

BEFORE THE PUBLIC SERVICE COMMISSION

In re: Petition for approval of storm cost recovery clause to recover storm damage costs in excess of existing storm damage reserve, by Florida Public Utilities Company. | DOCKET NO. 041441-GU
ORDER NO. PSC-05-1040-PAA-GU
ISSUED: October 25, 2005

The following Commissioners participated in the disposition of this matter:

BRAULIO L. BAEZ, Chairman
J. TERRY DEASON
RUDOLPH "RUDY" BRADLEY
LISA POLAK EDGAR

NOTICE OF PROPOSED AGENCY ACTION
ORDER DECLINING TO ESTABLISH A STORM COST
RECOVERY CLAUSE AND APPROVING TEMPORARY SURCHARGE
FOR 2004 STORM COST RECOVERY

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

I. BACKGROUND

On December 28, 2004, Florida Public Utilities Company – Gas Division (FPUC or Company) filed a petition seeking authority to implement a Storm Cost Recovery Clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, and Jeanne that struck its service territory in 2004. FPUC sought recovery of approximately \$860,000 over a four-year period. FPUC asserted that the 2004 hurricanes caused total damages of \$619,227 to its facilities. The balance of FPUC's storm damage reserve prior to these hurricanes was \$59,070 at the end of September 2004, resulting in a deficit of approximately \$560,000 in its storm damage reserve at the end of December 2004. FPUC is also seeking an additional \$300,000 to replenish its storm damage reserve for a future storm. Pursuant to Order No. PSC-05-0769-PAA-GU, issued July 25, 2005 in Docket No. 050224-GU, In re: Investigation into 2002 earnings of the gas division of Florida Public Utilities Company, we found that the

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FPUC COMMISSION CLERK

Company was overearning and determined that \$117,773 of the 2002 excess earnings would be considered as an offset to the amount being sought in this docket.

FPUC began making accruals to the storm damage reserve in 1996 and accumulated a balance of \$59,070 before ceasing the accruals as of January 2003. In its rate case in Docket No. 040216-GU, In re: Application for rate increase by Florida Public Utilities Company, FPUC did not request that it be allowed to make any further accruals to its storm damage reserve, and Order No. PSC-04-1110-PAA-GU, issued November 8, 2004, did not allow any accrual in the setting of new rates. As a result, FPUC currently is not booking any accruals to its storm damage reserve.

Customer meetings were held in Deltona and West Palm Beach on June 27, 2005. A combined total of five customers attended the customer meetings. Four of those customers spoke in opposition to FPUC's proposed recovery of its storm restoration costs. In addition, the Office of Public Counsel intervened in this docket.

We have jurisdiction over this matter pursuant to Chapter 366, Florida Statutes, including but not limited to Sections 366.04, 366.05 and 366.06, Florida Statutes.

II. APPROPRIATE METHODOLOGY FOR BOOKING COSTS TO THE STORM DAMAGE RESERVE

In determining the amount of costs to be booked to the storm damage reserve, FPUC primarily utilized a direct incremental cost approach methodology. Under this methodology, only extraordinary expenses, such as overtime pay and vehicle expenses, that exceeded what would normally be recovered in base rates were charged to the storm damage reserve. FPUC also charged the normal costs of replacements to the reserve consistent with the incremental cost approach. However, cost of removal and retirements were not charged to the reserve, a departure from the incremental cost approach methodology.

In Order No. PSC-05-0748-FOF-EI, issued July 14, 2005, in Docket No. 041272-EI, In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc., this Commission followed a direct incremental cost with net book value adjustment methodology in determining the amount of costs to be charged to the storm damage reserve. Under this methodology, only extraordinary costs are charged to the storm damage reserve. We find that this methodology is also appropriate here. Therefore, the direct incremental cost with net book value adjustment methodology shall be utilized to determine the costs that will be charged to the storm damage reserve. Because FPUC did not follow this methodology in its petition, we make the following adjustments.

A. Managerial and Non-Managerial Employee Payroll Expense - Overtime

In its filing, FPUC included payroll charges of \$448,800 related to overtime payroll charges for certain managerial and non-managerial employees. The regular pay for these employees was not charged to the storm damage reserve. However, upon further review, FPUC

determined that \$11,341 of the overtime incurred was not directly related to storm damage restoration activities. Therefore, the payroll expense for overtime shall be reduced by \$11,341 to eliminate overtime pay that was incorrectly charged to the storm damage reserve.

