

FLORIDA PUBLIC SERVICE COMMISSION

FLETCHER BUILDING
101 EAST GAINES STREET
TALLAHASSEE, FL 32399-0850

MEMORANDUM

August 16, 1990

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF ELECTRIC AND GAS (ADAMS, MILLS, MAKIN, MAUREY, HICKS)
McCORMICK)
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (MAUREY, HICKS)
DIVISION OF LEGAL SERVICES (PALECKI)
RE: DOCKET NO. 900151-GU
PETITION OF FLORIDA PUBLIC UTILITIES COMPANY FOR AN INCREASE IN RATES AND CHARGES

RIA *COM* *Ford* *Jaw* *RT*
MAP by R

AGENDA: AUGUST 28, 1990 - NON-CONTROVERSIAL - PARTIES MAY NOT PARTICIPATE

PANEL: FULL COMMISSION

CRITICAL DATES: SEPTEMBER 1, 1990 INTERIM RATES TAKE EFFECT ABSENT COMMISSION VOTE
MARCH 1, 1991 PERMANENT RATES TAKE EFFECT ABSENT COMMISSION VOTE

CASE BACKGROUND

Florida Public Utilities Company's gas operations were last granted permanent rate relief on June 6, 1986 in Docket No. 850172-GU. At that time, the Company was granted an increase of \$1,262,781 based on a cost of equity of 14.50% and an overall rate of return of 9.06%.

The Company is now petitioning for another increase in rates citing inflation on construction and operating costs as the cause of its deteriorating earnings.

DISCUSSION OF ISSUES

ISSUE 1: Should the requests for permanent increases in rates and charges be suspended for Florida Public Utilities Company?

RECOMMENDATION: Yes. Staff recommends rates and charges of \$2,022,050 be suspended for Florida Public Utilities Company.

STAFF ANALYSIS: Florida Public Utilities Company filed its petition for a rate

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FPSC-RECORDS/REPORTING

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increase and its MFRs on July 2, 1990. The Company requested a permanent increase of \$2,022,050 which would allow the Company to earn an overall rate of return of about 9.06%. (9.06% was calculated using a 14.50% return on equity.) The Company also filed a separate petition in accordance with Section 366.071, Florida Statutes, requesting interim rate relief. The Commission must take action on the interim rate petition within 60 days of its filing or September 1, 1990, in this case. Permanent rates will take effect March 1, 1991, absent the Commission's vote. Permanent rates should be suspended to permit staff the time needed for adequate analysis.

ISSUE 2: The Company proposes an interim test year rate base of \$19,776,782. Is this appropriate?

RECOMMENDATION: No. The appropriate interim test year rate base is \$19,912,427.

STAFF ANALYSIS: Discussed below are the Company's adjustments and any additional staff adjustments used to determine staff's recommended interim rate base of \$19,912,427. (Attachment 1)

Adjustment 1: Allocation of Common Plant - The Company made an adjustment of \$962,602 allocating a portion of common plant costs to nonutility operations. Staff agrees with this adjustment.

Adjustment 2: Accumulated Depreciation of Common Plant - The Company made an adjustment of \$439,999 for the accumulated depreciation associated with common plant in adjustment 1. Staff agrees with this adjustment.

Adjustment 3: Working Capital - The Company included negative working capital of \$135,645 in its calculation of rate base. Staff, in accordance with past Commission policy, has adjusted working capital to zero.

ISSUE 3: The Company proposes an interim test year net operating income of \$1,167,872. Is this appropriate?

RECOMMENDATION: Yes. The appropriate interim test year net operating income is \$1,167,872 as proposed by the Company.

STAFF ANALYSIS: Discussed below are the Company's adjustments used to determine net operating income of \$1,167,872. Staff agrees that all of the adjustments are appropriate. (Attachment 2)

Adjustment 4: Fuel Revenue Adjustment - The Company eliminated the impact of fuel revenues of \$15,279,211, gas costs of \$15,136,981, and related taxes of \$160,032. Staff accepts the Company's adjustment since fuel related items are examined in separate Purchased Gas Recovery Clause proceedings.

