BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public Utilities Company for rate increase in Fernandina Beach Division	DOCKET NO. 881056-EI ORDER NO. 22224 ISSUED: 11/27/89

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 February 20, 1989, Florida Public Utilities Company (FPUC, utility or company) filed its petition for a rate increase of $908,662 per annum for its Fernandina Beach Division. FPUC claimed a current pro forma return on investment of 6.67% and requested a return of 9.63%. In 1988, the Commission approved an historic test year ended September 30, 1987, and an attrition year ending September 30, 1989. The utility has not previously filed for a rate increase for this division.

FPUC's proposed permanent rate schedules were suspended under Florida Statutes 366.06(3), pending the outcome of a formal hearing. Interim relief of $456,195 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 Fernandina Beach, Florida, on June 12, 1989. None of the utility's customers appeared at the hearing.

At the time of the prehearing conference on July 20, 1989, the utility modified its position and requested an annual increase of $890,806, which it calculated would return 9.65% 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 $579,872, which includes an attrition year increase of $267,946. We have set the rate of return on common equity capital at 12.85%.

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 $11,144,900. We find the utility's test year rate base to be $10,869,913, as shown below. Items marked with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Request	Commission Adjustments	As Adjusted
*A. Utility Plant-in-Service	$13,976,314		$13,976,314
*B. Accumula. Deprec. & Amortization	(3,487,943)		(3,487,943)
*C. Cust. Advances for Construct.	(517,037)		(517,037)
*D. Net Utility Plant-in-Service	9,971,334		9,971,334
*E. Const. Work-in Progress	660,241		660,241
*F. Net Utility Plant	$10,631,575		$10,631,575
G. Working Capital	560,001	(321,663	238,338
H. Total Rate Base	$11,191,576	$(321,663)	$10,869,913

A. Utility Plant-in-Service

The utility's jurisdictional per books total plant-in-service includes plant-in-service of $13,980,771 dedicated to, and located in, the Fernandina Beach service area. A portion of the West Palm Beach general office facilities is also allocated to the Fernandina Beach 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 $166,696 to regulated electric and gas operations based on net plant investment at year end. In addition, the company included $660,241 in CWIP - Completed Not Classified. Total plant-in-service is therefore $14,636,555. 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 $3,487,943, after adjustments reducing this account by $55,630 to allocate a portion of the local office facilities to FPUC's regulated water operations and increasing accumulated depreciation by $65,058 to allocate a portion of the general office facilities to the Fernandina Beach electric operations. In addition, the company made an adjustment reducing customer advances by $30,878. This adjustment was made to correct an error in the classification of a water deposit as an electric deposit. An audit of the rate base deductions 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 is $9,971,334.

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 $660,241.

F. Net Utility Plant

Based upon the adjustments discussed above, total net utility plant for the test year is $10,631,575.

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 $238,338, as reflected on the following chart and discussed below.

We note that FPUC included prepaid pension expense of $17,262 as current assets in its calculation of working capital. Since 1986, the company has accounted for pensions according the Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, which requires recognition of a pension liability when the net periodic pension cost according to accounting standards is greater than the contribution to the trust fund allowed by the Internal Revenue Code. A prepaid asset is recognized when the net periodic pension cost according to accounting standards is less than the contribution to the trust fund allowed by the Internal Revenue Code.

FPUC's periodic pension cost has been negative for the years 1986 through 1988 because of past overfunding and has given rise to the prepaid pension expense, which is a current asset recorded on the company's books. Overfunding resulted from inaccurate estimates of the cost of pensions and the expected earnings on the pension trust fund, making past pension plan contributions excessive.

From a policy perspective, Public Counsel believes that the inclusion of prepaid pension expense in working capital would require customers (who in the past paid too much in pension expense through rates) to now also pay a return on the amount of prior excess payments. However, negative pension costs were used to offset other employment expenses in 1986 through 1988. Therefore, ratepayers derived the benefit of the negative pension cost which gave rise to the present prepaid expense. Accordingly, we find that the prepaid expense should be included in working capital, since there is no evidence that the company's pension contribution estimates were imprudent. This action is consistent with our treatment of prepaid pension expense in Docket No. 880558-EI, FPUC's recent Marianna Division rate case.

We also find that test year working capital should be reduced by $266,950 and $8,037 to remove net fuel and conservation overrecoveries. It has long been Commission policy that net fuel and conservation overrecoveries be included as a reduction to working capital. For example, in Order No. 13537, issued in Docket No. 830465-EI (Florida Power and Light Company's last rate case) we stated that:

> if overrecoveries were excluded, working capital would be increased and the company would earn a return on the amount of the underrecovery that was excluded. Stated simply, the ratepayers would provide the interest that the company return to them

> in the conservation clause proceedings for overrecoveries.
>
> In Order No. 9273, Docket No. 74680-CI, we determined that interest should be applied to over/underrecoveries in order to counter any incentive to bias projections in either direction. If the ratepayer has to provide the interest on both over/underrecoveries, the company will have no incentive to make its projections as accurate as possible.

At no time did FPUC argue that it has no net fuel or conservation overrecovery, nor did the company dispute the amount of the overrecovery. The company believes, however, that since the overrecovery is eventually refunded with interest to the ratepayers, the company should not be required to include it as a liability in working capital. It is true, as the utility argues, that overrecoveries are refunded with interest to ratepayers. More importantly, however, to exclude it from the working capital calculation would mean ratepayers would be paying the company a return on the amount of overrecovery for years after the refund to customers had taken place. In such a case, the amounts paid to the company by ratepayers would many times exceed the one-time refund, including interest, which the utility is required to pay. We will therefore continue our present policy of including net fuel and conservation overrecoveries as liabilities in test year working capital, which reduces working capital, and therefore also reduces rate base.

The parties stipulated to a reduction in test year working capital of $44,146 to correct errors in calculating a 13-month average balance in certain accounts, as follows:

Accumulated Provision for Uncollectibles		$ 4,585
Temporary Facilities		914
Accounts Payable		38,647
	Total	$44,146

Finally, the parties stipulated that $2,530 in fuel stock be removed from test year working capital to eliminate the cost of diesel fuel written off when FPUC retired its diesel generating units. The utility properly wrote off to expense its remaining fuel inventory, but the thirteen month average of fuel stock was included in working capital.

WORKING CAPITAL
13 MONTH AVERAGE - JURISDICTIONAL AMOUNT
YEAR ENDED SEPTEMBER 30, 1988

CURRENT ASSETS	AMOUNT
Cash	$ 146,739
Sinking Fund	3,849
Working Funds	1,614
Interest Special Deposits	3,094
Divided Special Deposits	29,044
Customer Accounts Receivable	1,232,192
Accum. Prov. for Uncollectibles	(34,411)
Materials and Supplies	453,743
Income Tax Receivable	27,986
Prepayments - Insurance	77,375
Prepayments - Pensions	17,262
Prepayments - Other	73
Clearing Accounts	(1,164)
Temporary Facilities	(2,267)
Misc. Deferred Debits	7,444
Total Current Assets	$1,958,573

CURRENT LIABILITIES	
Accounts Payable	$1,023.045
Salaries & Wages Accrued	26,379
Other	6,538
Taxes Accrued	175,946
Interest Accrued	106,301
Dividends Accrued	841
Tax Collections Payable	42,398
Vacation Pay Accrued	42,850

Storm Damage Reserve	20,953
Med. Ins. Reserve	8,037
Total Current Liabilities	$1,720,238
Working Capital	$ 238,338

H. Total Rate Base

Based upon total test year net utility plant of $10,631,575, and working capital of $238,338, the total jurisdictional rate base for the test year is $10,869,913.

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 its 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 12.85% for return on equity, which results in 9.01% for overall required return. The appropriate test year ranges are therefore 11.85% to 13.85% for return on equity and 8.73% to 9.30% 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:

COMMISSION VOTE

Florida Public Utilities Company
Fernandina Beach Division
Test Year Ended 9/30/88

Capital Components	Staff Jurisdictional Adjusted*	Staff Pro Rata Adjustments	Staff Specific Adjustments	Staff Adjusted	Ratio	Cost Rate	Weight Cost
Common Stock	$3,248,828	($124,293)		$3,124,535	28.74%	12.85%	3.69
Preferred Stock	$168,694	($6,454)		$162,240	1.49%	4.75%	0.07
Long-Term Debt	$3,981,314	($152,316)		$3,828,998	35.23%	9.79%	3.45
Bank Notes	$1,008,932	($38,600)		$970,332	8.93%	8.20%	0.73
Customer Deposits							
Active	$528,228			$528,228	4.86%	9.00%	0.44
Inactive	$7,011			$7,011	0.06%	0.00%	0.00
Investment Tax Credit							
3%	$9,735			$9,735	0.09%	0.00%	0.00
Post '70	$643,409			$643,409	5.92%	10.68%	0.63
Deferred Taxes	$1,595,425		$0	$1,595,425	14.68%	0.00%	0.00
	$11,191,576	($321,663)	$0	$10,869,913	100.00%		9.01

*Staff adjusted amounts reflect ratio of common equity, preferred equity, and and long-term debt at the consolidated level, after the removal of the Company's investment in Flo-Gas from common equity.

Calculation of JDIC Rate

Capital Components	Dollars	Ratio	Cost Rate	Weighted Cost
Common Equity	$3,124,535	38.64%	12.85%	4.97%
Preferred Equity	$162,240	2.01%	4.75%	0.10%
Long-Term Debt	$3,828,998	47.35%	9.79%	4.64%
Bank Notes	$970,332	12.00%	8.20%	0.98%
	$8,086,105	100.00%		10.68%

The per books amounts were taken directly from the utility's MFRs. Amounts of common equity, preferred equity, and long term debt were adjusted to reflect their ratio at the consolidated level after the removal from common equity of the utility's investment in Flo-Gas, an unregulated subsidiary. Subsequent pro rata adjustments, made to reflect the corresponding adjustments to rate base, were allocated solely to investor-supplied sources of capital because the utility maintained the amounts originally allocated to Customer Deposits, Investment Tax Credits, and Deferred Income Taxes were the actual amounts incurred by the Fernandina Beach Division of FPUC. The sole remaining adjustment was made to reflect the reduction to the deferred tax balance discussed herein.

The parties stipulated that the appropriate balance of accumulated deferred income taxes for 1988 is $1,595,425 and that the appropriate balance of accumulated deferred investment tax credits (ITC) for 1988 is $653,144, (which includes 3% ITC of $9,725 and post 1970 ITC of $643,409) both on a 13-month average basis.

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 $746,803 but later revised this figure to $769,276.

We find that FPUC's estimate of 1990 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, with two exceptions. We find that the KWH projection for the attrition year for the RS-2 class should be increased by 2,730,139 KWH and the projection for the RS-1 class should be increased by 415,306 KWH.

VII. TEST YEAR OPERATING INCOME

We find the utility's test year net operating income to be $788,824. Items marked with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Request	Commission Adjustments	As Adjusted
(I) *Operating Revenues	$2,796,431		$2,796,431
(II) Operating Expenses			
A. Operat. & Maint.	1,157,665	(69,452)	1,088,213
*B. Deprec. & Amort.	550,514		550,514
*C. Taxes Other Than Income Taxes	261,168	15,961	277,129
D. Income Taxes Currently Payable	309,544	11,470	321,014
*E. Deferred Income Taxes (Net)	(203,135)		(203,135)
*F. ITC (Net)	(26,128)		(26,128)
G. Total Operating Expenses	$2,049,628	$(42,021)	$2,007,607
(III) Net Operating Income	$746,803	$ 42,021	$788,824

(I) Operating Revenues

The appropriate amount of test year operating revenue is $2,796,431, 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 $10,617,266, operating expenses of $10,464,954 and revenue related taxes of $172,666. 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 increasing revenue $2,643 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 $2,007,607, which includes components and adjustments noted below.

A. Operations and Maintenance

We find the appropriate amount of test year O&M expense to be $1,088,213, which consists of the utility's jurisdictional per books filing of $11,664,299, utility adjustments which reduce expense by $10,506,634 and additional adjustments which reduce expenses by $69,452.

(1) Transportation Expenses

The company made adjustments increasing operating and maintenance expense by $7,516 and $5,144 to correct the amount of transportation expense allocated to the regulated electric operations. The company allocates all vehicle expenses to the electric or water operations on an hours used basis. The hourly rate is determined by dividing the total monthly transportation costs by total vehicle-use hours, which include expenses to operate large bucket trucks for the electric operation. The adjustment increases electric expenses to recognize that the costs associated with these large trucks benefit only electric operations. We therefore approve the increase of O&M expenses by $12,660 to reallocate transportation expenses to electric operations.

(2) Out of Period Payroll Expenses

The utility made an adjustment to increase operating expenses by $11,454 and reduce maintenance expenses by $5,130 for an out of period payroll expense. Since this adjustment removed the effects of an out of period expense in the test year, we accept them, and increase O&M expenses by $6,324.

(3) Charitable Contributions

The company made an adjustment reducing expenses $1,100 to remove charitable contributions from O&M expense. This adjustment is consistent with Commission policy that such contributions be borne by stockholders rather than ratepayers.

