interim Net Operating Income Multiplier

On MFR Schedule F-6, the company calculated a revenue expansion factor of 0.618087 and a net operating multiplier of 1.61790, using a 34% federal income tax rate and a 5.5% state income tax rate. Additionally, the company applied a 0.5% factor for regulatory assessment fees and a 0.4% bad debt rate. Our review of the company's calculation of the revenue expansion factor and the net operating income multiplier shows that no adjustment is necessary. Our calculation of the revenue expansion factor and net operating income multiplier is shown on Attachment 4.

E. Interim Revenue Increase

The company requested \$1,490,980 in interim revenue relief for the historical base year ended December 31, 2003. Based on the company's calculations and adjustments, this would have allowed the company to earn an overall rate of return of 7.68%. However, based on our above-noted adjustments, we have determined the interim rate base to be \$50,496,627, and the net operating income to be \$3,096,833. Applying a 7.65% overall rate of return, we calculate that the company is entitled to \$1,236,108 in interim relief, as shown on Attachment 5.

F. Interim Rate Increase

As shown on Attachments 6A and 6B, we have determined the cents-per-therm increases to be applied to each rate class based on our approved interim increase of \$1,236,108. The increases were calculated using the methodology contained in Rule 25-7.040, Florida Administrative Code, which requires that any increase be applied evenly across the board to all rate classes based on their base rate revenues.

The interim rates shall be effective for all meter readings made on or after thirty days from the date of our vote approving any interim increase. FPUC shall give appropriate notice to customers commencing with the first bill for service that reflects the approved interim increase that explains the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to the Division of Economic Regulation for approval prior to its use.

IV. SECURITY TO GUARANTEE INTERIM INCREASE

Based on the approved interim increase being in effect for six months plus an allowance for interest, we find that the appropriate amount for a corporate undertaking is \$622,689. An analysis of FPUC's financial statements for 2001, 2002, and 2003, and the financial ratios from this analysis, shows that FPUC has adequate liquidity, profitability, ownership equity, and interest coverage to support a corporate undertaking in this amount. Therefore, FPUC shall provide a corporate undertaking in this amount to protect the interim revenues subject to refund with interest.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the permanent rate increase requested by Florida Public Utilities Company is suspended until October 26, 2004. It is further

ORDERED that Florida Public Utilities Company is granted an interim rate increase of \$1,236,108. It is further

ORDERED that the interim rate increase shall be distributed to all rate classes based on their base rate revenues, and shall be collected on a cents-per-therm basis. It is further

ORDERED that the interim rates shall be made effective for all meter readings made on or after 30 days from July 6, 2004. It is further

ORDERED that Florida Public Utilities Company shall give notice to customers commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose, and effect of the increase. A copy of the notice shall be submitted to the Division of Economic Regulation for approval prior to its use. It is further

ORDERED that Florida Public Utilities Company shall secure the interim refund with a corporate undertaking in the amount of \$622,689. It is further

ORDERED that this docket shall remain open pending final resolution of the company's requested rate increase.

By ORDER of the Florida Public Service Commission this 26th day of July, 2004.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records

(SEAL)

RRJ

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), 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 this order, which is non-final in nature, may request (1) reconsideration within 15 days pursuant to 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 wastewater utility. A motion for reconsideration shall be filed with the Director, Division of the Commission Clerk and Administrative Services, in the form prescribed by Rule 25-22.060, Florida Administrative Code. Citizens of the State of Florida v. Mayo, 316 So.2d 262 (Fla. 1975), states that an order on interim rates is not final or reviewable until a final order is issued. Such review may be requested from the appropriate court, as described above, pursuant to Rule 9.100, Florida Rules of Appellate Procedure.