Adjustment 5: Nonutility Propane Sales - The Company reduced operating

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revenues by \$75,782 to remove the mark up on propane purchased by FPUC and sold to its LP affiliate, Flo-Gas. Staff agrees that nonutility revenues should be removed from the regulated entity's calculation of net operating income.

Adjustment 6: Gas Used by the Company - The Company increased expenses by \$22,316 for the cost of natural gas used by the Company. Staff agrees that it is appropriate to add back the cost of Company used gas since the total cost of purchased gas was removed in adjustment 5, above.

Adjustment 7: Odorant Expenses - Odorant is bought in bulk quantities every few years. Since odorant was purchased during the historic base year, the Company decreased expenses \$12,249 to reflect only the cost of odorant used in the historic base year. Staff agrees with this adjustment.

Adjustment 8: Uncollectible Accounts - The Company adjusted uncollectible accounts expense by \$6,748 to bring the expense down to the level determined using the average charge off rate from the past three calendar years. Staff agrees that such an adjustment is appropriate.

Adjustment 9: Nonutility Expenses - The Company made an adjustment removing nonutility expenses of \$20,077 relating to LP operations from utility net operating income. Staff agrees that these expenses should be removed.

Adjustment 10: Undistributed Payroll - Each year, the Company makes an adjustment to accrue undistributed payroll as of December 31. The 12/31/88 adjustment contained an error that was adjusted during 1989. Consequently, the historic base year contained a credit of \$11,200 applicable to the prior year's payroll expenses. Staff agrees with the Company's adjustment increasing historic base year expenses to remove the effect of the credit.

Adjustment 11: FERC Regulatory Expense - In 1989, the Company incurred larger than normal regulatory expenses as an intervenor in various filings of Florida Gas Transmission Company before the Federal Energy Regulatory Commission (FERC). The Company, estimating that about one third of the expense would be recurring, made an adjustment reducing historic base year expenses by \$85,703. Staff agrees with the removal of the nonrecurring portion of this expense.

Adjustment 12: Depreciation Study Expense - The Company increased expenses by \$2,400 for one fifth of the cost of preparing the Commission required depreciation study. This adjustment is in keeping with Commission policy to allow utilities to amortize the cost of depreciation studies over five years.

Adjustment 13: System Mapping Expense - The Company removed \$12,900 for system mapping from historic base year expenses. The mapping of Sanford's piping system, completed in 1989, is not a recurring expense. Staff agrees with this adjustment.

Adjustment 14: Merchandise Advertising - The Company removed merchandise advertising expenses of \$4,531 from the historic base year N.O.I.. Staff

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agrees with this adjustment.

Adjustment 15: Warehouse Roof Repairs - The Company made a \$8,682 adjustment reducing historic base year expenses for nonrecurring roof repairs to the West Palm Beach warehouse. Staff agrees with this adjustment.

Adjustment 16: Correction of Depreciation Computation - The Company made an adjustment to correct a \$4,776 error found in the amount of depreciation expense. Staff agrees with this adjustment.

Adjustment 17: Nonregulated Depreciation Expense - Depreciation expense of \$27,321 relating to nonutility common plant was removed from historic base year expenses. Staff agrees with the Company's adjustment.

Adjustment 18: Nonutility Property Taxes - Property taxes on the nonutility portion of the general office as well as on the LP and merchandise plant were removed from historic base year expenses. Staff agrees with the Company's adjustment.

Adjustment 19: Prior Year Emergency Excise Taxes - At the end of each calendar year, the Company accrues expenses for the amount of estimated taxes. Differences between estimated and actual taxes are booked in the following year. During 1989, the Company had booked a \$1,487 credit for the difference between emergency excise taxes estimated at 12/31/88 and the amount actually paid during 1989. The Company made a subsequent adjustment of \$1,487 to remove the effect of the credit from historic base year expenses. Staff agrees with this adjustment.