(4) Uncollectible Expense

An adjustment was made by the utility to reduce the annual accrual for Uncollectible Accounts Expense by $6,670, which is equal to the average charge-off for the past three years.

The Commission audit team stated in its audit report of FPUC that "The company averaged the charge off rate of uncollectibles for 1986, 1987, and 1988 to arrive at a .1680 rate for the test year. This rate was used to compute the MFR uncollectible expense on Schedule C-2e. If the actual 1988 charge off rate of .2102 is used in this average instead of the nine months calculation of .2372, the average of the three years is reduced to .1590."

The proforma revenues of $13,411,054 times the rate of .1590 is $21,319. This amount less the actual expense of $29,201 results in an adjustment of $7,882. The company adjustment was $6,670, so we therefore make an additional adjustment of $1,212, for a total reduction of $7,882.

(5) Fuel Inventory

During the test year, the company retired its diesel generating units and accordingly wrote off to expense its remaining fuel inventory. Since this was a non-recurring expense, the company reduced expenses by $2,990 to remove the effects of this item.

(6) Power Supply Study Amortization

The utility's franchise agreement with Fernandina Beach requires the utility to employ a consultant to determine the best wholesale supplier of electricity. The maximum term of future wholesale contracts cannot exceed five years unless both parties agree. Additionally, before FPUC may contract for the purchase of wholesale power, it must provide a copy of the consultant's report to the city for review. The city then submits a recommendation to the utility.

During the test year, the company retained the services of Stone & Webster to prepare the report required by the agreement, at a cost of $45,395. In its original filing, the company proposed amortizing this amount over four years at $11,349 a year, which would reduce expenses by $34,046. Since the maximum term of any future wholesale contract is five years, we approve the parties' stipulation to amortize this amount over five years, which results in an annual expense of $9,079. This creates an additional reduction in test year expense of $2,270, for a total reduction of $36,316.

(7) Transformer Rewinds

FPUC expensed the 1980 and 1981 rewinding of two large distribution transformers at a cost of $119,000. Currently, according to FERC plant accounting instructions and Rule 25-6.0142(5)(c), Florida Administrative Code, expenditures which provide "substantial betterment" should be capitalized. FPUC initially requested a test year adjustment of $19,610 to Account 592 (Maintenance of Distribution Equipment) in an attempt to normalize the expenditures over a ten year period. The company agreed to reduce this request by $15,388 because future rewindings will be capitalized. The remaining requested amount of

$4,222 applies to annualization of expenditures not related to rewinds. We therefore find it appropriate to reduce Account 592 by $15,388 to remove the expense of the transformer rewinds. We find that future rewinds should be capitalized.

(8) Transmission and Distribution System Grounding Costs

FPUC requested an $11,293 test year adjustment to Accounts 593 and 594 to amortize $56,465 of Transmission and Distribution system grounding costs over a five year period. The company performed the grounding on the existing system to bring it up to a standard which meets or exceeds the National Electrical Safety Code. The grounding project added ground wires and/or ground rods to existing overhead conductors which were placed in service prior to July 1, 1986, the effective date of the Commission's adoption of the National Electrical Safety Codes. All construction after this date must be built in compliance with the safety code.

We find that the grounding wires and rods improve reliability and represent an improvement to the system, so the expense should therefore be capitalized pursuant to Rule 25-6.0142(5)(c), Florida Administrative Code. We therefore deny this request and will reduce Account 593 by $4,301 and Account 594 by $6,992.

(9) Distribution Pole Relocation Cost

FPUC incurred costs of $23,812 to move approximately 45 existing poles one to four feet to accommodate a state road widening project. The company proposed a five year amortization of this expense, and requested a $4,762 test year adjustment to Account 593.1, Maintenance of Overhead Lines. We find that the $4,762 should be removed from Account 593.1. The utility has not incurred similar costs during the prior ten years and does not project additional pole relocations in the future. We further deny the utility's request to amortize this isolated non-recurring cost over the requested five year period.

(10) Transformer Cabinet Rebuilding

FPUC originally requested an additional $20,000 for Account 595, Maintenance of Transformers. We approve the parties' stipulation that the utility reduce this account by $10,000, as the expense associated with the rebuilding of these large transformers should be capitalized and amortized over their useful lives. The $10,000 remaining in the account is projected for replacements of transformer cabinets corroded from the salt air environment.

(11) Error in Forecast of Meter Charges

FPUC originally requested $39,726 for Account 586, Meter Expense. The utility later indicated that the forecast included meters charged in error, and we therefore approve the parties' stipulation to reduce this account by $15,000 based on this error.

(12) Retrospective Insurance Refunds

Account 925.1, Injuries and Damages, covers expenses incurred for purchasing various forms of insurance to cover property owned by the company. Periodically the company receives partial premium refunds if losses incurred were less than projected. Such refunds occur on a regular basis. We therefore find it necessary to adjust the yearly insurance expenses by $7,527, representing a five year average of retrospective premium refunds allocated to the Fernandina Beach electric operations. We find that a five year average is sufficient to allow any unusually low or high refunds to be normalized, and more closely approximates the yearly insurance expenses incurred by the utility.

(13) Employee Newsletter Expense

During the 1988 test year, $2,000 was allocated to the Fernandina Beach Electric Division for expenses incurred by an outside firm in preparing an employee newsletter. Since the preparation of the newsletter by the outside firm has been discontinued, the parties stipulated that expenses should be reduced by $2,000.

(14) O&M Benchmark Calculation and Adjustments

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 $71,367 total variance. After adjustments, the variance was $17,970, which we approve. The benchmark calculation by functional area is discussed below.

(a) Other Power Generation

FPUC is under its benchmark by $2,825 in this function, so no adjustment is necessary.

(b) Other Power Supply

All purchased power costs contained in this account are recovered through the Fuel Adjustment Clause.

(c) Transmission

FPUC is over benchmark $16,091 in this function. We reviewed the justification provided and found this amount to be reasonable for the maintenance of the transmission lines and substation. No further adjustment is necessary.

(d) Distribution Expenses

The company calculated a $46,487 benchmark variance for this function. After making specific adjustments for transformer rewinds, transformer cabinet rebuilding, and an error in the forecast of meter charges, discussed above, the adjusted variance was $6,099. Other adjustments for transmission and distribution system grounding costs and distribution system grounding costs, also discussed above, result in a negative variance of $9,956.

(e) Customer Accounts

FPUC calculated a negative $41,466 benchmark variance for this function. After adjusting for uncollectible expense as previously discussed, the adjusted variance is negative $42,678. No further adjustment is necessary.

(f) Customer Service

The company is under the benchmark by $399 in this function. No adjustment is necessary.

(g) Sales

FPUC is $275 over benchmark in this function. This is an immaterial amount which we accept without adjustment.

(h) Administrative and General

The company calculated a $53,204 benchmark variance for this function. After adjusting for power supply study amortization, retrospective insurance premium refunds and employee newsletter expense, as noted above, the adjusted variance is $41,407.

The utility submitted justification for this variance on MFR Schedule C-16G, page 4 of 4, which included the following three items:

Liability Insurance	$109,400
Property Insurance	6,700
Medical Insurance	4,100
Total	$120,200

The utility stated that these expenses have increased at a rate which exceeds the Consumer Price Index and customer growth, and that the increases are due to "...unfavorable industry loss and earnings experience (liability and property), and increased utilization of benefits (medical)...." The utility has instituted medical insurance cost containment measures including increased deductibles, increased employee premiums for dependent coverage, and limits on certain medical care. We find that the utility has justified the variance of $41,407.

B. Depreciation and Amortization

The total per books jurisdictional depreciation and amortization expense for 1988 was $544,697. Stipulated adjustments reduced depreciation expense by $5,314 to reflect depreciation on water operations property and increased depreciation expense by $11,131 to reflect the expense associated with the allocated portion of the general plant located in West Palm Beach. We therefore find the correct amount of depreciation and amortization to be $550,514.

C. Taxes Other Than Income Taxes

We find the appropriate amount of taxes other than income to be $277,129. The utility accrued real and personal property taxes of $170,050 for the test year. Commission Staff auditors calculated a $186,051 expense from actual tax bills, which increases the company's calculation by $15,961 for the test year, and by $17,953 for the attrition year.

The utility made an adjustment allocating $4,482 to the Fernandina Beach Division for its prorata share of property taxes on the West Palm Beach general office building, which is similar to the adjustment made in the Marianna Division rate case (Order No. 21532, Docket No. 880558-EI) and was agreed upon by the parties.

Further, a portion of the local office facilities are allocated to the utility's regulated water operations. Accordingly, the utility made an adjustment reducing expenses $743 to eliminate property taxes on this property, which was agreed upon by the parties.

D. Income Taxes Currently Payable

The company reported current income tax expense per books of $283,124 on MFR C-2d ($240,650 federal and $42,474 state). This was increased by $27,561 for prior year adjustments, increased by $24,931 for the tax effect of other NOI adjustments, and decreased by $26,072 for interest reconciliation and ITC interest synchronization. The resulting jurisdictional adjusted expense in the original filing was $309,544 ($267,949 federal and $41,595 state). Our NOI adjustments increased current tax expense by $20,129, and interest reconciliation and synchronization adjustments based on the approved capital structure is $(8,659). The correct current income tax expense for 1988 is therefore $321,014.

E. Deferred Income Taxes (Net)

The appropriate amount of deferred income taxes is ($203,135), consisting of $(178,262) federal and $(24,873) state.

C. Investment Tax Credit

We approve FPUC's original filing amount of ($26,128) of investment tax credit.

G. Total Operating Expenses

Based on the above figures we find the appropriate amount of test year operating expenses to be $2,007,607.

(III) Net Operating Income

Based on our findings and the stipulations noted above, we find FPUC's 1988 NOI to be $788,824.

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 $311,926.

The appropriate revenue expansion factor for the 1988 test year is 1.6326 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	100.0000
Uncollectible Accounts	(0.1680)
Gross Receipts Tax	(1.500000)
Regulatory Assessment Fee	(0.125000)
Net Before Income Taxes	98.2070
State Income Tax Rate	5.5000%
State Income Tax	5.4014%
Net Before Federal Income Tax	92.8056
Federal Tax Rate	34.0000%
Federal Income Tax	31.5539
Net Operating Income	61.2517
Net Operating Income Multiplier	1.6326

IX. ATTRITION YEAR RATE BASE

FPUC based its attrition year calculation on the year ending September 30, 1990. Based on the stipulated and contested adjustments discussed below, we find the appropriate attrition year rate base to be $12,157,767. The items marked with an asterisk (*) were either stipulated or the utility's figures were approved.

	FPUC Request	Commission Adjustments	As Adjusted
*A. Utility Plant-in-Service	$17,229,216	$(300,772)	$16,928,444
*B. Accumula. Deprec. & Amortization	4,292,649	71,581	4,364,230
*C. Cust. Advances for Construct.	631,289	(28,218	603,071

*D. Net Utility Plant-in-Service	$12,305,278	$(344,135)	$11,961,143
*E. Working Capital	630,725	(434,101)	196,624
*F. Total Rate Base	$12,936,003	$(778,236)	$12,157,767

A. Utility Plant-In-Service

Attrition year plant-in-service of $16,928,444 includes electric plant of $17,216,271, allocation of local office plant to the water operation of $(194,917), a $207,862 allocation of general office common plant, and an adjustment reducing plant-in-service by $300,772 due to utility over-projections. We used June, 1989 plant figures to arrive at the adjustment for over-projections, as those were the most current and up to date figures available at the time of the hearing.

B. Accumulated Depreciation and Amortization

Based on our finding that projected plant-in-service is $16,928,444, we find the related accumulated depreciation is $4,364,230. FPUC originally projected accumulated depreciation associated with plant-in-service to be $4,299,265. The company reduced depreciation by $63,275 for plant allocated to its water utility, and increased depreciation by $56,659 for common plant allocated to the Fernandina Beach operation. These adjustments are consistent with adjustments made in prior rate cases with other operating divisions of the utility, and we accept them. After filing its MFRs, the utility increased accumulated depreciation by $75,479 because it under-budgeted the depreciation reserve balance, and increased common plant accumulated depreciation by $3,898 because it over-budgeted closings to plant-in-service. These adjustments reflect the most up to date plant-in-service data available at the time of hearing, and we accept them.

C. Customer Advances for Construction

We find the appropriate amount of customer advances to be $603,071, based on the utility's filing of $631,289, which it later decreased by $28,218 due to over-budgeting of closings to plant-in-service.

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 $11,961,143.

E. Working Capital

The utility claimed an attrition year working capital allowance of $630,725, which we adjusted to $196,624 as follows:

(1) Net Fuel and Conservation Overrecoveries

As discussed in connection with test year working capital, FPUC takes the position that net fuel and conservation overrecoveries of $323,550 should be excluded from the working capital calculation. We disagree, and find that net fuel and conservation overrecoveries should be included as liabilities in working capital, which therefore reduces working capital by the amount of the overrecoveries.