B. One-Time Payments (Bonuses) to Managerial Employees

Six of FPUC's directors who are in managerial positions were paid a total of \$10,257 as a one-time payment (bonus). These directors are not eligible for any overtime pay. In recognition of the extra effort and time that these managerial employees expended during the storm damage restoration activities for three hurricanes, FPUC awarded them one-time payments (bonuses) in lieu of any overtime pay.

Although the issue of salaried employees receiving bonuses was not directly addressed in either the Florida Power & Light Company or Progress Energy Florida, Inc. storm cost recovery dockets, we did allow all incremental storm damage restoration activity costs related to managerial employee compensation to be charged to the storm damage reserve.

Based on the facts of this case, which include the small amount of the bonuses, the size of the company, and the extraordinary number of hurricanes, we find that the inclusion of the one-time payments of \$10,257 as a cost in the storm damage reserve is appropriate. Also we note that the directors' regular salaries were not charged to the storm damage reserve.

C. Costs of Company-Owned Vehicles

As discussed in Audit Disclosure No. 3, FPUC developed a cost-per-hour factor for transportation costs and applied that factor to the hours of vehicle usage for storm restoration activities. The amount booked for storm restoration transportation expenses was \$14,762. The hourly transportation factor used, however, included components for depreciation expense and insurance. These fixed expenses are already recovered in base rates. Audit Disclosure No. 3 includes a schedule recalculating the amount of transportation expenses to be allocated to storm restoration activities without insurance and depreciation expense. The appropriate recalculated amount of transportation expenses is \$12,172, a reduction of \$2,590. Therefore, the amount of transportation expenses charged to the storm damage reserve shall be reduced by \$2,590, for an allowed expense of \$12,172.

D. Estimated Post-Storm Costs For Customer Notices, Advertising, Legal Fees, Travel, Administrative Fees And Miscellaneous

FPUC has requested recovery of estimated post-storm costs of \$20,000 for customer notices and advertising, \$4,500 for legal fees, and \$5,000 for travel, administrative fees and miscellaneous. All of these costs are related to the Company's filing for recovery of its storm restoration costs. As discussed in Audit Disclosure No. 4, the \$20,000 of customer notices and advertising costs are for the printing of customer notices, mailing customer notices, and publishing newspaper notices for the customer meetings associated with the filing of the petition in this docket. The \$4,500 is for legal fees and attorney travel expenses. The remaining \$5,000 is for overtime, travel, and administrative fees relating to the customer meetings.

We find that these types of costs are not related to activities that were necessary to restore service to FPUC's customers as a result of the storms. Only costs incurred for actual storm restoration activities may be charged to the storm damage reserve. Therefore, the \$29,500 of costs not related to storm restoration activities shall be removed from the storm damage reserve.

E. Booking Of Capital Costs Associated With The Replacement And Retirement Of Plant Items Affected By The 2004 Storms

FPUC's requested \$860,000 storm cost recovery includes a total of \$31,967 related to plant in service that was replaced. Under the Company's methodology, the difference between the new asset cost and the original basis was charged to the storm damage reserve. Although the new assets cost more than the assets that were replaced, none of the costs were extraordinary. In Docket No. 041272-EI, In re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan, by Progress Energy Florida, Inc., and Docket No. 041291-EI, In re: Petition to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company, we determined that the normal cost of replacements should be included in rate base rather than being charged to the storm damage reserve. Therefore, the \$31,967 of normal replacement costs shall be removed from the storm damage reserve and be included in rate base.

F. Total Amount Of Storm Restoration Costs To Be Charged Against The Storm Damage Reserve

Based on our adjustments above, the appropriate amount of storm restoration costs to be charged against the storm damage reserve is \$543,602. Our calculation is summarized as follows:

FPUC Estimated 2004 Storm Damage Costs		\$619,000
<u>Less: Commission Adjustments</u>		
Overtime Payroll Expense	(11,341)	
Directors' One-Time Payments - Bonuses	0	
Vehicle Expenses	(2,590)	
Estimated Post-Storm Costs	(29,500)	
Capital Items	<u>(31,967)</u>	
Total Adjustments		<u>(75,398)</u>
Adjusted 2004 Storm Restoration Costs To Be Charged Against Storm Damage Reserve		<u>\$543,602</u>

III. STORM DAMAGE RESERVE BALANCE FOR FUTURE STORMS

Included in FPUC's requested \$860,000 recovery for storm damage costs is \$300,000 to replenish its storm damage reserve for a future storm. FPUC began making accruals of \$18,000 per year to the storm damage reserve in 1996 and accumulated a balance of \$59,070 before ceasing the accruals in January 2003. In its last rate case in Docket No. 040216-GU, FPUC did not request permission to make further accruals to its storm damage reserve, and thus FPUC is currently not booking any accruals to its storm damage reserve.