Adjustment 20: Prior Year Federal Income Taxes - In 1989, the Company booked a debit of \$96,955 to recognize additional federal income tax expense applicable to 1988 operations. To reflect only the federal income tax expense applicable to the historic base year, the Company made an adjustment decreasing the expense by \$96,955. Staff agrees with this adjustment.

Adjustment 21: Federal Income Tax Interest Synchronization - The Company increased federal income taxes by \$14,290 to provide for the tax effect of the difference between interest deductible on the tax return and interest deductible for regulatory purposes. Staff notes that the Company made a minor error in calculating the amount of utility adjusted interest. However, the impact on the historic base year N.O.I. is negligible. Therefore, staff agrees with the Company's adjustment.

Adjustment 22: Tax Effect of Adjustments on Federal Income Tax - The Company increased federal income taxes by \$37,123 for the effect of the above adjustments on historic base year N.O.I.. Staff agrees with this adjustment.

Adjustment 23: Prior Year State Income Taxes - In 1989, the Company booked a debit of \$3,807 for additional state income tax expense applicable to 1988 operations. To reflect only the state income tax expense applicable to the historic base year, the Company made an adjustment decreasing the expense by

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\$3,807. Staff agrees with this adjustment.

Adjustment 24: State Income Tax Interest Synchronization - The Company increased state income taxes by \$2,446 to provide for the tax effect of the difference between interest deductible on the tax return and interest deductible for regulatory purposes. Staff notes that the Company made a minor error in calculating the amount of utility adjusted interest. However, the impact on the historic base year N.O.I. is negligible. Therefore, staff agrees with the Company's adjustment.

Adjustment 25: Tax Effect of Above Adjustments on State Income Tax - The Company increased state income taxes by \$6,355 for the effect of the above adjustments on historic base year N.O.I. Staff agrees with this adjustment.

Adjustment 26: Prior Year Adjustment of Deferred Federal Income Taxes - The Company made an adjustment of \$43,717 increasing deferred federal income taxes to remove the effect of 1988 taxes from the historic base year. Staff agrees with this adjustment.

Adjustment 27: Prior Year Adjustment of Deferred State Income Taxes - The Company made an adjustment of \$14,303 increasing deferred state income taxes to remove the effect of 1988 taxes from the historic base year. Staff agrees with this adjustment.

ISSUE 4: The Company proposes an interim return on equity of 13.50% and an overall rate of return of 8.98%. Is this appropriate?

RECOMMENDATION: The appropriate rate of return on equity and overall rate of return for purposes of determining the interim increase are 13.50% and 8.92%, respectively.

STAFF ANALYSIS: The Company's last rate case (Docket No. 850172-GU) was in 1986. The rate of return on equity approved in that docket fell within the range of 13.50% to 15.50%, with a midpoint of 14.50%. In a proceeding for an interim increase, the appropriate rate of return on equity is the minimum of the range of the last authorized rate of return on equity established in the most recent rate case of the utility. Both Staff and the Company used the minimum of the last authorized range of rate of return on equity of 13.50% to calculate the overall rate of return.

Staff applied the rate of return on equity of 13.50%, along with the actual cost rates of the Company's other sources of capital, to the capital components to determine the appropriate overall rate of return of 8.92%. This figure is 6 basis points less than the return of 8.98% proposed by the Company.

Staff determined that the Company did not fully take into account Treasury Stock in its consolidated capital structure when it allocated investor-supplied sources of capital to the Gas Operations Division. Staff made an adjustment

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which had the effect of allocating the investor-supplied sources of capital at the Gas Operations Division in the same proportional amounts which exist in the Company's consolidated capital structure.

In addition, Staff made specific adjustments to the Common Equity, Preferred Equity, and Short-term Debt balances to exclude the effect of the Company's reacquisition of \$410,000 of 4.75% preferred stock. This adjustment is consistent with the action taken in the last rate case (Order No. 16195, Docket No. 850172-GU).