## COMPARATIVE RATE BASES

FLORIDA PUBLIC UTILITIES COMPANY

ATTACHMENT 1

DOCKET NO. 040216-GU

22-Jun-04

TYE 12/31/03 INTERIM

ADJ. NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMN ADJS.	COMMN ADJUSTED
PLANT IN SERVICE					
UTILITY PLANT	76,939,416				
Remove nonregulated plant		(1,140,078)			
Remove Misc. Intangible Plant-non-comp		(584,615)			
Remove Misc. Intangible Plant-non-comp		(1,315,385)			
COMMON PLANT ALLOCATED	2,875,870				
ACQUISITION ADJUSTMENT	1,816,579				
Remove SFNG acquisition goodwill		(1,513,179)			
PLANT HELD FOR FUTURE USE	0				
CONSTRUCTION WORK IN PROGRESS	2,415,486				
COMMON CWIP ALLOCATED	75,007				
TOTAL PLANT	84,122,358	(4,553,257)	79,569,101	0	79,569,101
DEDUCTIONS					
ACCUM. DEPR.- PLANT IN SERVICE	26,054,856				
Remove nonregulated Plant reserve		(511,973)			
ACCUM. DEPR.- COMMON PLANT	697,676				
ACCUM. DEPR.- ACQUISITION ADJ.	310,180				
CUSTOMER ADVANCES FOR CONSTR.	925,007				
TOTAL DEDUCTIONS	27,987,719	(511,973)	27,475,746	0	27,475,746
NET UTILITY PLANT	56,134,639	(4,041,284)	52,093,355	0	52,093,355
WORKING CAPITAL ALLOWANCE	(2,592,754)	2,592,754	0	(1,596,728)	(1,596,728)
TOTAL RATE BASE	53,541,885	(1,448,530)	52,093,355	(1,596,728)	50,496,627

## COMPARATIVE WORKING CAPITAL COMPONENTS

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET NO. 040216-GU  
TYE 12/31/03 INTERIM

ATTACHMENT 1A  
22-Jun-04

ADJ. NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMN ADJS.	COMMN ADJUSTED
<b>ASSETS</b>					
	5,446		5,446		5,446
Other Funds					
Cash	1,030,151	(772,110)	258,041		258,041
Insurance Proceeds Environmental	3,039,411	(3,039,411)	0		0
Other Special Deposits-Misc	(1)		(1)		(1)
Cash-Other	8,623		8,623		8,623
Accounts Receivable-Customer	4,426,935		4,426,935		4,426,935
Accounts Receivable-Other	249,459		249,459		249,459
Allow. for Uncollectable	(139,296)		(139,296)		(139,296)
Materials & Supplies	438,569		438,569		438,569
Stores Expense	17,909		17,909		17,909
Prepaid Insurance	271,292		271,292		271,292
Prepaid Pensions	1,497,990		1,497,990		1,497,990
Prepaid Other	66,755		66,755		66,755
Unbilled Revenues	705,691		705,691		705,691
Unamort. Debt Discount-Environmental	3,503	(3,503)	0		0
1 Other Deferred Debits-Rate Case Exp.	4,576		4,576	(4,576)	0
Other Deferred Debits-Allocated	26,363		26,363		26,363
Other Deferred Debits-Direct	89,594		89,594		89,594
Other Deferred Debits-AEP	3,770,461	(3,770,461)	0		0
Underrecoveries-PGA & Conserv.	169,687		169,687		169,687
2 Underrecoveries-Unbundling	683	(683)	0	683	683
Deferred Piping & Conversion	1,436,180		1,436,180		1,436,180
Misc. Deferred Debits	18,388		18,388		18,388
Misc. Deferred Debits	(27)		(27)		(27)
<b>LIABILITIES</b>					
Misc. Non-Current Liab-Insurance	59,070		59,070		59,070
Misc. Non-Current Liab-Insurance	1,299,227		1,299,227		1,299,227
Provision for Rate Refund	267,483		267,483		267,483
Accounts Payable-Operating	3,376,586		3,376,586		3,376,586
Accounts Payable-Other	436,296		436,296		436,296
Accounts Payable-Other	2,644		2,644		2,644
Taxes Payable-Gross receipts	107,013		107,013		107,013
Taxes Payable-FPSC Assessment	63,244		63,244		63,244
Taxes Payable-Income Taxes	1,640,149		1,640,149		1,640,149
Taxes Payable-Ad Valorem	330,063		330,063		330,063
Taxes Payable-Other	4,577		4,577		4,577
Interest Accrued-Debt	592,894		592,894		592,894
Interest Accrued-Customer Deposits	106,230		106,230		106,230
Dividends Payable-Preferred Stock	1,617		1,617		1,617
Taxes Payable-Employee & Sales	61,627		61,627		61,627
Taxes Payable-Franchise	704,143		704,143		704,143
Taxes Payable-Municipal	161,444		161,444		161,444
Accrued Liability-Vacation Payroll	661,997		661,997		661,997
Accrued Liability-Misc.	82,253		82,253		82,253
Accrued Liability-Misc.	454		454		454
Misc Deferred Liab-Misc.	360		360		360
Misc Deferred Liab-Unamort. Gains	462,110		462,110		462,110
Overrecoveries-PGA & Conserv.	550,897		550,897		550,897
2 Overrecoveries-Unbundling	61,861	(61,861)	0	61,861	61,861
Environmental Liability Insurance Proceeds	4,927,395	(4,927,395)	0		0
Environmental Liability Pending Rate	3,658,692	(3,658,692)	0		0
Environ Costs Net of Customer Proceeds	110,770		110,770		110,770
3 Adjustment for Negative Working Capital		(1,530,974)	(1,530,974)	1,530,974	0
<b>TOTALS</b>	<b>(2,592,754)</b>	<b>2,592,754</b>	<b>0</b>	<b>(1,596,728)</b>	<b>(1,596,728)</b>