It is unclear under what authority FPUC ceased making accruals to its storm damage reserve. The Company and our staff shall review the circumstances surrounding FPUC's decision to cease making accruals to its storm damage reserve in January 2003. If, after review, the Company and our staff determine that the accrual was stopped without our authorization, the Company has agreed to make a one-time credit to the reserve to make up for the lost accruals from January 2003 until November 18, 2004, when rates were last set in Docket No. 040216-GU.

FPUC did not file any study in support of its request to establish a \$300,000 target storm damage reserve. The Company's basis for determining that amount was to look at the historical amounts of recent storm damage in 2004 and average the amount for the two larger storms. The resulting estimated amount was \$300,000 after rounding to the nearest \$100,000. On an actual basis, the only charge made to the storm damage reserve from 1996 until 2004 was a charge of \$62,430 related to Hurricane Floyd in 1999. Over an eight year period (1996 – 2003), the average annual charge to the storm damage reserve was \$7,804. If the 2004 charge of \$619,227 is added and averaged over a nine year period (1996 – 2004), the average annual charge would increase to \$75,740.

In both the Progress Energy Florida, Inc. and Florida Power & Light Company storm cost recovery dockets, the storm damage costs that were authorized for the surcharge recovery were those costs that were extraordinary and that exceeded the storm damage reserve balance. The costs authorized for recovery did not include any amounts for the replenishment of the storm damage reserve. We find that the use of a surcharge is appropriate only for the recovery of extraordinary costs that exceed the storm damage reserve balance. The replenishment of the storm damage reserve does not qualify as an extraordinary cost that should be recovered through the surcharge.

Based on the above, we deny FPUC's request to replenish the storm damage reserve by \$300,000 in this proceeding. We encourage FPUC to file a storm damage study to determine an appropriate target level and annual accrual amount for its storm damage reserve.

FPUC currently has no storm damage reserve accrual. We previously determined in Docket No. 050224-GU that we would treat the \$117,773 of 2002 excess earnings as an offset in this docket. The \$117,773 shall not be netted against the existing storm reserve deficit, but instead shall be used to offset future storm restoration costs by crediting this amount to the storm damage reserve.

Based on the above, FPUC's requested \$300,000 is denied, and the overearnings of \$117,773 found in Docket No. 050224-GU shall be credited to the storm damage reserve (Account 228.1) to establish a reserve amount for future storms.

IV. STORM RESTORATION COSTS TO BE RECOVERED FROM THE CUSTOMERS

Based on our adjustments for storm restoration costs, and our decision to not allow the recovery of any amounts to replenish the storm damage reserve, we find that \$484,532, plus revenue taxes and any interest, is the appropriate amount of storm restoration costs to be recovered from the customers. The following table shows our calculation:

Adjusted Total Net 2004 Storm Restoration Costs	\$543,602
12/31/04 Storm Damage Reserve Balance	(59,070)
Unrecovered 2004 Storm Restoration Costs To Be Collected From Customers Before Interest and Revenue Taxes	<u>\$484,532</u>

The following table shows the adjustments to FPUC's requested amount of \$860,000:

Storm Restoration Costs Requested (Rounded)	\$560,000
Future Storm Costs Requested	<u>300,000</u>
Total Costs Requested	860,000
Less: Commission Adjustments	
Total Adjustments To Storm Damage Reserve (75,398)	
Future Storm Costs (300,000)	
Total Adjustments	<u>(375,398)</u>
Unrecovered 2004 Storm Restoration Costs To Be Collected From Customers Before Interest and Revenue Taxes (\$70 difference due to rounding)	<u>\$484,602</u>