Finally, the Company made a pro rata adjustment of \$70,886 to the investor-supplied sources of capital. The adjustment was made to reconcile the capital structure with rate base after the removal of under-recovery of natural gas from the balance sheet. However, the Bureau of Gas made an adjustment of \$135,645 to bring the negative working capital balance to zero. Staff made a pro rata adjustment for the net amount of \$64,759 across all sources of capital to reconcile the capital structure with rate base.

Staff recommends a rate of return on equity of 13.50% and an overall rate of return of 8.92% for purposes of determining the interim increase. Attachment 3, Page 1 of 2, details Staff's position and Attachment 3, Page 2 of 2, details the Company's position.

ISSUE 5: The Company requested an interim increase of \$997,055. Should this amount be granted?

RECOMMENDATION: Yes. The requested increase of \$997,055 should be granted.

STAFF ANALYSIS: The Company requested \$997,055 in interim relief for the historic base year ended 12/31/89. This would have allowed the Company to earn an overall rate of return of 8.98%. Based on the previously discussed adjustments, staff has determined the interim rate base to be \$19,912,427 (Attachment 1) and the net operating income to be \$1,167,872 (Attachment 2). Applying a 8.92% overall rate of return (Attachment 3) results in a revenue deficiency of \$997,437. In compliance with Commission policy, the revenue deficiency of \$997,437 is reduced to the deficiency requested by the Company of \$977,055 (Attachment 5).

ISSUE 6: How should the interim increase for City Gas Company of Florida be distributed among the customers?

RECOMMENDATION: In accordance with Rule 25-7.040, Florida Administrative Code, any interim authorized should be applied uniformly across the board to all rate classes' base rates exclusive of fuel costs and collected on a cents-per-therm basis, as shown on Attachment 6.

STAFF ANALYSIS: The Company proposed to collect interim rates across the board from all its customers in accordance with Rule 25-7.040, Florida Administrative

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Code.

The interim rates should be made effective for all meter readings taken on or after thirty days from the date of the vote and decision herein.

The Company should be required to give appropriate notice to customers commencing with the first bill for service which reflects the increase authorized herein, explaining the nature, purpose and effect of the increase. A copy of the notice should be submitted to the Bureau of Gas Regulation for approval prior to its use.

ISSUE 7: Should any interim increase granted City Gas Company of Florida be subject to refund under bond or corporate undertaking?

RECOMMENDATION: Yes. Interim revenues should be subject to refund and City Gas Company should file an appropriate corporate undertaking.

STAFF ANALYSIS: Any amount of interim relief granted to City Gas Company of Florida should be placed subject to refund through a corporate undertaking. This is in keeping with prior Commission policy.

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE AVERAGE RATE BASES
TYE 12/31/89

Attachment 1
August 28, 1990
Interim

ADJ NO.	TOTAL PER BOOKS	COMPANY		STAFF	
		JURIS. ADJUST.	COMPANY ADJUSTED	JURIS ADJUST.	ADJ. JURIS.
<u>Utility Plant:</u>					
1	Plant in Service	\$28,993,764	(\$962,602)		
	Common Plant Allocated	\$671,945			
	Acquisition Adjustment	\$303,400			
	Construction Work In Progress	\$949,440			
	Total Plant	\$30,177,708	(\$962,602)	\$29,208,106	\$0 \$29,208,106
<u>Deductions:</u>					
2	Accum. Depr. & Amort.-Utility Plant	\$8,813,676	(\$439,999)		
	Accum. Depr.-Common Plant	\$301,275			
	Accum. Amort.-Acquisition Adj.	\$296,997			
	Customer Advances for Construction	\$323,730			
	Total Deductions	\$9,735,678	(\$439,999)	\$9,295,679	\$0 \$9,295,679
	Net Plant	\$20,442,030	(\$529,603)	\$19,912,427	\$0 \$19,912,427
<u>Allowance for Working Capital:</u>					
3	Balance Sheet Method	(\$135,645)	\$0	(\$135,645)	\$135,645 \$0
	Total Rate Base	\$20,306,385	(\$529,603)	\$19,776,782	\$135,645 \$19,912,427