(2) Unamortized Rate Case Expense

FPUC claimed that unamortized rate case expense of $61,191 should be included in attrition year working capital. The utility believes 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. However, consistent with current Commission policy, as noted in Order No. 14030, Docket No. 840086-EI, and as followed in Order No. 21532, Docket No. 880558-EI (FPUC's recent Marianna Division rate case), we find that unamortized rate case expense should be excluded from the calculation of working capital, which reduces the utility's originally requested amount by $61,191.

(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 $21,625 annual expense for the Provision for Property Insurance, we find it is appropriate to include only $10,812 in the calculation of working capital, which will require an adjustment increasing working capital $8,488.

(4) Prepaid Pension

For the 1990 attrition year, the company originally included $27,884 in working capital for prepaid pensions. We find it necessary to increase working capital by $3,395 in prepaid expense, which results from recognizing negative pension expense of $3,269 in the attrition year.

(5) Correction of Errors

During the historical test year ended September 30, 1988, the utility made several errors in calculating its working capital allowance, which have been corrected as noted herein. We have determined that in the account, Accumulated Provision for Uncollectibles, the error was confined to the test year only, since the account was computed independently of the test year and was not trended to the attrition year. No adjustment to this account is therefore necessary. However, Accounts Payable were trended from the test year to the attrition year, using projected revenues. Since an adjustment was made to increase revenues and the related revenue trend factor, Accounts Payable have been increased by $429 to $40,189.

(6) Total Working Capital

Based on the foregoing adjustments, we find that the appropriate attrition year working capital is $196,624, as shown on the following chart.

WORKING CAPITAL
13 MONTH AVERAGE - JURISDICTIONAL AMOUNT
YEAR ENDED SEPTEMBER 30, 1990

CURRENT ASSETS	AMOUNT
Cash	$ 172,653
Sinking Fund	2,931
Working Funds	1,614
Interest Special Deposits	3,165
Divided Special Deposits	25,951
Customer Accounts Receivable	1,281,356
Accum. Prov. for Uncollectibles	(38,779)
Materials and Supplies	510,506
Income Tax Receivable	0
Prepayments - Insurance	74,343
Prepayments - Pensions	31,279
Prepayments - Other	0
Clearing Accounts	0
Temporary Facilities	0
Misc. Deferred Debits	0
Total Current Assets	$2,065,019
CURRENT LIABILITIES	
Accounts Payable	$1,063,864
Salaries & Wages Accrued	28,877
Other	7,167
Taxes Accrued	174,854
Interest Accrued	139,561
Dividends Accrued	696
Tax Collections Payable	44,090
Vacation Pay Accrued	46,908
Storm Damage Reserve	10,812
Med. Ins. Reserve	19,810
Audit Fees Accrued	8,206
Overrecovery	323,550
Total Current Liabilities	$1,868,395
Working Capital	$ 196,624

F. Total Attrition Year Rate Base

Based upon total attrition year net utility plant of $11,961,143, and working capital of $196,624, the total attrition year rate base is $12,157,767.

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 12.85%, with a range of 11.85% to 13.85%. Based on our review of the record, we will set an attrition year midpoint of 9.25% 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:

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COMMISSION VOTE

Florida Public Utilities Company
Fernandina Beach Division
Attrition Year Ended 9/30/90

Capital Components	Staff Jurisdictional Adjusted*	Staff Pro Rata Adjustments	Staff Specific Adjustments	Staff Adjusted	Ratio	Cost Rate	Weight Cost
Common Stock	$3,267,700	($243,067)		$3,024,633	24.88%	12.85%	3.20
Preferred Stock	$164,912	($12,267)		$152,645	1.26%	4.75%	0.06
Long-Term Debt	$5,208,979	($387,468)		$4,821,511	39.66%	9.81%	3.89
Bank Notes	$1,538,161	($114,416)		$1,423,745	11.71%	10.00%	1.[illegible]
Customer Deposits							
Active	$582,755			$582,755	4.79%	8.50%	0.41
Inactive	$1,725			$1,725	0.01%	0.00%	0.00
Investment Tax Credit							
3%	$7,505			$7,505	0.06%	0.00%	0.00
Post '70	$587,438			$587,438	4.83%	10.73%	0.[illegible]
Deferred Taxes	$1,576,828		($21,018)	$1,555,810	12.80%	0.00%	0.[illegible]
	$12,936,003	($757,218)	($21,018)	$12,157,767	100.00%		9.25

*Staff adjusted amounts reflect ratio of common equity, preferred equity, and and long-term debt at the consolidated level, after the removal of the Company's investment in Flo-Gas from common equity.

Calculation of JDIC Rate

Capital Components	Dollars	Ratio	Cost Rate	Weighted Cost
Common Equity	$3,024,633	32.10%	12.85%	4.12%
Preferred Equity	$152,645	1.62%	4.75%	0.08%
Long-Term Debt	$4,821,511	51.17%	9.81%	5.02%
Bank Notes	$1,423,745	15.11%	10.00%	1.51%
	$9,422,534	100.00%		10.73%

The per books amounts in the above chart were taken directly from FPUC's MFRs. The adjusted amounts of common equity, preferred equity, and long-term debt reflect their ratio at the consolidated level after the removal of the utility's investment in Flo-Gas, an unregulated subsidiary, directly from common equity. Subsequent pro rata adjustments, made to reflect the corresponding adjustments to rate base, were allocated solely to investor-supplied sources of capital because the utility maintained the amounts originally allocated to Customer Deposits, Investment Tax Credits and Deferred Income Taxes were the actual amounts incurred by the Fernandina Beach Division. The sole remaining adjustment was made to reflect our reduction to the deferred tax balance.

The utility's 13-month average deferred income tax balance in its original filing was $1,576,828, projected as of September 30, 1990. We made adjustments totalling $(17,015) on a 13-month average basis for the deferred tax effect of our adjustments to the Provision for Storm Damages, Rate Case Expense, and the Prepaid Pension balance. The approved capital structure also includes accumulated deferred investment tax credits for 1990 of $594,943, consisting of 3% investment tax credit of $7,404 and post-1970 investment tax credit of $587,438.

Deferred Taxes

The approved capital structure includes accumulated deferred income taxes for the year ending September 30, 1990, of $1,555,810, on a 13-month average basis. 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 find that the appropriate excess deferred tax expense adjustment required for 1990 is $(8,005).

XI. ATTRITION YEAR NET OPERATING INCOME

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

	FPUC Request	Commission Adjustments	As Adjusted
(I) Operating Revenues	$2,877,047	$33,028	$2,910,075
(II) Operating Expenses			
A. Operate. & Maint.	1,329,387	(85,613)	1,243,774
*B. Deprec. & Amort.	625,778	(10,952)	614,826
C. Taxes Other Than Income Taxes	294,121	11,438	305,559
D. Income Taxes Currently Payable	(9,489)	45,686	36,197
E. Deferred Income Taxes (Net)	(20,147)	(8,005)	(28,152)
*F. Amort. of ITC	(31,541)		(31,541)
G. Total Operating Expenses	$2,188,109	(47,446)	$2,140,663
(III) Net Operating Income	$688,938	$(80,474)	$769,412

(I) Operating Revenues

We find the appropriate amount of attrition year operating revenue to be $2,910,075.

The company's original filing included $2,877,047 in revenue from sales of electricity and $15,050 in other operating revenues. This amount did not include an adjustment for unbilled revenues, which the parties agreed should be made in the amount of $2,145. As discussed below, we also increased revenues by $30,883 and increased related revenue taxes by $502 to adjust projected KWH sales.

(II) Operating Expenses

We find the appropriate amount of attrition year operating expenses to be $2,140,663, which includes the components and adjustments noted below.

A. Operations and Maintenance

FPUC claimed attrition year O&M expenses of $1,329,387. We find that certain adjustments to this figure are necessary. Our adjustments total $(85,613), so we will therefore allow $1,243,774 in O&M expenses.

(1) Account 228.1 - Provision for Property Insurance

FPUC requested an annual allowance of $54,050 to provide for a reserve for Property Insurance (also known as a storm damage reserve). This amount was based on the loss experience in the utility's Marianna Division 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. The utility was granted only a $17,300 accrual in the Marianna rate case, but requested a greater accrual for Fernandina Beach due to the area's seaside location and 25% larger gross plant investment.

Rule 25-6.0143, Florida Administrative Code, 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.

As we stated in Order No. 21532 in the Marianna rate case, 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. However, although we find that the utility's request of $54,050 annual accrual to this account is excessive, we will allow an annual accrual of $21,625, which is 25% larger than that allowed in the Marianna rate case.

(2) Pension Expense

Attrition year pension expense is based on a \$(39,269) estimate of annual pension cost contained in a May 24, 1989 letter from the utility's consulting actuary (Exhibit 114). \$(3,269) of this amount was allocated to Fernandina Beach based on payroll.

(3) Rate Case Expense

As we pointed out in Order No. 21532, rate case expense is normally amortized over the expected period between rate case filings. There, we found that a five year amortization period was reasonable for FPUC. We similarly find it to be appropriate herein. 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.

Here, as in the Marianna rate case, FPUC projected its rate case expense, and later revised it upwards to reflect actual cost. Consistent with our actions in the Marianna case, 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 will allow the originally projected \$77,432 as rate case expense amortized over five years. Attrition year expense is therefore \$15,486, and O&M expenses will be reduced by \$10,325.

(4) Trend Effects

In deriving attrition year O&M expenses, FPUC originally projected that payroll increases would average 4.5% in 1989 and 5.6% in 1990. Public Counsel's witness, Mr. Dittmer, testified to three different percentage projections of payroll, depending upon timing differences for implementation. We adopt the lowest percentage, 4.29%, as a conservative approach, and note that the dollar difference between the high and low percentages is only approximately $1,000.

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

Trend Basis	Key	Projection Years 1989	1990
No Trend Basis	0	0.00%	0.00%
Inflation Only	1	105.00	109.62%
Customer Growth	2	103.91%	107.33%
Payroll Increases	3	104.29%	109.47%
Sales/KWH	4	103.46%	102.72%
Revenues/$s	5	101.57%	103.99%
Plant	6	104.94%	112.51%
Inflation X Cust. Growth	7	109.10%	117.66%
Payroll X Cust. Growth	8	108.37%	117.49%
Other	9	VARIOUS	

Since the utility projected 1990 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. We did not accept the utility's trend factors for Plant-Net and Payroll. Payroll X Customer Growth therefore also changed. Since known test year figures 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 plant or payroll changes would further distort the projection. Using current factors will tend to more closely approximate actual 1990 expenses.

(4) Insurance Expense

FPUC originally estimated $132,893 for attrition year Injuries and Damages expense. At the time it filed MFRs, the utility had not received the actual costs of the insurance premiums for various liability policies. Subsequently, the utility received notice that it would have lower insurance premiums for the period March, 1989 to March, 1990, which necessitates a $10,306 reduction to O&M expense.

B. Attrition Year Depreciation and Amortization

The appropriate amount of attrition year depreciation and amortization expense is $614,826, which includes a reduction of $10,952 to adjust for plant-in-service below projections.

C. Attrition Year Taxes Other Than Income Taxes

FPUC originally calculated attrition year Taxes - Other as $294,121. We find that this expense should be increased by $1,226 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 $305,559 for the attrition year.

Type of Tax	Trend Basis	1990 Attr. Yr.
Federal Unemployment	FLAT	$ 81
State Unemployment	FLAT	85
FICA	RATE INCR./ Payroll	42,425
State Intangible	Revenue	760
Regulatory Assessment Fee	RATE INCR./	3,777
Real and Personal Prop.	Plant-Net	213,533
State Gross Receipts	Revenue	42,426
Emergency Excise Tax	ACRS Deprec	2,472
TOTAL		$305,559

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

The company requested tax expense totalling $(61,660), which included current tax of $(9,489), deferred tax of $(20,147) and ITC of $(31,541).

We made an adjustment of $44,462 to the requested current tax expense for the tax effect of previously-discussed adjustments to revenues and expenses. The tax effect of interest reconciliation and interest synchronization adjustments, calculated together, increased current tax by $1,224, for a total current tax expense of $36,197.

We find the appropriate deferred income tax expense for 1990 to be $(28,152). This reflects a reduction of $8,005 ($6,835 federal and $1,170 state) for the write back of excess deferred taxes.

FPUC made adjustments to its original filing to reflect the same basic methodology as that we approved for the Marianna division. The unprotected property-related deferred taxes are turned around in the year immediately after the asset is placed in service and are returned over the life of the related property. The protected property-related deferred taxes are turned around using the average rate assumption method and are returned over the remaining life of the property.

F. Amortization of Investment Tax Credits

The proper amount of investment tax credit amortization expense is ($31,541).

G. Net Operating Income

Based on our findings and the stipulations noted above, we find FPUC's attrition year NOI to be $769,412.

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 $267,947. Added to the test year increase of $311,926, we approve a total annual revenue increase of $579,872.