COMPARATIVE NOIs

FLORIDA PUBLIC UTILITIES COMPANY  
 DOCKET NO. 040216-GU  
 TYE 12/31/03 INTERIM

ATTACHMENT 2  
 Page 1 of 2  
 22-Jun-04

ADJ. NO.	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMN ADJS.	COMMN ADJUSTED
OPERATING REVENUES					
	Base Revenues	17,043,850			
	Fuel	27,772,085	(27,772,085)		
	Conservation	2,125,541	(2,125,541)		
	Unbundling	(24,125)	24,125		
	Gross Receipts Tax	1,172,812			
	Franchise Tax	1,287,446			
	Other Operating Revenues	4,232,866			
	Lake Worth termination fee		(1,500,000)		
	Area Expansion Program		(354,368)		
	Est. overearnings to be applied to Environ.		105,000		
	Other fuel, conser. & unbundling revs.		(270,006)		
4	Include interest on cash in working capital			1,448	
	<b>TOTAL REVENUES</b>	<b>53,610,475</b>	<b>(31,892,875)</b>	<b>21,717,600</b>	<b>1,448</b>
OPERATING EXPENSES					
	Operation	10,556,373			
	To average uncollectibles/Lake Worth		189,122		
	Exclude economic development exp.		(250)		
5	Discontinued operations		64,822	(64,822)	
	Correction of an allocation		(9,103)		
	Corrections of vouchers		(7,894)		
	Transfer of advertising for builder		(18,000)		
	Maintenance	1,077,610			
	Cost of Gas	27,837,662	(27,837,662)		
	Conservation	2,115,951	(2,115,950)		
	Storage & Unbundling	44,349	(44,349)		
5	Discontinued operations		534	(534)	
	<b>TOTAL O &amp; M EXPENSE</b>	<b>41,631,945</b>	<b>(29,778,730)</b>	<b>11,853,215</b>	<b>(65,356)</b>

COMPARATIVE NOIs

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET NO. 040216-GU  
TYE 12/31/03 INTERIM

ATTACHMENT 2  
Page 2 of 2  
22-Jun-04

ADJ. NO.	TOTAL				
	PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	COMMN ADJS.	COMMN ADJUSTED
	DEPRECIATION	2,315,532			
	Remove Nonutility Plant Depreciation		(51,597)		
	AMORTIZATION	251,640			
	Remove Area Expansion Program		(352,596)		
	Reverse Environ adj. prior year		100,000		
	<b>TOTAL DEPRECIATION &amp; AMORT.</b>	<b>2,567,172</b>	<b>(304,193)</b>	<b>2,262,979</b>	<b>0</b>
	TAXES OTHER THAN INCOME	4,221,195			
	Remove Fuel related RAF		(138,994)		
	Remove Conserv. & unbundling related RAF		(10,517)		
	Remove common property		(42,563)		
	Remove AEP related RAF		(1,772)		
6	Reduce GRT expense to match GRT revenue adj.			(4,794)	
7	Reduce RAF to COMMN calculation			(5,910)	
	<b>TOTAL TAXES OTHER THAN INCOME</b>	<b>4,221,195</b>	<b>(193,846)</b>	<b>4,027,349</b>	<b>(10,704)</b>
	INCOME TAX EXPENSE	(455,518)			
	Increase for Fuel Related		1,016		
	Increase for Conserv./ Unbundling Related		476		
	Increase for est. overearnings - environ.		39,512		
	Increase for economic development		94		
	Decrease for Environmental amort. adj.		(37,630)		
	Increase for Non-utility depreciation		19,416		
	Decrease for discontinued operations		(24,593)		
	Decrease for IT adjustments		(574,029)		
8	Interest Synch.		214,764	26,994	
9	Increase for permanent differences			3,251	
10	Increase income tax exp for other adjustments			29,166	
	DEFERRED INCOME TAX	1,353,123			
	INVESTMENT TAX CREDIT	(41,310)			
	<b>TOTAL INCOME TAXES</b>	<b>856,295</b>	<b>(360,974)</b>	<b>495,321</b>	<b>59,411</b>
	<b>TOTAL OPERATING EXPENSES</b>	<b>49,276,607</b>	<b>(30,637,743)</b>	<b>18,638,864</b>	<b>(16,649)</b>
	<b>NET OPERATING INCOME</b>	<b>4,333,868</b>	<b>(1,255,132)</b>	<b>3,078,736</b>	<b>18,097</b>
					<b>3,096,833</b>