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE NOIs
TYE 12/31/89

Attachment 2
Page 1 of 2
Interim

ADJ NO	COMPANY		STAFF		ADJUSTED JURIS.
	PER BOOKS	ADJUST.	COMPANY ADJUST.	ADJUSTS.	
	Operating Revenues:	\$23,574,072			
4	Fuel Revenue Adjustment		(\$15,279,211)		
5	Remove Propane Sales		(\$75,782)		
	Totals	<u>\$23,574,072</u>	<u>(\$15,354,993)</u>	<u>\$8,219,079</u>	<u>\$0</u>
	Operating Expenses:	\$20,547,420			
4	Remove Cost of Gas		(\$15,136,981)		
6	Add Cost of Co. Use Gas		\$22,316		
7	Odorant Expense		(\$12,249)		
8	Uncollectible Accounts		(\$6,748)		
9	Remove Nonutility LP Exp.		(\$20,077)		
10	Undistributed Payroll		\$11,200		
11	FERC Regulatory Expense		(\$85,703)		
12	Depreciation Study Exp.		\$2,400		
13	System Mapping Expense		(\$12,900)		
14	Merchandise Advertising		(\$4,531)		
15	Warehouse Roof Repairs		(\$8,682)		
	Totals	<u>\$20,547,420</u>	<u>(\$15,251,955)</u>	<u>\$5,295,465</u>	<u>\$0</u>
	Depreciation and Amortization:	\$971,870			
16	Correct Depreciation Computation		(\$4,776)		
17	Nonregulated Depreciation Exp.		(\$27,321)		
	Totals	<u>\$971,870</u>	<u>(\$32,097)</u>	<u>\$939,773</u>	<u>\$0</u>
	Taxes Other Than Income:	\$933,525			
4	Remove Fuel Related Taxes		(\$160,032)		
18	Nonutility Property Taxes		(\$27,937)		
19	Adjust Emergency Excise Tax		\$1,487		
	Totals	<u>\$933,525</u>	<u>(\$186,482)</u>	<u>\$747,043</u>	<u>\$0</u>
	Federal Income Taxes:	(\$66,544)			
20	Prior Year Adjustment		(\$96,955)		
21	Interest Synchronization		\$14,290		
22	Tax Effect of Above Adjustments		\$37,123		
	Totals	<u>(\$66,544)</u>	<u>(\$45,542)</u>	<u>(\$112,086)</u>	<u>\$0</u>

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE NOIs
TYE 12/31/89

Attachment 2
Page 2 of 2
Interim

ADJ NO	COMPANY		STAFF		ADJUSTED JURIS.
	PER BOOKS	ADJUST.	COMPANY ADJUST.	ADJUSTS.	
	State Income Taxes:	(23,712)			
23	Prior Year Adjustment		(3,807)		
24	Interest Synchronization		2,446		
25	Tax Effect of Above Adjustments		6,355		
	Totals	<u>(23,712)</u>	<u>4,994</u>	<u>(18,718)</u>	<u>0</u>
	Deferred Income Taxes:				
	Federal	159,474			
26	Prior Year Adjustment		43,717		
	State	20,876			
27	Prior Year Adjustment		14,303		
	Totals	<u>180,350</u>	<u>58,020</u>	<u>238,370</u>	<u>0</u>
	Investment Tax Credit:	(38,640)	0		
	Totals	<u>(38,640)</u>	<u>0</u>	<u>(38,640)</u>	<u>0</u>
	Total Operating Expenses	<u>22,504,269</u>	<u>(15,453,062)</u>	<u>7,051,207</u>	<u>0</u>
	Net Operating Income	<u>1,069,803</u>	<u>98,069</u>	<u>1,167,872</u>	<u>1,167,872</u>

FPUC GAS OPERATIONS
DOCKET NO. 000151-GU
COST OF CAPITAL - 18 MONTH AVERAGE
TEST YEAR ENDED 12/31/89, INTERIM
STAFF POSITION