We have used the stipulated revenue expansion factor of 1.6326 for the attrition year as shown on the following chart. The factor takes into account the 34% federal income tax rate in effect during 1990 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	(0.168000)
Gross Receipts Tax	(1.500000)
Regulatory Assessment Fee	(0.125000)
Net Before Income Taxes	98.207000
State Income Tax Rate	5.5000%
State Income Tax	5.401400
Net Before Federal Income Tax	92.805600
Federal Tax Rate	34.0000%
Federal Income Tax	31.5539
Net Operating Income	61.2517
Net Operating Income Multiplier	1.6326

XIII. RATES

Cost of Service Allocations

The parties stipulated that the methodologies used in FPUC's cost of service study are reasonable, with the exception of the omission of (1) a direct assignment of wire to the OL classes for lights which required installation of a pole and (2) the allocation of any secondary distribution demand-related costs to the GS class. The utility filed as Exhibit 319 herein a revised cost of service study which adequately corrects these problems and which we will use for rate design purposes in this docket.

Purchased Power Demand Charge Costs

FPUC purchases 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 the GSLD class, for which costs are recovered on an actual cost basis. 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 for all classes except GSLD, should be recovered through class-specific KWH charges. The specific charges for purchased power demand cost shall 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 the April, 1990 six-month period in the fuel docket, rather than at the time the utility's new base rates go into effect.

The GSLD class customers should continue to be billed monthly on their actual demand at the time of the system's monthly coincident peak (CP demand).

In the future, when the level of FPUC's purchased power demand charge is changed, the class-specific KWH charges for purchased power demand costs should be adjusted to reflect the change and be effective at the beginning of the next six-month fuel period.

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 rates of the GS and GSLD classes should be lowered because their rates of return at present rates are approximately three times the system average. The rates of those classes with negative rates of return (OL and OL-2) should be increased to the extent necessary for the classes to have non-negative rates of return. The remainder of the increase should be spread to the other rate classes with rates of return below the system average (RS, SL-3 and CSL) such that the three classes receive the same percentage increase in total revenues (based on estimated purchased power costs) and to SL-2. The SL-2 class, the rate of return of which is above the system average, should receive an increase sufficient to bring its rate of return to the system average at proposed rates.

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

Rate Code	ROR/Index
RS	7.31%/ 0.79
GS	13.90%/ 1.50
GSD	12.94%/ 1.40
GSLD	13.90%/ 1.50
OL	0.00%/ 0.00
OL-2	0.00%/ 0.00
TOTAL OL	0.00%/ 0.00
SL-2	9.25%/ 1.00
SL-3	8.37%/ 0.90
CSL	8.77%/ 0.95%
TOTAL SL	8.77%/ 0.95

Customer and Demand Charges

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

	Present	Approved
RS	$ 2.50	$ 7.00
GS	4.00	10.00
GSD	15.00	38.00
GSLD	300.00	475.00

These charges are made to move the charge closer to the company's customer unit cost at the class approved rate of return.

Demand charges for the GSD class shall remain at their current level of $1.77. The current GSD demand charge is $1.77 per KW, while the cost of service study shows unit cost at the earned rate of return under present rates to be $3.49 per KW, with the balance of demand costs recovered through a KWH charge. Since the GSD class will experience no revenue increase, any increase in per KW demand charges toward unit costs would require a decrease in GSD KWH charges, shifting revenue responsibility from large to small, low load factor customers. To promote rate continuity and avoid adding to the impact of increased customer charges on small GSD customers, we will leave the GSD demand charge unchanged.

The GSLD rate of return under FPUC's current rates exceeds 20%. The decrease in the GSLD revenue requirement will lower the class rate of return to 13.90%. Increasing the customer charge requires a demand charge decrease from $1.77 to $1.14 per KW to remain within the class rate of return.

GSD Rate Schedule

Minimum Bill Provision. FPUC's current GSD and GSLD rate schedules include minimum charges equal to the customer charge plus the demand charge for the minimum KW to take service on each rate schedule. We find that this minimum charge provision (which is actually a minimum billing demand provision), is appropriate for GSLD customers but should be eliminated from the GSD rate schedule. The maximum billing demand charge penalizes GSD customers whose maximum demands happen to fall near the class break point, although such customers do not necessarily impose a proportionately larger cost burden on the utility. On the other hand, billing under the GSLD rate schedule is optional for customers willing to contract for a minimum of 5,000 KW per month. A customer whose demands fall near the GSLD class break point has the option to remain in the GSD class and be billed on actual demand.

GSD Term of Service. The utility proposes to reduce the term of service on the GSD class from "one or two years" to "one or more years". We approve this change. A 12 month minimum term of service for GSD customers is consistent with the minimum terms required by other investor-owned electric utilities in

Florida, and gives the utility the option of requiring terms or service in excess of two years. This option is particularly important when dealing with very large customers who require the use of dedicated equipment.

Power Factor Percentage Goal. FPUC's power factor percentage goal is 80% for its GSD rate power factor clause. We find that the goal should be increased to 90%, which is comparable to the percentage goal required for the utility's GSLD class. The 90% goal would ensure more equitable cost recovery between the GSD and GSLD classes.

Primary Metering Discount. FPUC's present provision for primary voltage discount provides that the utility may meter at secondary voltage and add losses to adjust to primary metering. The present provision does not properly adjust for metering differences between customers measured at primary voltage and those measured at secondary voltage. We find that the appropriate discount provision should state that bills be adjusted for customers metered at primary voltage, thereby recognizing the metering differences associated with transformation to secondary voltage. Each primary customer's billing KW and KWH should be reduced to reflect the adjustment for losses.

The utility's proposed primary voltage discount clause did not state the appropriate percentage losses for metering adjustments. We find that the appropriate adjustment level should be 1% for primary level service because approximately 1% of electricity is lost due to transformation from primary level voltage down to secondary voltage.

Transformer Ownership Discount. FPUC presently provides a primary voltage discount of 15¢/KW for the GSD rate class. FPUC agreed with our Staff that the primary voltage discount should be retained for this rate class even though no customers presently receive the discount. However, the discount clause should be changed to state that customers' demand charges be credited for the average cost of transformation equipment, including associated expenses allocated to the GSD rate class. This is consistent with Commission policy, and is the average cost avoided by the utility when customers install their own line transformers or require power at primary voltage.

The appropriate primary voltage discount should be 44¢/KW, based on a portion of the fully allocated transformation cost of 80¢/KW. The utility's cost study indicated that the Fernandina Beach Division's line transformer rate base as a percentage of total line transformer plant is greater than for the Marianna Division. Thus, it appears that more of the plant associated with line transformation equipment has been depreciated in the Marianna Division than for Fernandina. Further, the associated operations and maintenance expenses for the transformation equipment appears to be greater for the Fernandina Beach Division.

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 schedule because it is not cost-based and the billing should be transferred to the otherwise applicable GS rate schedule. FPUC's power purchases are billed based on monthly peaks which occur at different times each month. Under the utility's RST rate schedule, operation of the heating units in water heaters is governed by controlling devices which are permanently set to disconnect the units at the same times each day. Since these timers are not reset to coordinate disconnection of heating units with system peak demands, the RST rate does not create any savings for the general body of ratepayers. Further, the rate is not cost-based, as it fails to recover the costs of the separate meters and control devices for each customer.

Combination of RS-1 and RS-2 Rate Schedules

FPUC presently offers an RS-1 rate schedule for residential service and an RS-2 rate schedule for residential service customers with electric water heating where there is an automatic thermostatic control and the customer's entire use of electricity is taken through a single meter. The parties stipulated that the two rate schedules be combined. The utility initially offered the RS-2 rate to promote use of water heaters controlled by automatic thermostats. Presently, the RS-2 non-fuel energy charge is lower than the RS-1 non-fuel energy charge, and the RS-2 rate is not available to residents who heat their water with other forms of energy. Because the RS-2 rate does not promote gas and solar heating we find that it does not promote conservation and is discriminatory.

Standby Rates

FPUC presently has no standby or supplemental rates, and we find that such rates should be made available to potential self-generators taking service under the GSD rate class. We find that Commission Order No. 17159 should be used as the basis for design of recovery of local facilities and customer-related costs. Recovery of Production and Bulk Transmission costs should be designed so that a standby customer's impact on the utility's wholesale purchased power cost is recovered. The utility should submit this rate schedule within three months of the date of issuance of this order.

MS Rate Schedule

FPUC presently offers an MS rate schedule, which is applicable only to the City of Fernandina Beach for miscellaneous municipal service other than street lighting. All other customers are required to take service under the applicable GS or GSD rate schedule. The parties stipulated that the MS rate schedule be eliminated, and that the City of Fernandina Beach should be required to take service on the applicable GS or GSD rate schedule.

Service Charges

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

	Present	Company Cost	Approved
Initial Connection	$ 0.00	$13.02	$13.00
Reestablish Service to			

Inactive Account	0.00	11.39	11.00
Temporary Disconnect then Reconnect	0.00	21.31	20.00
Reestablish Active Service	0.00	8.29	8.00
Reconnect after Disconnect for Nonpayment	3.00	17.70	15.00
Connect and Disconnect Temporary Service	0.00	23.51	20.00

Street and Outdoor Lighting

We do not approve the utility's proposed street and outdoor lighting rates. Instead, we find that the non-fuel energy charge for OL-2 and SL-3 should be set at unit cost. Maintenance charges should be set to recover each rate class's maintenance costs. Pole charges should be set at $2.00 as a first step toward properly reflecting the cost of poles, 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 12, attached hereto.

XIV. INTERIM INCREASE

The company was granted an interim rate increase of 35456,195 pursuant to Section 366.071, Florida Statutes, by Order No. 21211 issued on May 9, 1989. The interim increase was calculated on a September 30, 1988 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 $456,195 was calculated using an 9.63% rate of return, which is higher than the rate approved herein. Therefore, we will require a refund of $67,725 on an annual basis, with the refund to be made on a "per KWH" basis.

XV. PUBLIC COUNSEL'S PROPOSED FINDINGS OF FACT AND CONCLUSIONS OF LAW

The Office of Public Counsel submitted forty two Proposed Findings of Fact and twelve Proposed Conclusions of Law for Commission action. Pursuant to Section 120.59, Florida Statutes, and Rule 25-22.056, Florida Administrative Code, the Commission must rule on each one. The proposed findings and conclusions as submitted are set forth below, along with our decision on each one. The numbering system is that used by Public Counsel, which is keyed to issue numbers voted upon by the Commission.

Proposed Findings of Fact

Issue 3: Prepaid Pension Expenses

1. Inclusion of prepaid pension expense as a current asset in working capital requires customers to provide a return on their own past overpayments. Although this statement is correct on its face, we reject it. We found that the utility acted prudently in making its best estimate of pension cost, and that past ratepayers derived benefit from negative pension cost because other expenses were reduced by negative expense. This statement of fact is therefore inconsistent with our findings herein.

2. Since rate base components must be supported by a like amount of capital, in inclusion of prepaid pension expense artificially inflates the equity component of the capital structure because the corresponding "negative" expense entry increases income and, therefore, retained earnings. We reject this finding of fact. An increase in income and retained earnings is the natural, not "artificial" result of a negative expense. Recording negative pension cost does not artificially inflate retained earnings. In this case, the utility overestimated past expenses, and thus retained earnings were understated in the past. We also note that Public Counsel stipulated to the negative pension expense in this docket.

Issue 4: Fuel Conservation Cost Overrecoveries

1. Fuel and conservation cost overrecoveries are properly booked as currently liabilities on FPUC's books of amount. [T. 116]. We reject this finding of fact. Fuel and conservation overrecoveries are recorded in Account 253,, Other Deferred Credits. This account is classified as a Deferred Credit, rather than a Current and Accrued Liability. It would be correct to state that fuel and conservation overrecoveries are treated as current liabilities in the computation of the working capital allowance.

2. Removing fuel and conservation cost overrecoveries from current liabilities before computing a working capital allowance under the balance sheet approach increases rate base by an amount equal to the overrecoveries and requires customers to pay a return on this amount. [T. 114-15, 126-27]. We reject this finding. It is incorrect in that it discusses removal of overrecoveries from current liabilities.

3. Requiring customers to pay a return on a rate base increased by the amount of fuel and conservation cost overrecoveries would require the customers to provide a return on their own overpayments. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

Issue 20: Transformer Rewinding

1. FPUC's adjustment to the historic test year to "normalize" maintenance of station equipment (Amount 592) was based on a ten-year average that included expenditures for rewinding two 69KV transformers in 1980 and 1981. [T. 97-98]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

2. Charges to account 592 are erratic and cannot be predicted. [T. 23, 98]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

3. It can be literally decades between rewindings, if rewindings are necessary at all. [T. 24]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

4. FPUC has only seven 69KV transformers in its Fernandina Beach division. [T. 24). We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

5. FPUC stipulated to a refund of overearnings in June 1982 based on operations for the 12-month period ended December 31, 1981. Order No. 10832, issued June 2, 1982 in Docket No. 81027-EU, noted that the Fernandina Beach division had experienced overearnings for the three previous years. [T. 48]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

6. FPUC has not experienced underearnings as a result of the need to rewind transformers. We reject this finding. The record does not adequately support this statement or demonstrate the relationship between the transformer rewinds and earnings.

7. There is no evidence in the record of this proceeding that the historic test year amount booked to Account 592 is not representative of expected future conditions. We reject this finding. FPUC supported the expenses of Account 592 in MFR C-16g, page 2 of 4. The utility also presented rebuttal testimony [T. 97-98] indicating historical expenditures when excluding transformer rewinds and identifying the various factors affecting future expenditures.