V. APPROPRIATE ACCOUNTING TREATMENT FOR RECORDING THE UNAMORTIZED BALANCE OF THE STORM RESTORATION COSTS SUBJECT TO FUTURE RECOVERY

Once an amount is approved for recovery and amortization, it meets the definition of a regulatory asset. In this instance, the appropriate account is Account 182.1, Extraordinary Property Losses. This account was specifically created to include extraordinary losses, such as unforeseen damages to property, which are not covered by insurance or other provisions. This would include the Commission-determined amount of the storm restoration costs, approved for

future recovery, that exceed the balance in the storm reserve. In order to assist in the tracking and review of the amounts included in this account and their subsequent amortization, a separate subaccount of Account 182.1 shall be established to record these transactions.

Based on the foregoing, the appropriate accounting treatment for the unamortized balance of the storm restoration costs subject to future recovery is to record the costs as a regulatory asset in a subaccount of Account 182.1, Extraordinary Property Losses.

VI. ACCRUAL AND COLLECTION OF INTEREST ON THE AMOUNT OF STORM RESTORATION COSTS

In both the Florida Power & Light Company (FPL) and Progress Energy Florida, Inc. (PEF) storm cost recovery dockets, we approved the collection of interest at the applicable 30-day commercial rate on the net-of-tax unamortized balance of costs permitted to be recovered from customers. (Order No. PSC-05-0748-FOF-EI, issued July 14, 2005, in Docket No. 041272-EI, In Re: Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, Jeanne, and Ivan by Progress Energy Florida, Inc.; and Order No. PSC-05-0937-FOF-EI, issued September 21, 2005, in Docket No. 041291-EI, In Re: Petition to recover prudently incurred storm restoration costs related to 2004 storm season that exceed storm reserve balance, by Florida Power & Light Company.) We find that a similar treatment shall be authorized in this docket.

Consistent with Rule 25-7.014(1), Florida Administrative Code, FPUC booked storm damage restoration costs to its storm reserve for regulatory purposes. For tax purposes, however, FPUC expensed the storm damage restoration expenses in 2004. This treatment resulted in the Company booking additional accumulated deferred taxes of approximately \$186,908. While this is a temporary timing difference that will be reversed as the storm damage surcharge is collected, in the meantime the deferred taxes are a source of cost-free capital to the Company.

While FPUC has proposed recovering storm damage restoration costs through a surcharge over a period of four years, we have approved the recovery to occur over a two and one-half year period. In response to a staff interrogatory, the Company anticipates it will file its next Natural Gas Division rate proceeding in either 2007 or 2008 with a projected test year ending December 31, 2008 or 2009. Because of the uncertainty over what period will be covered and the timing of the filing of the Company's next rate proceeding, the unamortized balance of storm-related deferred taxes shall be used as an offset to the unamortized balance of approved storm damage recovery for purposes of calculating interest. Specifically, interest shall be calculated on the net-of-tax balance of approved storm-related costs over the period the storm surcharge is in effect. This treatment is comparable to the treatment approved by this Commission in the FPL and PEF storm damage recovery dockets.

VII. MECHANISM FOR COLLECTING THE AMOUNT OF THE STORM-RELATED COSTS AUTHORIZED FOR RECOVERY

Although FPUC has styled its Petition as a request to establish a Storm Cost Recovery Clause, the Company has proposed that its storm-related costs be recovered through a temporary surcharge to be applied to its various rate classes on the basis of consumption, as opposed to a permanent rate change, a recovery clause, or a one-time charge.

Embedding the 2004 storm costs to arrive at a permanent increase implies that the 2004 storm costs would be incurred year after year. Historically, FPUC has not been impacted year after year by a major storm. Therefore, embedding the 2004 storm costs to arrive at a permanent rate change would be inappropriate.

Recovery clauses are designed to recoup costs that are recurring in nature. As storm costs are not incurred month after month, or year after year, we find that it would not be appropriate to use a clause mechanism for recovery of FPUC's 2004 storm costs.

In this particular case, we find that a temporary surcharge is the most preferable recovery mechanism to recoup FPUC's 2004 storm costs. Under the temporary surcharge methodology, the amount of the surcharge is based on identifiable costs that are recovered over a finite period. Since the extraordinary costs of the 2004 storms are clearly identifiable and a set recovery period can be established, we find that a temporary surcharge is the appropriate methodology to apply. FPUC shall include a statement on the customers' bills that identifies the per therm temporary surcharge that has been assessed as a result of its 2004 storm-related costs.