CAPITAL COMPONENT	COMPANY FILING	INVESTOR CAPITAL ADJUSTED	ADJUSTMENTS		ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
			SPECIFIC	PRO RATA				
COMMON EQUITY	5,648,405	5,519,742	(96,809)	17,694	5,569,290	0.2797	13.50	3.7758
PREFERRED EQUITY	238,367	232,925	155,116	1,266	394,749	0.0198	4.75	0.0942
LONG-TERM DEBT	7,700,900	7,840,626	0	25,582	7,726,482	0.3880	9.78	3.7949
SHORT-TERM DEBT	467,874	462,253	(58,307)	1,318	410,885	0.0203	9.41	0.1942
CUSTOMER DEPOSITS	1,234,508	1,234,508	0	4,028	1,238,536	0.0622	8.46	0.5262
DEFERRED INCOME TAXES	3,561,100	3,561,100	0	11,619	3,572,719	0.1794	0.00	0.0000
TAX CREDITS - ZERO COST	40,819	40,819	0	133	40,952	0.0021	0.00	0.0000
TAX CREDITS - WTD COST	955,695	955,695	0	3,118	958,813	0.0482	11.15	0.5369
TOTAL	19,847,668	19,847,668	0	64,759	19,912,427	1.0000		8.9221

COST RATE FOR ITC:

CAPITAL COMPONENT	ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
COMMON EQUITY	5,569,290	0.4068	13.50	5.4918
PREFERRED STOCK	394,749	0.0288	4.75	0.1370
LONG-TERM DEBT	7,726,482	0.5644	9.78	5.5195
TOTAL	13,690,521	1.0000		11.1483

FPUC GAS OPERATIONS
DOCKET NO. 900151-GU
COST OF CAPITAL - 13 MONTH AVERAGE
TEST YEAR ENDED 12/31/89, INTERIM
COMPANY POSITION

CAPITAL COMPONENT	COMPANY FILING	ADJUSTMENTS			RATIO	% COST RATE	% WEIGHTED COST
		SPECIFIC	PRO RATA	ADJUSTED			
COMMON EQUITY	5,648,405	0	(28,486)	5,619,919	0.2842	13.50	3.8363
PREFERRED EQUITY	238,367	0	(1,202)	237,165	0.0120	4.75	0.0570
LONG-TERM DEBT	7,700,900	0	(38,838)	7,662,062	0.3874	9.78	3.7890
SHORT-TERM DEBT	467,874	0	(2,360)	465,514	0.0235	9.41	0.2215
CUSTOMER DEPOSITS	1,234,508	0	0	1,234,508	0.0624	8.46	0.5281
DEFERRED INCOME TAXES	3,561,100	0	0	3,561,100	0.1801	0.00	0.0000
TAX CREDITS - ZERO COST	40,819	0	0	40,819	0.0021	0.00	0.0000
TAX CREDITS - WTD COST	955,695	0	0	955,695	0.0483	11.24	0.5432
TOTAL	19,847,668	0	(70,886)	19,776,782	1.0000		8.9750

COST RATE FOR ITC:

CAPITAL COMPONENT	ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
COMMON EQUITY	5,619,919	0.4157	13.50	5.6120
PREFERRED STOCK	237,165	0.0175	4.75	0.0833
LONG-TERM DEBT	7,662,062	0.5668	9.78	5.5429
TOTAL	13,519,146	1.0000		11.2382

Florida Public Utilities Company
Docket No. 900151-GU
Net Operating Income Multiplier
TYE 12/31/89

Attachment 4
August 28, 1990
Interim

<u>Description</u>	<u>%</u>
Revenue Requirement	100.0000%
Gross Receipts Tax Rate	1.5000%
Regulatory Assessment Fee	0.3750%
Bad Debt Rate	<u>0.3410%</u>
Net Before Income Taxes	97.7840%
State Income Tax Rate	5.5000%
State Income Tax	<u>5.3781%</u>
Net Before Federal Income Tax	92.4059%
Federal Income Tax Rate	34.0000%
Federal Income Tax	<u>31.4180%</u>
Revenue Expansion Factor	60.9879%
Net Operating Income Multiplier	<u><u>1.6397</u></u>