8. In the future, FPUC will capitalize the costs of transformer rewindings. [Ex. 118, p. 3 of 5]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

<u>Issue 21</u>: System Grounding

1. During 1987 and 1988 FPUC spend $56,463 on overhead and

underground line expense to improve its system grounding. [T. 97, 106]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

2. These expenditures are considered by the company to be nonrecurring in nature. [T. 143]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

3. The funds expended were for catch-up work on existing poles. Grounding costs for new poles would be included in the costs of the poles. [T. 165-66, 281]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

4. System grounding costs were properly expensed by the company instead of capitalizing them. [Ex. 118, p. 3 of 5]. We reject this finding. FPUC identified Rule 25-6.0142(5)(c), F.A.C., as the basis for expensing these costs. This reference applies to replacement items, not new items which did not previously exist. The grounding rods and wires are new items, which must be accounted for in the same manner (capitalized) as the addition of a retirement unit, if the intent of such addition is to render the affected retirement unit more useful, of greater capacity, or increased efficiency. Further, this proposed fact actually constitutes a legal or policy conclusion to the extent that we are asked to determine the propriety of expensing vs. capitalization.

5. The system grounding expenditures were associated with periods outside the historic test year. [T. 166-67]. We reject this finding. The record indicates that some pole relocation costs could have been incurred in 1987, prior to the test year. The record does not support Public Counsel's proposed finding that system grounding costs were incurred outside of the historic test year.

6. The utility is factually incorrect in its statement that absent amortizing, it will not be able to recover system grounding expense. [T. 97]. Customers' rates provided

sufficient revenue to cover these expenses. We reject this finding. The only reference in the record to this item is a question which was posed by Mr. Howe, of the Office of Public Counsel, to FPUC's witness Mr. Troy. Mr. Howe asked if the utility's past and currently requested 13.1% rate of return is sufficient for stockholder to purchase the business and financial risk of operating an electric utility. Mr Troy replied that he did not know how much risk 13.1% buys, and that he could not answer this question. [T. 145].

Issue 22: Distribution System Pole Relocation

1. FPUC spent $23,812 for pole relocation during 1987 and 1988. [T. 106]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

2. There were no pole relocations in the ten-year period prior to the historic test year in this proceeding, and the Company is not aware of any need for pole relocations in the next twelve months. [Ex. 119]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

3. The pole relocations were properly expensed instead of being capitalized. [Ex. 118, p. 3 of 5]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

4. The company did not establish that all of the pole relocation expense was associated with the historic test year; some might have been in 1987, before the test year. [T. 116]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

Issue 42: Storm Damage Reserve

1. The Company did not include any provision for storm damage expense in its attrition year operating expenses as it originally filed its case. [T. 33]. We reject this

finding, as it is irrelevant. Public Counsel's witness, Mr. Dittmer, stated that "The company indicated that [the lack of provision for storm damage expense] was an oversight on its part, as it intended to request a provision for $54,000 for storm damage reserves." He further suggested that "Lacking better data, I would simply suggest that if a provision for storm damage is to be authorized, the Fernandina Beach Division should not be allowed any more for storm damage provision than was granted in the Marianna Division." [T. 33]. FPUC's witness, Mr. Troy, indicated that it was his "intention to include an annual expense provision of $54,050 in Account 925, Injuries and Damages, and this will be reflected in my attrition year O&M expenses. [T. 101-102].

2. The Fernandina Beach Division has had no major storm damage (in excess of $5,000) for the past ten years. [T. 33, 49, 143]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

3. The only company experience with major storms was with Hurricane Kate in 1985 which struck its Marianna Division. [T. 101]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

4. Although the reserve allowance is calculated based on another division's storm experience and purported to be applicable to Fernandina Beach as a seaside resort subject to storms, the reserve is actually intended to cover such things as fire, vandalism, aircraft or vehicle collisions and all other perils of physical loss to uninsured property. [T. 101, 108, 142-43, 169-174; Ex. 116]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

5. The likelihood of severe storm damage is very remote. Most hurricanes reaching the latitude of Fernandina Beach have tended to move parallel to the coastline and well out to sea. Other hurricanes lose most of their force moving over land before reaching the area. [Ex. 123, p. 8 of

9]]. We accept this proposed finding of fact with modification. The last sentence shall read as follows: Others have lost much of their force moving over land before reaching this area. As modified, the finding follows the language in the exhibit, which provides historical information only.

Issue 68: Attrition Year Revenue Increase

1. The only expense difference (other than trending) between the historic and attrition years was the amortization of rate case expense of $25,000. [T. 17, MFR Schedule C 16B (proj)]. We reject this finding for the reasons discussed in the following item.

2. The $409,000 difference between the historic year revenue deficiency and the attrition year deficiency (as the case was originally filed) was attributable to trending of revenues, expenses and rate base in the attrition year. [T. 17]. We reject this finding. The utility projected its expenses consistent with the methodology we have accepted in prior cases, and which was recognized by Public Counsel's witness, Mr. Dittmer [T. 28-29]

3. Given the relative earnings stability over the previous 15 years, it is unlikely that earnings would erode to the extent projected over the two-year period between the end of the historic and attrition years. [T. 17-18]. We reject this finding, as it is inconsistent with the evidence in the record of this proceeding. FPUC's witness, Mr. Troy, testified that operating income stability has been primarily due to billings to the two GSLD customers [T. 94], that the benefit or stability from those customers will no longer be there [T. 135] and that the utility anticipated regular rate cases in the future. [T. 136]. FPUC's witness Mr. Jerauld testified that sale to the two GSLD customers tends to be erratic, due in part to variation in their amount of self-generation, and that there are some months when one of the customers takes little, if any, power. [T. 225]. Finally, Public Counsel's witness, Mr. Dittmer, testified that KW billing demand is erratic from month to month, but that there is a

5,000 KW minimum which stabilizes revenue levels to some extent. He further indicated that it would be appropriate to use a four year average in developing test year base revenues because of the fluctuation in billing demands over a year's period.

4. FPUC's Fernandina Beach Division has virtually no exposure to earnings attrition from increasing production costs. [T. 31]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

5. The Company's explanation of the past earnings stability was based solely on the higher billings to its two GSLD customers and the reduction in the corporate income tax rate. [T. 94-95, 132-33]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

6. The loss of the GSLD billings is reflected in the historic year revenue deficiency. [T. 135]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

7. Since the first three months of the historic test year were at a 40% tax rate, while the attrition year is at 34% rate, this should make the attrition year deficiency lower and cannot explain any of the difference between the two years. [T. 138-39]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

Issues 52 and 71: Attrition Year Revenues

1. Residential usage per customer has increased every year from 1985 through 1988. [T. 25, 235, 245]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

2. FPUC used monthly averages for each month in the previous three-year period to derive per customer residential usage. [T. 223]. We accept this finding, as it is

supported by a preponderance of the evidence in the record of this proceeding.

3. FPUC maintained that its averaging method gave recognition to ambient temperature variations. [T. 223]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

4. FPUC introduced no evidence that the per customer residential usage for the historical test year was not representative of expected future conditions. It stated only that it chose to use a three year historical monthly averaging method. [T. 223-24]. We reject this finding. The utility's decision to use the three year averaging method was based upon past Commission decisions. FPUC's witness, Mr. Jerauld, cited FPUC's last three rate cases wherein we approved the average methodology as a reasonable means to project billing units. The utility had reason to believe that use of a three year average to project future usage was more appropriate than use of a single year's data.

5. The effect of the company's approach to projecting residential use per customer was to reduce attrition year revenues and increase its revenue deficiency. [T. 251]. We accept this finding, as it is supported by a preponderance of the evidence in the record of this proceeding.

6. The trend in residential usage per customer has been increasing between 1985 and 1988 even as the number of heating and cooling degree days has been decreasing. This indicates that, if the usage were adjusted for normal weather, the rate of increasing usage would be even greater. [T. 273]. We reject this finding. It is not a statement of fact, but a conclusion based on the Public Counsel witness's opinion and analysis, which relies on acceptance of assumptions not unconditionally supported by the record.

7. From the Company's late-filed exhibit number 124, which gives actual residential usage per customer from October

1988 through July 1989, it cannot be established what usage would be for a twelve-month period nor is data available in the record to compare with normal weather conditions. We accept the second portion only of this finding, (that "[no] data [is] available in the record to compare with normal weather conditions") as it is supported by a preponderance of the evidence in the record of this proceeding. We reject the first portion of this finding. The purpose of late-filed exhibit number 124 was to support Mr. Jerauld's contention that usage for 1989 was below that for the same time period in 1988. [T. 252, 255-256]. The data supplied supports that contention. No projection is likely to be exact, as indicated by Public Counsel's witness, Mr. Dittmer [T. 275-276]. However, we believe that the utility was not unreasonable in using data for 10 months of a 12 month period as a basis for drawing conclusions.

Proposed Conclusions of Law

Issue 3: Prepaid Pension Expenses

1. As a matter of regulatory policy, this is not an issue of the prudence or imprudence of the utility's past estimates. Instead, it is a question of whether it constitutes an investment in used and useful utility assets devoted to the customer's service. Under this criteria, prepaid pension expense is not a used and useful rate base investment. We reject this conclusion, and decline to use hindsight to penalize the utility for a funding decision which was prudent at the time it was made.

Issue 4: Fuel Conservation Cost Overrecoveries

1. It is the Commission's intent and policy that the company's stockholders be the source of funds to pay interest on fuel and conservation cost overrecoveries in the fuel and conservation cost recovery dockets. [T. 115-16, 117]. We accept this conclusion as it is consistent with our factual findings herein.

2. Removing fuel and conservation cost overrecoveries from

current liabilities in the working capital calculation would be contrary to the policy decision reached and followed in Order 13537 (Florida Power & Light) and Order No. 14030 (Gulf Power). We reject this conclusion, but only because it classifies fuel and conservation cost overrecoveries as current liabilities.

3. FPUC has not provided an adequate record basis for the Commission to depart from its prior decisions to include fuel and conservation cost overrecoveries in the working capital calculation for purposes of establishing an electric utility's base rates. See Occidental Chemical Co. v. Mayo, 351 So.2d 336, 341 (Fla. 1977). We accept this conclusion as it is consistent with our factual findings herein.

Issue 21: System Grounding

1. If the Commission were to allow recovery of system grounding expenditures over future periods because the utility's return on equity had been eroded in past periods, it would violate the statutory proscription against retroactive ratemaking. See City of Miami v. Florida Public Service Commission, 208 So.2d 249, 259-60 (Fla. 1968). We reject this conclusion as we do not agree that such recovery would constitute retroactive ratemaking.

Issue 22: Distribution System Pole Relocation

1. If the Commission were to allow recovery of system grounding expenditures over future periods because the utility's return on equity had been eroded in past periods, it would violate the statutory proscription against retroactive ratemaking. See City of Miami v. Florida Public Service Commission, 208 So.2d 249, 259-60 (Fla. 1968). We reject this conclusion as we do not agree that such recovery would constitute retroactive ratemaking.

Issue 36: Overbudgeting of Attrition Year Plant-in-Service

1. The record contains competent expert opinion testimony that the plant-in-service balance should be reduced by

$439,574. [T. 19, 47]. We reject this conclusion. Although the record contains testimony regarding plant-in-service which supports Public Counsel's position, the testimony is not based upon the most current data, as is preferable for forecasting purposes.

2. The company's opinion testimony is too equivocal to support a finding of fact that a $344,000 adjustment should be made because:

   a. the Company's witness did not consider all information available to him. [T. 193];

   b. the schedule introduced was run solely for purposes of the rate case to adjust the original projection <u>after</u> analysis by an opposing party indicated it was erroneous. [T. 194]; and

   c. the Company's witness conceded the actual amount could be either higher or lower than his recommended amount throughout the 1990 test year. [T. 195]. We reject these conclusions. Although the record contains testimony regarding plant-in-service which supports Public Counsel's position, the testimony is not based upon the most current data, as is preferable for forecasting purposes.

<u>Issue 41</u>: Unamortized Rate Case Expense

1. The Commission has consistently removed unamortized rate case expense from current assets in calculating working capital under the balance sheet approach in electric utility cases, most recently in this utility's Marianna Division Case, Order No. 21532, at page 21. We accept this conclusion, as it is consistent with our findings herein.

2. FPUC has not provided an adequate evidentiary basis to depart from past Commission policy which is supported by the testimony of Mr. Dittmer. [T. 21, 47]. We accept this conclusion, as it is consistent with our findings herein.

Issue 42: Storm Damage Reserve

1. The storm damage reserve has not been established at a quantifiable level as a prudent utility expense on the record of this proceeding. We reject this conclusion as it is not consistent with our findings herein. Although the utility did not establish $54,000 as an appropriate amount for storm damage reserve, there is sufficient record evidence to conclude that a storm damage reserve would be a prudent utility expense, and it is within the Commission's discretion to set the amount thereof.