VIII. RECOVERY PERIOD

In its petition, Florida Public Utilities requested recovery of \$860,000 over four years in equal amounts of approximately \$215,000 per year, based on a March 1, 2005, effective date. FPUC proposed a per therm charge of \$0.00753 that equates to a monthly surcharge of \$0.1900 for residential customers using 25 therms.

Based on our approval of storm-related costs of \$500,187, we believe a two and one-half year period (30 months) would be more appropriate. Applying our adjusted storm-related costs of \$500,187 over a two and one-half year period, results in a per therm surcharge of \$0.00698 that equates to a monthly surcharge of \$0.1745 for a residential customer using 25 therms. If a four-year recovery period was used, the average monthly surcharge for a residential customer using 25 therms would be \$0.109.

By reducing the recovery period from four years to two and one-half, we can eliminate the surcharge more quickly. FPUC stated that it would not be opposed to a shorter period of recovery depending on the amount granted.

Based on the above analysis, FPUC's storm-related expenses shall be recovered over a two and one-half year period. However, as the amount of gas sales can fluctuate significantly

from year to year based on a variety of factors, it is possible that FPUC could recover the total amount of approved storm-related costs in less than two and one-half years. Should this occur, FPUC shall notify the Commission that it has recovered the total costs and that it would no longer be assessing the surcharge. Within 60 days following expiration of the Commission-approved recovery period, FPUC shall seek approval from us of the final over-or-under-recovery of the 2004 storm damage costs, along with a proposed method to true-up any over/under recovery.

IX. ALLOCATION OF STORM-RELATED COSTS

The development of the temporary surcharge for recovery of storm-related costs, as shown in Attachment A, is the same method used in the allocation of an interim rate increase. Under this method, the storm-related costs/revenues are allocated to the various rate classes based on the percentage of the various rate classes revenues to total company revenue.

We believe the application of the interim rate methodology is appropriate based on the argument that costs are related to the level of revenue contributed by the customer class. We find that this allocation is more appropriate than assessing a flat dollar amount per customer. If a flat dollar amount per customer was assessed, the customer that contributed little to the operating costs of the system would be assessed the same amount as the customer who imposed significant operational costs.

The interim methodology, also known as the "across-the-board increase," is the most administratively feasible and equitable manner in which to allocate the temporary surcharge and maintains the existing rate structure relationship among the rate classes. Based on the above, we find that the interim rate methodology shall be used to allocate the storm-related costs to the customers. The company shall immediately file a revised tariff using our approved allocation factors as shown in Attachment A.

X. EFFECTIVE DATE OF SURCHARGE

In its petition, FPUC requested an effective date of March 1, 2005, to implement its proposed surcharge. Due to various scheduling modifications, the company agrees that the effective date should be as early as possible after our vote.

Although the surcharge should be implemented as soon as practical, we find that FPUC's customers shall be provided notice prior to implementation of the surcharge. Therefore, the temporary surcharge shall become effective with all meter readings thirty days from the date of the issuance of the Proposed Agency Action Order in this matter if there is no protest. This will allow FPUC time to provide notice to its customers. If the Proposed Agency Action is protested, FPUC shall be allowed to charge the surcharge on an interim basis subject to refund with interest.

Based on the foregoing, it is

ORDERED that Florida Public Utilities Company's Petition for approval of storm cost recovery clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, and Jeanne is hereby denied. Instead, the utility shall be allowed to recover certain extraordinary costs through a temporary surcharge as discussed above. It is further

ORDERED that based on the findings made herein, the appropriate amount of reasonable and prudently incurred storm-related costs including interest and taxes to be charged against the storm damage reserve subject to true-up is \$500,187. It is further

ORDERED that Florida Public Utilities Company shall be allowed to recover all reasonable and prudently incurred storm damage costs identified and approved herein. It is further

ORDERED that the appropriate accounting treatment for the unamortized balance of the storm-related costs subject to future recovery is to record the costs as a regulatory asset in a subaccount of Account 182.1, Extraordinary Property Losses. It is further

ORDERED that Florida Public Utilities Company's request for \$300,000 for replenishment of the storm damage reserve balance is denied. It is further