FLORIDA PUBLIC UTILITIES  
 COMPANY  
 TYE 12/31/03 INTERIM  
 DOCKET NO. 040216-GU

CAPITAL STRUCTURE - 13 MONTH AVERAGE

ATTACHMENT 3  
 22-Jun-04

	CONSOLIDATED	13 MO AVG FLO- GAS	FPUC PER BOOKS	GAS SPECIFIC	ADJUSTED BALANCE	PRO RATA	COMM ADJUSTED	RATIO	COST RATE	WEIGHTED COST
LONG TERM DEBT	50,142,509	0	50,142,509		50,142,509	(27,754,709)	22,387,800	44.34%	8.13%	3.60%
SHORT TERM DEBT	4,390,462	0	4,390,462		4,390,462	(2,430,193)	1,960,269	3.88%	1.71%	0.07%
PREFERRED STOCK	600,000	0	600,000		600,000	(332,110)	267,890	0.53%	4.75%	0.03%
COMMON EQUITY	39,621,866	(2,136,611)	37,485,255		37,485,255	(20,748,709)	16,736,546	33.14%	10.40%	3.45%
CUSTOMER DEPOSITS	5,843,116	(501,480)	5,341,636	(1,710,275)	3,631,361		3,631,361	7.19%	6.13%	0.44%
DEFERRED TAXES	11,276,005	(1,837,401)	9,438,604	(4,284,529)	5,154,075		5,154,075	10.21%	0.00%	0.00%
ITC AT ZERO COST	1,731	0	1,731	(1,612)	119		119	0.00%	0.00%	0.00%
ITC AT OVERALL COST	639,402	(6,061)	633,341	(274,773)	358,568		358,568	0.71%	8.72%	0.06%
TOTAL	112,515,091	(4,481,553)	108,033,538	(6,271,189)	101,762,349	(51,265,722)	50,496,627	100.00%		7.65%

NET OPERATING INCOME MULTIPLIER  
FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET NO. 040216-GU  
TYE 12/31/03 INTERIM

ATTACHMENT 4  
22-Jun-04

DESCRIPTION	COMPANY PER FILING	COMMN
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.4000%	0.4000%
NET BEFORE INCOME TAXES	<u>99.1000%</u>	<u>99.1000%</u>
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4505%	5.4505%
NET BEFORE FEDERAL INCOME TAXES	<u>93.6495%</u>	<u>93.6495%</u>
FEDERAL INCOME TAX RATE	34.0000%	34.0000%
FEDERAL INCOME TAX	31.8408%	31.8408%
REVENUE EXPANSION FACTOR	<u>61.8087%</u>	<u>61.8087%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.6179</u>	<u>1.6179</u>

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

FLORIDA PUBLIC UTILITIES COMPANY  
 DOCKET NO. 040216-GU  
 TYE 12/31/03 INTERIM

ATTACHMENT 5  
 22-Jun-04

	<u>COMPANY ADJUSTED</u>	<u>COMMN</u>
RATE BASE (AVERAGE)	\$52,093,355	\$50,496,627
RATE OF RETURN	X <u>7.68%</u>	X <u>7.65%</u>
REQUIRED NOI	<u>\$4,000,289</u>	<u>\$3,860,853</u>
 Operating Revenues	 21,717,600	 21,719,048
 Operating Expenses:		
Operation & Maintenance	11,853,215	11,787,859
Depreciation & Amortization	2,262,979	2,262,979
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	4,027,349	4,016,645
Income Taxes	495,321	554,732
Total Operating Expenses	18,638,864	18,622,215
ACHIEVED NOI	<u>3,078,736</u>	<u>3,096,833</u>
NET REVENUE DEFICIENCY	921,553	764,020
Revenue Tax Factor	1.6179	1.6179
TOTAL REVENUE DEFICIENCY	<u>\$1,490,980</u>	<u>\$1,236,108</u>

ORDER NO. PSC-04-0721-PCO-GU

DOCKET NO. 040216-GU

PAGE 16

FLORIDA PUBLIC UTILITIES COMPANY  
 ALLOCATION OF INTERIM RATE INCREASE  
 DOCKET NO. 040216-GU

ATTACHMENT 6(A)