Issue 68: Attrition Year Revenue Increase

1. The two factors cited by the Company as explaining the difference between the historic and attrition year revenue deficiencies (the GSLD billings and the changed income tax rate) were shown on the record of this proceeding to have no bearing on the differences and cannot justify any of the additional revenue requested for the attrition year. We reject this conclusion as it is inconsistent with our findings herein. The utility concluded that the effects of the reduced GSLD billings and the change in income tax rate were included in the historical test year and in the attrition year and did not explain the difference in revenue deficiencies between the years. However, we do not agree with the utility's conclusion that these factors have no bearing on the additional revenue requested for the attrition year. GSLD rate reduction could affect the attrition year revenue requirement if sales (or revenues) were lower than calculated for this class.

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 September 30, 1988. 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 September 30, 1990.

3. The adjustments to rate base made in this order are reasonable and proper. The utility's average adjusted rate base is $10,869,913 for the test year ended September 30, 1988. Rate base for the attrition year ending September 30, 1990, is $12,157,767. 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 September 30, 1988, is $788,824. Net operating income for the period ending September 30, 1990, is $769,412.

5. The test year rate of return on the equity of Florida Public Utilities Company lies in the range of 11.85% to 13.85%, with a mid-point of 12.85%. The mid-point of the overall rate of return for the test year is 9.01%, with a range from 8.75% to 9.30%.

6. The attrition-year return on equity lies within the range of 11.85% to 13.85%, with a mid-point of 12.85%. The mid-point of the overall rate of return for the attrition year is 9.25%.

7. Florida Public Utilities Company is authorized to increase its rates and charges $579,872 annually in its Fernandina Beach 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 $579,872 annually, in its Fernandina Beach 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 the rate increase authorized in this order shall be effective for billings rendered for all meter readings taken on and after November 15, 1989. It is further

ORDERED that Florida Public Utilities Company shall file with the Commission, within thirty days after the issue date of this order, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records which will be required as a result of the Public Service Commission's actions herein. 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

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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. It is further

ORDERED that this docket be closed after last of the following has occurred:

1. Florida Public Utilities Company has filed revised tariffs in conformance with this order;
2. the utility has filed a description of entries or adjustments in conformance with this order;
3. the utility has received the approval of the Commission's Division of Electric and Gas for its bill stuffer as ordered herein and
4. the time has expired in which to file a motion for reconsideration or notice of appeal, if such action is not taken.

By ORDER of the Florida Public Service Commission, this 27th day of NOVEMBER, 1989.

Steve Tribble

STEVE TRIBBLE, Director
Division of Records and Reporting

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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.

SCHEDULE 3
09-Oct-89
12:36 PM

COMPARATIVE NET OPERATING INCOME

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

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		13,390,602								
2	13		FUEL & CONSERVATION REVENUES			(10,617,266)							
3	13		ADJ. FOR UNBILLED REVENUES			2,643							
4													
5													
6													
7													
8			Total sales of electricity	0	13,390,602	(10,614,623)	2,776,259	0	2,776,259	0	2,776,259	0	2,776,259
9													
10													
11			OTHER OPERATING REVENUES		20,172								
12													
13													
14													
15													
16			Total other operating revenues	0	20,172	0	20,172	0	20,172	0	20,172	0	20,172
17													
18													
19			Total operating revenues	0	13,411,054	(10,614,623)	2,796,431	0	2,796,431	0	2,796,431	0	2,796,431
20													
21			OPERATING EXPENSES:										
22			OPERATING & MAINTENANCE		11,664,299								
23	13		FUEL & CONSERVATION EXP.			(10,464,954)							
24	14		TRANSPORTATION EXPENSE-WATER			12,660							
25	15		ACCRUED PAYROLL			6,324							
26	16		ELIMINATE CHARITABLE CONTRIBUTION			(1,100)							
27	17		UNCOLLECTIBLE ACCOUNTS EXPENSE			(6,670)		(1,212)		(1,212)		(1,212)	
28	18		ELIMINATE NON-RECURRING FUEL EXPENSE			(2,990)							
29	19		POWER SUPPLY STUDY			(34,046)		(2,270)		(2,270)		(2,270)	
30	20		MAINTENANCE OF STATION EQUIP.			19,610		(15,388)		(15,388)		(15,388)	
31	22		POLE RELOCATION COSTS			4,762				(4,762)		(4,762)	
32	21		SYSTEM GROUNDING PROJECT-O/H CONDUCTORS & U/G LINES			(24,333)				(11,293)		(11,293)	
33	23		MAINT. OF LINE TRANSFORMERS			(15,897)		(10,000)		(10,000)		(10,000)	
34	24		METER EXPENSE - ERROR					(15,000)		(15,000)		(15,000)	
35	25		INSURANCE REFUNDS					(7,527)		(7,527)		(7,527)	
36	26		EMPLOYEE NEWSLETTER					(2,000)		(2,000)		(2,000)	
37													
38			Total operation & maintenance	0	11,664,299	(10,506,634)	1,157,665	(53,397)	1,104,268	(69,452)	1,088,213	(69,452)	1,088,213
39													
40													
41			DEPRECIATION AND AMORTIZATION		344,697								
42	1		COMMON PLANT ALLOCATED-LOCAL OFFICE(WATER)			(5,314)							
43	1		COMMON PLANT ALLOCATED-GENERAL OFFICE			11,131							
44													
45													
46													
47													
48			Total depreciation and amortization	0	[illegible]	5,817	350,514	0	350,514	0	350,514	0	350,514
49													
50													

DOCKET NO. 881056-EI
ORDER NO. 22224
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COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 88105.-EI
TEST YEAR: SEPTEMBER 30,1988

COMPARATIVE NET OPERATING INCOME

SCHEDULE 3
09-Oct-89
12:38 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
51			DECOMMISSIONING										
52													
53													
54													
55													
56			Total decommissioning	0	0	0	0	0	0	0	0	0	0
57													
58													
59			TAXES OTHER THAN INCOME		430,095								
60	1		COMMON PLANT ALLOCATED-LOCAL OFFICE (WATER)			(743)							
61	1		COMMON PLANT ALLOCATED-GENERAL OFFICE			4,482							
62	13		FUEL & CONSERVATION			(172,666)							
63	29		CORRECT ACCRUAL OF PROPERTY TAXES					15,961		15,961		15,961	
64													
65		N/A	Effect of other adjustments										
66													
67			Total taxes other than income	0	430,095	(168,927)	261,168	15,961	277,129	15,961	277,129	15,961	277,129
68													
69													
70			INCOME TAXES CURRENTLY PAYABLE	0	283,124								
71	30		VARIOUS ADJUSTMENTS ABOVE			24,931		14,006		20,129		20,129	
72	30		OUT OF PERIOD ADJUSTMENT			27,564							
73	30		INTEREST RECONCILIATION			(26,072)		877		(8,659)		(8,659)	
74													
75		N/A	Interest expense reconciliation										
76		N/A	Effect of other adjustments										
77													
78			Total income taxes - current	0	283,124	26,420	309,544	14,963	324,507	11,470	321,014	11,470	321,014
79													
80													
81			DEFERRED INCOME TAXES (NET)	0	(195,175)								
82	30		OUT OF PERIOD ADJUSTMENT			(7,960)							
83													
84													
85													
86													
87													
88													
89			Total deferred income taxes (net)	0	(195,175)	(7,960)	(203,135)	0	(203,135)	0	(203,135)	0	(203,135)
90													
91													
92			INVESTMENT TAX CREDIT (NET)		23,521								
93	30		OUT OF PERIOD ADJUSTMENT			(15,521)							
94													
95													
96			AMORTIZATION OF ITC		(34,128)								
97													
98													
99			Total investment tax credit (net)	0	(10,607)	(15,521)	(26,128)	0	(26,128)	0	(26,128)	0	(26,128)
100													

SCHEDULE 3
09-Oct-89
12:38 PM

COMPARATIVE NET OPERATING INCOME

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

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	12,716,433	(10,666,805)	2,049,628	(22,473)	2,027,155	(42,021)	2,007,607	(42,021)	2,007,607
115													
116													
117			Net operating income	0	694,621	52,182	746,803	22,473	769,276	42,021	768,824	42,021	788,824
118													

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

SCHEDULE 4
09-Oct-89
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COMPARISON OF
REVENUE EXPANSION FACTORS

LINE NO.	DESCRIPTION	COMPANY	STAFF	COMMISSION VOTE
1	Revenue Requirement	100.000000	100.000000	100.000000
2				
3	Uncollectible Accounts	(0.168000)	(0.168000)	(0.168000)
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	98.207000	98.207000	98.207000
10				
11	State Income Tax Rate	5.5000%	5.5000%	5.5000%
12				
13	State Income Tax	5.401385	5.401385	5.401385
14				
15	Net Before Federal Income Taxes	92.805615	92.805615	92.805615
16				
17	Federal Tax Rate	34.0000%	34.0000%	34.0000%
18				
19	Federal Income Tax	31.553909	31.553909	31.553909
20				
21	Net Operating Income	61.251706	61.251706	61.251706
22				
23				
24	Net Operating Income Multiplier	1.632608	1.632608	1.632608
25				

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

SCHEDULE 5
09-Oct-89
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COMPARATIVE REVENUE REQUIREMENTS

LINE NO.	DESCRIPTION [1]	COMPANY AS FILED [2]	COMPANY ADJUSTED [3]	STAFF RECOMMENDATION [4]	COMMISSION VOTE [5]
1	Adjusted Jurisdictional Rate Base	$11,191,576	$11,144,900	$10,869,913	$10,869,913
2					
3	Required Rate of Return	9.41%	9.26%	8.97%	9.01%
4					
5					
6	Required Net Operating Income	1,052,726	1,032,018	974,824	979,884
7					
8	Adjusted Achieved Test Year				
9	Jurisdictional Net Operating Income	746,803	769,276	788,824	788,824
10					
11	Jurisdictional NOI Deficiency	305,923	262,742	186,000	191,060
12					
13	Revenue Expansion Factor	1.6326	1.6326	1.6326	1.6326
14					
15	Revenue Increase - Test Year	499,453	428,954	303,665	311,926
16	Difference	661	1		
17					
18					
19	Total Revenue Increase	500,114	428,955	303,665	311,926
20					
21					
22					
23					
24					
25					
26					

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

COMPARATIVE RATE BASES
ATTRITION YEAR

SCHEDULE 6
09-Oct-89
12:54 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
1			PLANT IN SERVICE		$17,216,271								
2		1	COMMON PLANT ALLOCATED-LOCAL OFFICE (WATER)			(194,917)							
3		1	COMMON PLANT ALLOCATED-GENERAL OFFICE			207,862		(300,772)		(300,772)		(300,772)	
4		36	PROJECTIONS										
5			ACQUISITION ADJUSTMENT		0								
6													
7													
8													
9													
10													
11													
12													
13			Total plant in service	0	17,216,271	12,945	17,229,216	(300,772)	16,928,444	(300,772)	16,928,444	(300,772)	16,928,444
14													
15			DEDUCTIONS:										
16			ACCUM. DEPR. UTILITY PLANT		4,299,265								
17		1	COMMON PLANT ALLOCATED-LOCAL OFFICE (WATER)			(43,275)		(3,898)		(3,898)		(3,898)	
18		1	COMMON PLANT ALLOCATED-GENERAL OFFICE			56,659		75,479		75,479		75,479	
19		38	PROJECTIONS										
20			ACCUM. AMORT.-ACQUISITION ADJ.		0								
21			CUSTOMER ADVANCES FOR CONSTRUCTION		431,289			(28,218)		(28,218)		(28,218)	
22		38	PROJECTIONS										
23													
24													
25			Total depreciation reserve	0	4,930,554	(6,616)	4,923,938	43,363	4,967,301	43,363	4,967,301	43,363	4,967,301
26													
27													
28			Net plant in service	0	12,285,717	19,561	12,305,278	(344,135)	11,961,143	(344,135)	11,961,143	(344,135)	11,961,143
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										
42													
43													
44													
45			Total prop. held for future use	0	0	0	0	0	0	0	0	0	0
46													
47													
48													
49													

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

COMPARATIVE RATE BASES
ATTRITION YEAR

SCHEDULE 4
09-Oct-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 RECOMMENDATION ADJUSTMENTS	STAFF RECOMMENDATION JURISDICTIONAL ADJUSTED	COMMISSION VOTE ADJUSTMENTS	COMMISSION VOTE JURISDICTIONAL ADJUSTED
50													
51			NUCLEAR FUEL (NET)										
52													
53													
54													
55			Total nuclear fuel	0	0	0	0	0	0	0	0	0	0
56													
57													
58			Net utility plant	0	12,285,717	19,561	12,305,278	(344,135)	11,961,143	(344,135)	11,961,143	(344,135)	11,961,143
59													
60													
61			WORKING CAPITAL		630,725								
62													
63		40	NET FUEL & CONSERVATION							(323,550)		(323,550)	
64			OVERRECOVERY							(61,191)		(61,191)	
65		41	UNAMORTIZED RATE CASE EXPENSE							17,969		8,480	
66		42	STORM DAMAGE RESERVE					3,395		3,395		3,395	
67		43	PREPAID PENSION					(9,204)		(21,054)		(21,054)	
68		57	TREND AND APPLICATION OF FACTORS										
69		44	ACCUM. PROV. FOR UNCOLL. - ERROR					(39,760)		(40,189)		(40,189)	
70		44	ACCOUNTS PAYABLE - ERROR										
71													
72													
73													
74													
75													
76													
77													
78													
79													
80			Total working capital	0	630,725	0	630,725	(45,569)	585,156	(424,620)	206,105	(434,101)	196,624
81													
82													
83			TOTAL RATE BASE	0	12,916,442	19,561	12,936,003	(389,704)	12,546,299	(768,755)	12,167,248	(778,236)	12,157,767

COMMISSION VOTE

Schedule 7

Florida Public Utilities Company
Fernandina Beach Division
Attrition Year Ended 9/30/90

Capital Components	Staff Jurisdictional Adjusted*	Staff Pro Rata Adjustments	Staff Specific Adjustments	Staff Adjusted	Ratio	Cost Rate	Weight Cost
Common Stock	$3,267,700	($243,067)		$3,024,633	24.88%	12.85%	3.20
Preferred Stock	$164,912	($12,267)		$152,645	1.26%	4.75%	0.06
Long-Term Debt	$5,208,979	($387,468)		$4,821,511	39.66%	9.81%	3.89
Bank Notes	$1,538,161	($114,416)		$1,423,745	11.71%	10.00%	1.17
Customer Deposits							
Active	$582,755			$582,755	4.79%	8.50%	0.41
Inactive	$1,725			$1,725	0.01%	0.00%	0.00
Investment Tax Credit							
3%	$7,505			$7,505	0.06%	0.00%	0.00
Post '70	$587,438			$587,438	4.83%	10.73%	0.52
Deferred Taxes	$1,576,828		($21,018)	$1,555,810	12.80%	0.00%	0.00
	$12,936,003	($757,218)	($21,018)	$12,157,767	100.00%		9.25

*Staff adjusted amounts reflect ratio of common equity, preferred equity, and and long-term debt at the consolidated level, after the removal of the Company's investment in Flo-Gas from common equity.