ORDERED that the \$117,773 of overearnings for the year 2002 set out in order No. PSC-05-0769-PAA-GU shall not be netted against the existing storm reserve deficit but shall be credited to the storm damage reserve account to establish a reserve amount for future storms. It is further

ORDERED that Florida Public Utilities Company shall conduct a review to ascertain the circumstances surrounding its decision to cease accruals in January 2003, and, if unauthorized, shall credit the reserve as discussed above. It is further

ORDERED that Florida Public Utilities Company shall be allowed to charge interest at the applicable 30-day commercial paper rate on the net of tax unamortized balance of storm damage restoration costs permitted to be recovered from customers. It is further

ORDERED that recovery of the approved storm-related costs shall be recovered through a temporary surcharge over a two and one-half-year period and based on various rate classes and consumption. It is further

ORDERED that within 60 days following expiration of the Commission-approved recovery period, Florida Public Utilities Company shall file with the Commission a request for approval of the final over-or-under-recovery of the 2004 storm damage costs, along with a proposed method to true-up any over/under recovery. It is further

ORDERED that if Florida Public Utilities Company recovers the \$500,187 in costs earlier than two and one-half years, the Company shall notify the Commission that the costs have been recovered and that it would no longer be assessing the surcharge. It is further

ORDERED that the interim rate methodology shall be used to allocate the storm-related costs to the customers. It is further

ORDERED that Florida Public Utilities Company shall immediately file a revised tariff using our approved allocation factors as shown in Attachment A. It is further

ORDERED that Attachment A to this Order is incorporated by reference. It is further

ORDERED that the temporary surcharge shall become effective with all meter readings thirty days from the date of the issuance of the Proposed Agency Action Order in this matter if there is no protest. It is further

ORDERED that Florida Public Utilities Company shall provide its customers with notice of the approved surcharge. It is further

ORDERED that if the Proposed Agency Action is protested, Florida Public Utilities Company shall be allowed to charge the surcharge on an interim basis subject to refund with interest. It is further

ORDERED that Florida Public Utilities Company shall include a statement on the customers' bills that identifies the per therm charge approved by this Commission as a result of its 2004 storm-related costs. It is further

ORDERED that if no person whose substantial interests are affected by the Proposed Agency Action files a protest within 21 days of the issuance of the Order, a Consummating Order shall be issued. It is further

ORDERED by the Florida Public Service Commission that each of the findings made in the body of this Order is hereby approved in every respect. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that this docket shall be closed administratively once our staff has verified that the true-up is complete.

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By ORDER of the Florida Public Service Commission this 25th day of October, 2005.



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

(S E A L)

RRJ

Dissent of Commissioner J Terry Deason:

Commissioner Deason dissented on the approval of the \$10,257 one-time payments (bonuses) awarded to six managerial employees.

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 that is available under Section 120.57, 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 will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 15, 2005.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

Docket No. 041441-GU

FLORIDA PUBLIC UTILITIES COMPANY
 RECOVERY OF SURCHARGE CALCULATION
 2004

Attachment A

<u>RATE SCHEDULE</u>	<u>BILLS</u>	<u>THERMS</u>	<u>(\$) CUSTOMER CHARGE</u>	<u>(\$) NON-GAS ENERGY CHARGE</u>	<u>(\$) TOTAL CUST. & ENGY CHG REVENUES</u>	<u>(\$) STORM REVENUES</u>	<u>STORM REV AS % OF TOTAL REVENUES</u>	<u>DOLLARS PER THERM</u>	<u>TAX FACTOR</u>	<u>STORM SURCHARGE FACTOR</u>
RESIDENTIAL	534,000	11,824,460	4,272,000	6,224,869	10,496,869	82,077	0.78191	0.00694	1.00503	0.00698
SMALL COMMERCIAL	42,156	13,541,970	632,340	4,948,642	5,580,982	43,639	0.78191	0.00322	1.00503	0.00324
LARGE COMMERCIAL and TRANSPORTATION	13,644	29,534,570	613,980	8,163,060	8,777,040	68,629	0.78191	0.00232	1.00503	0.00234
INTERRUPTIBLE	168	5,622,570	40,320	564,506	604,826	4,729	0.78191	0.00084	1.00503	0.00085
TOTAL	589,968	60,523,570	5,558,640	19,901,077	25,459,717	199,073	for 2.5 years (30 Months)			