(1) RATE CODE	(2) RATE SCHEDULE	PRESENT BASE RATE REVENUE					INTERIM INCREASE			
		(3) BILLS	(4) THERM SALES	(5) CUSTOMER CHARGE	(6) ENERGY CHARGE	(7) TRANSPORT. ADMIN. CHARGE	(8) TOTAL BASE REVENUE	(9) \$ INCREASE	(10) % INCREASE	(11) PER THERM INCREASE IN CENTS
						(4) + (5) + (6)	(7) X (9)	(8) / (7)	(10) / (3) / 100	
RS	RESIDENTIAL	460,884	10,487,720	\$3,687,072	\$3,514,645		\$7,201,717	\$524,727	7.29%	5.003
GS, GSTS	GENERAL SERVICE SALES & TRANSPORTATION	36,456	11,240,730	\$546,840	\$2,418,218		\$2,965,058	\$216,038	7.29%	1.922
LVS, LVTS	LARGE VOLUME SALES & TRANSPORTATION	12,984	28,190,520	\$584,280	\$4,362,201	\$50,778	\$4,997,259	\$364,107	7.29%	1.292
IS, ITS	INTERRUPTIBLE SALES & TRANSPORTATION	168	5,541,840	\$40,320	\$366,426	\$6,480	\$413,226	\$30,108	7.29%	0.543
RS-NSB	RESIDENTIAL - NEW SMYRNA BEACH	50,568	1,021,510	\$353,976	\$578,726		\$932,702	\$67,958	7.29%	6.653
CI-NSB, CITS-NSB	COMM. & INDUST. SALES & TRANSP. - NEW SMYRNA BEACH	4,200	1,721,860	\$50,400	\$404,831		\$455,231	\$33,169	7.29%	1.927
<b>TOTAL</b>		<b>565,260</b>	<b>58,203,980</b>	<b>\$5,262,888</b>	<b>\$11,645,048</b>	<b>\$57,258</b>	<b>\$16,965,194</b>	<b>\$1,236,108</b>	<b>7.29%</b>	



ORDER NO. PSC-04-0721-PCO-GU

DOCKET NO. 040216-GU

PAGE 17

FLORIDA PUBLIC UTILITIES COMPANY  
 PRESENT AND COMMISSION APPROVED INTERIM RATES  
 DOCKET NO. 040216-GU

ATTACHMENT 6(B)

RATE CODE	RATE SCHEDULE	PRESENT RATE	COMMISSION APPROVED INTERIM INCREASE	COMMISSION APPROVED INTERIM RATE
RS	<u>RESIDENTIAL</u>			
	CUSTOMER CHARGE	\$8.00	N/A	\$8.00
	ENERGY CHARGE (cents/therm)	33.512	5.003	38.515
GS	<u>GENERAL SERVICE</u>			
	CUSTOMER CHARGE	\$15.00	N/A	\$15.00
	ENERGY CHARGE (cents/therm)	21.513	1.922	23.435
GSTS	<u>GENERAL SERVICE TRANSPORTATION</u>			
	CUSTOMER CHARGE	\$15.00	N/A	\$15.00
	ENERGY CHARGE (cents/therm)	21.513	1.922	23.435
LVS	<u>LARGE VOLUME</u>			
	CUSTOMER CHARGE	\$45.00	N/A	\$45.00
	ENERGY CHARGE (cents/therm)	15.474	1.292	16.766
LVTS	<u>LARGE VOLUME TRANSPORTATION</u>			
	CUSTOMER CHARGE	\$45.00	N/A	\$45.00
	ENERGY CHARGE (cents/therm)	15.474	1.292	16.766
IS	<u>INTERRUPTIBLE</u>			
	CUSTOMER CHARGE	\$240.00	N/A	\$240.00
	ENERGY CHARGE (cents/therm)	6.612	0.543	7.155
ITS	<u>INTERRUPTIBLE TRANSPORTATION</u>			
	CUSTOMER CHARGE	\$240.00	N/A	\$240.00
	ENERGY CHARGE (cents/therm)	6.612	0.543	7.155
RS - NSB	<u>RESIDENTIAL - NEW SMYRNA BEACH</u>			
	CUSTOMER CHARGE	\$7.00	N/A	\$7.00
	ENERGY CHARGE (cents/therm)	56.654	6.653	63.307
CI - NSB	<u>COMMERCIAL &amp; INDUSTRIAL FIRM - NEW SMYRNA BEACH</u>			
	CUSTOMER CHARGE	\$12.00	N/A	\$12.00
	ENERGY CHARGE (cents/therm)	23.514	1.927	25.441
CITS - NSB	<u>COMMERCIAL &amp; INDUSTRIAL TRANSPORTATION - NEW SMYRNA BEACH</u>			
	CUSTOMER CHARGE	\$12.00	N/A	\$12.00
	ENERGY CHARGE (cents/therm)	23.514	1.927	25.441