Calculation of JDIC Rate

Capital Components	Dollars	Ratio	Cost Rate	Weighted Cost
Common Equity	$3,024,633	32.10%	12.85%	4.12%
Preferred Equity	$152,645	1.62%	4.75%	0.08%
Long-Term Debt	$4,821,511	51.17%	9.81%	5.02%
Bank Notes	$1,423,745	15.11%	10.00%	1.51%
	$9,422,534	100.00%		10.73%

Schedule C-16b (Projections)

NON-FUEL OPERATION AND MAINTENANCE EXPENSES
ATTRITION YEAR SEPTEMBER 30,1990

SCHEDULE 8
Page 1 of 13

FLORIDA PUBLIC SERVICE COMMISSION

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

COMPANY: FLORIDA PUBLIC UTILITIES
FERNANDINA BEACH DIVISION

DOCKET NO.: 881056-EI

COMMISSION VOTE

TREND BASIS		PROJECTION YEARS 9/30/89	9/30/90
No Trend Basis	0	0.00%	0.00%
Inflation only	1	105.00%	109.62%
Customer Growth	2	103.91%	107.33%
Payroll Increases	3	104.29%	109.47%
Sales / KWH	4	103.46%	102.72%
Revenues / $	5	101.57%	103.99%
Plant	6	104.94%	112.51%
Inflation X Customer Growth	7	109.10%	117.66%
Payroll X Customer Growth	8	108.37%	117.49%
Other	9	VARIOUS	

Supporting Schedules:

Recap Schedules:

356/SCHC16B

Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
	TRANSMISSION EXPENSES						
562	Station Expenses						
	Payroll Trended	8,747	9,122	9,575	3	104.29%	109.47%
	Non Payroll Trended	3,287	3,451	3,603	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	12,034	12,573	13,179			
	Total Transmission Expenses	12,034	12,573	13,179			
	DISTRIBUTION EXPENSES						
580	Operation Supervision/Engr						
	Payroll Trended	34,528	36,009	37,798	3	104.29%	109.47%
	Non Payroll Trended	7,104	7,459	7,787	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	41,632	43,468	45,585			
581	Load Dispatching						
	Payroll Trended	262	273	287	3	104.29%	109.47%
	Non Payroll Trended	43	45	47	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	305	318	334			
582	Station Expenses						
	Payroll Trended	0	0	0	3	104.29%	109.47%
	Non Payroll Trended	858	901	941	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	858	901	941			
583.1	Operation of Overhead Lines						
	Payroll Trended	1,251	1,305	1,369	3	104.29%	109.47%
	Non Payroll Trended	1,450	1,523	1,589	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	2,701	2,828	2,958			
	Subtotal	45,496	47,515	49,818			

(1) INCLUDES PRO FORMA ADJUSTMENTS

Supporting Schedules: Recap Schedules: 356/SCHC16B

DOCKET NO. 881056-EI
ORDER NO. 22224
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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
583.2	Removing & Resetting Transformers						
	Payroll Trended	14,346	15,547	16,855	8	108.37%	117.49%
	Non Payroll Trended	(24,525)	(26,757)	(28,856)	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	(10,179)	(11,210)	(12,001)			
584.2	Underground Line Expenses-Buried						
	Payroll Trended	3,657	3,963	4,297	8	108.37%	117.49%
	Non Payroll Trended	994	1,084	1,170	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	4,651	5,047	5,467			
[illegible]85	Street Lighting & Signal System Expense						
	Payroll Trended	93	101	109	8	108.37%	117.49%
	Non Payroll Trended	37	40	44	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	130	141	153			
586	Meter Expenses						
	Payroll Trended	33,749	35,197	36,945	3	104.29%	109.47%
	Non Payroll Trended	4,234	4,446	4,641	1	105.00%	109.62%
	Other Trended	(15,000)	(15,644)	(16,421)	3	104.29%	109.47%
	Total	22,983	23,999	25,166			
587	Customer Installations Expenses						
	Payroll Trended	10,798	11,702	12,687	8	108.37%	117.49%
	Non Payroll Trended	2,689	2,934	3,164	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	13,487	14,636	15,851			
	Subtotal	76,568	80,128	84,454			

Supporting Schedules: Recap Schedules: 356/SCHC16B

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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
588.1	Distribution Maps & Records						
	Payroll Trended	11,984	12,987	14,080	8	108.37%	117.49%
	Non Payroll Trended	3,412	3,722	4,015	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	15,396	16,709	18,095			
588.2	Other Dist Office Supply & Expense						
	Payroll Trended	3,400	3,685	3,995	8	108.37%	117.49%
	Non Payroll Trended	11,596	12,651	13,644	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	14,996	16,336	17,639			
588.3	Miscellaneous Distribution Office Labor						
	Payroll Trended	13,568	14,704	15,941	8	108.37%	117.49%
	Non Payroll Trended	0	0	0	0	0.00%	0.00%
	Other Trended		0	0	0	0.00%	0.00%
	Total	13,568	14,704	15,941			
589	Rents						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	410	431	449	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	410	431	449			
	Total Distribution Expenses	120,938	128,308	136,578			
	CUSTOMER ACCOUNTS						
901	Supervision						
	Payroll Trended	22,750	23,726	24,904	3	104.29%	109.47%
	Non Payroll Trended	3,147	3,304	3,450	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	25,897	27,030	28,354			
	Subtotal	25,897	27,030	28,354			

Suppo ting Schedules: Recap Schedules: 356/SCHC16B

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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
902	Meter Reading Exp	22,490	24,372	26,424	8	108.37%	117.49%
	Payroll Trended	9,685	10,566	11,395	7	109.10%	117.66%
	Non Payroll Trended		0	0	0	0.00%	0.00%
	Other Trended						
	Total	32,175	34,938	37,819			
903	Customer Records & Collection Expenses	85,310	92,450	100,231	8	108.37%	117.49%
	Payroll Trended	50,292	54,869	59,174	7	109.10%	117.66%
	Non Payroll Trended		0	0	0	0.00%	0.00%
	Other Trended						
	Total	135,602	147,319	159,405			
[illegible]04	Uncoll Accts	0	0	0	0	0.00%	0.00%
	Payroll Trended	22,531	22,885	23,430	5	101.57%	103.99%
	Non Payroll Trended	(1,212)	(1,231)	(1,260)	5	101.57%	103.99%
	Other Trended						
	Total	21,319	21,654	22,170			
905	Misc Cust Accts Exp	0	0	0	8	108.37%	117.49%
	Payroll Trended	10,440	11,390	12,284	7	109.10%	117.66%
	Non Payroll Trended	0	0	0	0	0.00%	0.00%
	Other Trended						
	Total	10,440	11,390	12,284			
	Total Customer Accounts	225,433	242,331	260,032			
	CUSTOMER SERVICE & INFORMATIONAL EXPENSES						
906	Conservation - Common Expense	0	0	0	0	0.00%	0.00%
	Payroll Trended	533	582	627	7	109.10%	117.66%
	Non Payroll Trended		0	0	0	0.00%	0.00%
	Other Trended						
	Total	533	582	627			
	Total Customer Service & Information	533	582	627			

Supporting Schedules: Recap Schedules: 356/SCHC168

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ORDER NO. 22224
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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	PROJECTION YEARS 1990	TREND BASIS		
	SALES						
912	Demonstrating & Selling Expense						
	Payroll Trended	1,185	1,236	1,297	3	104.29%	109.47%
	Non Payroll Trended	254	277	299	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	1,439	1,513	1,596			
913.4	Other Info/Instr/Consumer Adv						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	2,946	3214	3,466	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	2,946	3,214	3,466			
	Total Sales Expenses	4,385	4,727	5,062			
	ADMINISTRATIVE & GENERAL EXPENSES						
920	Administrative & General Salaries						
	Payroll Trended	110,392	115,128	120,846	3	104.29%	109.47%
	Non Payroll Trended	0	0	0	0	0.00%	0.00%
	Other Trended	505	2,329	2,464	9	VARIOUS	
	Total	110,897	117,457	123,310			
921	Office Supplies & Expenses						
	Payroll Trended	95	99	104	3	104.29%	109.47%
	Non Payroll Trended	26,677	28,011	29,243	1	105.00%	109.62%
	Other Trended		0	0	0		
	Total	26,772	28,110	29,347			
	Subtotal	137,669	145,567	152,657			

Supporting Schedules: Recap Schedules: 356/SCHC16B

Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
922	Administrative Expense Transferred-Credit						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	(61,799)	(65,485)	(68,958)	9	VARIOUS	
	Other Trended		0	0	0	0.00%	0.00%
	Total	(61,799)	(65,485)	(68,958)			
923.1	Supervisory Fees						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	5,746	8,300	9,025	9	VARIOUS	
	Other Trended		0	0	0	0.00%	0.00%
	Total	5,746	8,300	9,025			
3.2	Legal Fees and Expenses						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	4,819	3,340	3,632	9	VARIOUS	
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	4,819	3,340	3,632			
923.3	Outside Services-Other						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	53,724	49,049	53,336	9	VARIOUS	
	Other Trended	(4,270)	(4,270)	(4,270)	9	VARIOUS	
	Total	49,454	44,779	49,066			
924	Property Insurance						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	11,393	11,340	11,636	9	VARIOUS	
	Other Trended	0	0	21,625	9	VARIOUS	
	Total	11,393	11,340	33,261			
925.1	Injuries & Damages						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	138,313	139,112	132,893	9	VARIOUS	
	Other Trended	(7,527)	(7,527)	(17,833)	9	VARIOUS	
	Total	130,786	131,585	115,060			
	Subtotal	278,068	279,426	293,744			

Supporting Schedules:
Recap Schedules:
356/SCHC168

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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
926.1	Employee Pensions						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	(9,094)	(2,319)	0	9	VARIOUS	
	Other Trended		0	(3,269)	9	VARIOUS	
	Total	(9,094)	(2,319)	(3,269)			
926.2	Employee Benefits						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	40,706	41,258	40,874	9	VARIOUS	
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	40,706	41,258	40,874			
928	Regulatory Commission Exp						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	1,372	1,441	1,504	1	105.00%	109.62%
	Other Trended		0	15,486	9	VARIOUS	
	Total	1,372	1,441	16,990			
930.1	Institutional/Goodwill Advertising						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	704	700	700	9	VARIOUS	
	Other Trended		0	0	0	0.00%	0.00%
	Total	704	700	700			
930.2	Miscellaneous General Expenses						
	Payroll Trended	25	0	0	0	0.00%	0.00%
	Non Payroll Trended	15,633	17,056	18,394	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	15,658	17,056	18,394			
930.22	Industry Association Dues						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	366	399	431	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	366	399	431			
	Subtotal	327,780	337,960	367,864			

Supporting Schedules: Recap Schedules: 356/SCHC168

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ORDER NO. 22224
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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
931	Rents	0	0	0	0	0.00%	0.00%
	Payroll Trended	453	476	497	1	105.00%	109.62%
	Non Payroll Trended		0	0	0	0.00%	0.00%
	Other Trended						
	Total	453	476	497			
	Total Administrative & General Expenses	328,233	338,436	368,361			
	Total Operation Expenses	691,556	726,957	783,838			

Supporting Schedules: Recap Schedules: 356/SCHC16B

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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
	MAINTENANCE EXPENSES PRIMARY ACCOUNTS						
	TRANSMISSION EXPENSES						
570	Maintenance of Station Equipment						
	Payroll Trended	1,315	1,371	1,440	3	104.29%	109.47%
	Non Payroll Trended	9,538	10,015	10,456	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	10,853	11,386	11,896			
571	Maintenance of Overhead Lines						
	Payroll Trended	252	263	276	3	104.29%	109.47%
	Non Payroll Trended	17,909	18,804	19,632	1	105.00%	109.6[illegible]
	Other Trended		0	0	0		
	Total	18,161	19,067	19,908			
573	Maintenance of Miscellaneous Transmission Plant						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	1,578	1,657	1,730	1	105.00%	109.62%
	Other Trended		0	0	0		
	Total	1,578	1,657	1,730			
	Transmission Expenses	30,592	32,110	33,534			

Supporting Schedules: Recap Schedules: 356/SCHC16B

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ORDER NO. 22224
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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
	DISTRIBUTION EXPENSES						
590	Maintenance Supervision & Engineering						
	Payroll Trended	11,167	11,646	12,225	3	104.29%	109.47%
	Non Payroll Trended	1,947	2,044	2,134	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	13,114	13,690	14,359			
591	Maintenance of Structures						
	Payroll Trended	1,270	1,324	1,390	3	104.29%	109.47%
	Non Payroll Trended	518	544	568	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	1,788	1,868	1,958			
[redacted]2	Maintenance of Station Equipment						
	Payroll Trended	2,851	2,973	3,121	3	104.29%	109.47%
	Non Payroll Trended	35,796	37,586	39,240	1	105.00%	109.62%
	Other Trended	(15,388)	(16,157)	(16,868)	1	105.00%	109.62%
	Total	23,259	24,402	25,493			
593.1	Maintenance of Poles/Towers/Fixtures						
	Payroll Trended	13,759	14,911	16,165	8	108.37%	117.49%
	Non Payroll Trended	22,107	24,119	26,011	7	109.10%	117.66%
	Other Trended	0	0	0	9		VARIOUS
	Total	35,866	39,030	42,176			
593.2	Maintenance of Overhead Conductors						
	Payroll Trended	12,734	13,800	14,961	8	108.37%	117.49%
	Non Payroll Trended	120,858	131,856	142,202	7	109.10%	117.66%
	Other Trended	0	0	0	9		VARIOUS
	Total	133,592	145,656	157,163			
593.3	Maintenance of Services						
	Payroll Trended	19,375	20,997	22,764	8	108.37%	117.49%
	Non Payroll Trended	6,285	6,857	7,395	7	109.10%	117.66%
	Other Trended	0	0	0	0	0.00%	0.00%
	Total	25,660	27,854	30,159			
	Subtotal	233,279	252,500	271,308			

Supporting Schedules: Recap Schedules: 356/SCHC16B

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ORDER NO. 22224
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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	1990	TREND BASIS		
594.1	Maintenance of Underground Lines-Duct						
	Payroll Trended	0	0	0	0	0.00%	0.00%
	Non Payroll Trended	626	683	737	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	626	683	737			
594.2	Maintenance of Underground Lines-Buried						
	Payroll Trended	24,394	26,436	28,661	8	108.37%	117.49%
	Non Payroll Trended	43,829	47,817	51,569	7	109.10%	117.66%
	Other Trended	0	0	0	9	VARIOUS	
	Total	68,223	74,253	80,230			
595.1	Maintenance of Line Transformers-O/H						
	Payroll Trended	2,745	2,975	3,225	8	108.37%	117.49%
	Non Payroll Trended	776	847	913	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	3,521	3,822	4,138			
595.2	Maintenance of Line Transformers-Duct						
	Payroll Trended	0	0	0	8	108.37%	117.49%
	Non Payroll Trended	588	642	692	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	588	642	692			
595.3	Maintenance of Line Transformers-Buried						
	Payroll Trended	6,848	7,421	8,046	8	108.37%	117.49%
	Non Payroll Trended	27,068	29,531	31,848	7	109.10%	117.66%
	Other Trended	(10,000)	(10,910)	(11,766)	7	109.10%	117.66%
	Total	23,916	26,042	28,128			
596	Maintenance of Street Lighting & Signal Systems						
	Payroll Trended	6,174	6,691	7,254	8	108.37%	117.49%
	Non Payroll Trended	3,256	3,552	3,831	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	9,430	10,243	11,085			
	Subtotal	339,583	368,185	396,318			

Supporting Schedules: Recap Schedules: 356/SCHC16B

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Schedule C-16b (Projections)

ACCT NO.	PRIMARY ACCOUNTS	TEST YEAR 1988	PROJECTION YEARS 1989	PROJECTION YEARS 1990	TREND BASIS		
597	Maintenance of Meters						
	Payroll Trended	1,647	1,785	1,935	8	108.37%	117.49%
	Non Payroll Trended	970	1,058	1,141	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	2,617	2,843	3,076			
598	Maintenance of Miscellaneous Distribution Plant						
	Payroll Trended	4,143	4,490	4,868	8	108.37%	117.49%
	Non Payroll Trended	6,493	7,084	7,640	7	109.10%	117.66%
	Other Trended		0	0	0	0.00%	0.00%
	Total	10,636	11,574	12,508			
	Distribution Expenses	352,836	382,602	411,902			
	ADMINISTRATIVE & GENERAL EXPENSES						
932	Maintenance of General Plant						
	Payroll Trended	1,848	1,927	2,023	3	104.29%	109.47%
	Non Payroll Trended	11,382	11,951	12,477	1	105.00%	109.62%
	Other Trended		0	0	0	0.00%	0.00%
	Total	13,230	13,878	14,500			
	Administrative & General Expenses	13,230	13,878	14,500			
	Total Maintenance Expenses	396,658	428,590	459,936			
	TOTAL O & M EXPENSES	1,088,214	1,155,547	1,243,774			

Supporting Schedules: Recap Schedules: 356/SCHC16B

SCHEDULE 9
09-Oct-89
12:54 PM

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

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		2,061,997								
2							2,145		2,145		2,145	
3	51	ADJ. FOR UNBILLED REVENUES							30,883		30,883	
4	52	PROJECTIONS										
5												
6												
7												
8		Total sales of electricity	0	2,061,997	0	2,061,997	2,145	2,064,142	33,028	2,095,025	33,028	2,095,025
9												
10												
11		OTHER OPERATING REVENUES		15,050								
12												
13												
14												
15												
16		Total other operating revenues	0	15,050	0	15,050	0	15,050	0	15,050	0	15,050
17												
18												
19		Total operating revenues	0	2,077,047	0	2,077,047	2,145	2,079,192	33,028	2,910,075	33,028	2,910,075
20												
21												
22		OPERATING EXPENSES:										
23		OPERATION & MAINTENANCE		1,329,387								
24	54	PENSION EXPENSE					(3,269)		(3,269)		(3,269)	
25	55	RATE CASE EXPENSE					1,090		(10,325)		(10,325)	
26	53	PROPERTY INSURANCE EXPENSE					54,050		17,300		21,625	
27	58	INJURIES AND DAMAGES INSURANCE					(10,306)		(10,306)		(10,306)	
28	57	TREND AND APPLICATION OF FACTORS					(66,068)		(83,338)		(83,338)	
29		AND 1988 SPECIFIC ADJUSTMENTS										
30												
31												
32												
33												
34												
35												
36												
37												
38		Total operation & maintenance	0	1,329,387	0	1,329,387	(24,503)	1,304,884	(89,938)	1,239,449	(85,613)	1,243,774
39												
40												
41		DEPRECIATION AND AMORTIZATION		610,376								
42	1	COMMON PLANT ALLOCATED-LOCAL OFFICE(WATER)										
43	1	COMMON PLANT ALLOCATED-GENERAL OFFICE		15,402								
44	60	DIFFERENCES DUE TO LOWER PLANT IN SERVICE					(10,952)		(10,952)		(10,952)	
45												
46												
47												
48		Total depreciation and amortization	0	625,778	0	625,778	(10,952)	614,826	(10,952)	614,826	(10,952)	614,826
49												
50												

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ORDER NO. 22224
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SCHEDULE 9
09-Oct-89
12:54 PM

COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

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										
52													
53													
54													
55													
56			Total decommissioning	0	0	0	0	0	0	0	0	0	0
57													
58					294,121								
59			TAXES OTHER THAN INCOME										
60													
61								1,226		1,226		1,226	
62		62	INCREASE IN REGULATORY ASSESSMENT FEE					23,743		17,958		17,958	
63		29	CORRECT ACCRUAL OF PROPERTY TAXES					(13,956)		(8,240)		(8,240)	
64		57	TREND AND APPLICATION OF FACTORS							502		502	
65		52	N/A Effect of other adjustments										
66													
67			Total taxes other than income	0	294,121	0	294,121	11,013	305,134	11,438	305,559	11,438	305,559
68													
69													
70			INCOME TAXES CURRENTLY PAYABLE	0	(9,489)			10,880		46,089		44,462	
71		64	VARIOUS ADJUSTMENTS ABOVE					7,374		25,060		1,224	
72		64	INTEREST RECONCILIATION										
73													
74													
75			N/A Interest expense reconciliation										
76			N/A Effect of other adjustments										
77													
78			Total income taxes - current	0	(9,489)	0	(9,489)	18,254	8,765	71,149	61,660	45,686	36,197
79													
80													
81			DEFERRED INCOME TAXES (NET)	0	(20,147)								
82													
83		65	OPC CALCULATION					(7,803)		(8,005)		(8,005)	
84		65	EXCESS WRITE BACK										
85													
86													
87													
88													
89			Total deferred income taxes (net)	0	(20,147)	0	(20,147)	(7,803)	(27,950)	(8,005)	(28,152)	(8,005)	(28,152)
90													
91													
92			INVESTMENT TAX CREDIT (NET)										
93													
94													
95													
96			AMORTIZATION OF ITC		(31,541)								
97													
98													
99			Total investment tax credit (net)	0	[redacted]	0	(31,541)	0	(31,541)	0	(31,54[redacted]	0	(31,541)
100													

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COMPARATIVE NET OPERATING INCOME
ATTRITION YEAR

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

LINE NO.	CO. ADJ. NO.	ISSUE NO.	DESCRIPTION	COMPANY FILING				COMPANY STIPULATIONS AND REVISIONS		STAFF		COMMISSION VOTE	
				SYSTEM PER BOOKS	JURISDICTIONAL PER BOOKS	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	JURISDICTIONAL ADJUSTED	ADJUSTMENTS	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	2,188,109	0	2,188,109	(13,991)	2,174,118	(26,308)	2,161,801	(47,446)	2,140,663
115													
116													
117			Net operating income	0	688,938	0	688,938	16,136	705,074	59,336	748,274	80,474	769,412
118													

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 881056-EI
TEST YEAR: SEPTEMBER 30,1988

SCHEDULE 10
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COMPARISON OF
REVENUE EXPANSION FACTORS
ATTRITION YEAR

DESCRIPTION	COMPANY	STAFF	COMMISSION VOTE
Revenue Requirement	100.000000	100.000000	100.000000
Uncollectible Accounts	(0.168000)	(0.168000)	(0.168000)
Gross Reciepts Tax	(1.500000)	(1.500000)	(1.500000)
Regulatory Assessment Fee	(0.125000)	(0.125000)	(0.125000)
Net Before Income Taxes	98.207000	98.207000	98.207000
State Income Tax Rate	5.5000%	5.5000%	5.5000%
State Income Tax	5.401385	5.401385	5.401385
Net Before Federal Income Taxes	92.805615	92.805615	92.805615
Federal Tax Rate	34.0000%	34.0000%	34.0000%
Federal Income Tax	31.553909	31.553909	31.553909
Net Operating Income	61.251706	61.251706	61.251706
Net Operating Income Multiplier	1.632608	1.632608	1.632608

COMPANY: FLORIDA PUBLIC UTILITIES CO. - FERNANDINA BEACH
DOCKET NO.: 88105_-EI
TEST YEAR: SEPTEMBER 30,1988

SCHEDULE 11
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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	$12,936,003	$12,546,299	$12,167,248	$12,157,767
2					
3	Required Rate of Return	9.63%	9.47%	9.21%	9.25%
4					
5					
6	Required Net Operating Income	1,246,001	1,188,135	1,120,604	1,124,593
7					
8	Adjusted Achieved Test Year				
9	Jurisdictional Net Operating Income	688,938	705,074	748,274	769,412
10					
11	Jurisdictional NOI Deficiency	557,063	483,061	372,330	355,181
12					
13	Revenue Expansion Factor	1.6326	1.6326	1.6326	1.6326
14					
15	Revenue Increase	909,466	788,648	607,868	579,872
16	Difference		1		
17					
18	Total Revenue Increase	909,466	[illegible]	607,868	579,872
19					
20					
21				SUMMARY	
22	1988 TEST YEAR INCREASE		$428,955	$303,665	$311,926
23	1990 INCREASE		359,694	304,203	267,946
24					
25	TOTAL INCREASE		$788,649	$607,868	$579,872
26					

DOCKET NO. 881056-EI
ORDER NO. 22224
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