Florida Public Utilities Company
Docket No. 900151-GU
Comparative Deficiency Calculations
TYE 12/31/89

Attachment 5
August 28, 1990
Interim

	<u>Company</u>	<u>Staff</u>
Rate Base (Average)	\$19,776,782	\$19,912,427
Rate of Return	X <u>8.9800%</u>	X <u>8.9200%</u>
Required N.O.I.	<u>\$1,775,955</u>	<u>\$1,776,188</u>
Operating Revenues	\$8,219,079	\$8,219,079
Operating Expenses:		
Operation and Maintenance	\$5,295,465	\$5,295,465
Depreciation and Amortization	\$939,773	\$939,773
Taxes Other Than Income Taxes	\$747,043	\$747,043
Current Income Taxes—Federal	\$112,086	\$112,086
—State	\$18,718	\$18,718
Deferred Income Taxes	\$238,370	\$238,370
Investment Tax Credit	\$38,640	\$38,640
Total Operating Expenses	<u>\$7,051,207</u>	<u>\$7,051,207</u>
Achieved N.O.I.	<u>\$1,167,872</u>	<u>\$1,167,872</u>
N.O.I. Deficiency (Required – Achieved)	\$608,083	\$608,316
N.O.I. Multiplier	X <u>1.639670</u>	X <u>1.639670</u>
Revenue Increase	<u>\$997,055</u>	<u>\$997,438</u>
Adjust to Company Request – See Note		<u>(\$383)</u>
Revenue Increase		<u>\$997,055</u>

Note: Staff's calculations resulted in a slightly higher revenue increase. However, Commission policy is to grant no greater relief than requested by the Company. The difference, in this case, is immaterial.

(1)	<u>PRESENT REVENUE</u>				<u>INTERIM INCREASE</u>			
	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
<u>SCHEDULE</u>	<u>BILLS</u>	<u>THERM SALES</u>	<u>CUSTOMER CHARGE</u>	<u>ENERGY CHARGE</u>	<u>TOTAL</u>	<u>INCREASE</u>	<u>INCREASE</u>	(7)/(3)
								INCREASE
						\$	%	CENTS
RESIDENTIAL	365,310	8,585,864	\$2,145,914	\$1,798,684	\$3,944,598	\$487,638	12.36	5.6795
COMMERCIAL	17,360	3,377,253	\$95,438	\$770,953	\$866,391	\$107,105	12.36	3.1714
OUTDOOR LIGHTING	405	11,203	\$2,938	\$0	\$2,938	\$363	12.36	3.2420
INDUSTRIAL	15,440	19,822,158	\$248,376	\$2,659,604	\$2,907,980	\$359,490	12.36	1.8136
HOUSING AUTHORITY	11,346	356,277	\$45,003	\$20,922	\$65,925	\$8,150	12.36	2.2875
INTERRUPTIBLE	158	3,270,286	\$10,427	\$120,816	\$131,243	\$16,224	12.36	0.4961
INTERRUPT LG. VOL.	12	24,844,880	\$8,400	\$137,889	\$146,289	\$18,085	12.36	0.0728
TOTAL	410,031	60,287,901	2,558,496	5,508,868	8,065,364	997,055	12.36	16.7629

NOTE: REVENUE ABOVE DEVOID OF FUEL

<u>RATE SCHEDULE</u>	<u>PRESENT RATE</u>	<u>INTERIM RATE INCREASE</u>	<u>INTERIM PROPOSED RATE</u>
<u>RESIDENTIAL</u>			
CUSTOMER CHARGE	\$6.00	0	\$6.00
ENERGY CHARGE (cents/therm)	20.8490	5.6795	26.5285
<u>COMMERCIAL</u>			
CUSTOMER CHARGE	\$6.00	0	\$6.00
ENERGY CHARGE (cents/therm)	22.8470	3.1714	26.0184
<u>OUTDOOR LIGHTING</u>			
CUSTOMER CHARGE	\$4.65	\$0.58	\$5.23
ENERGY CHARGE (cents/therm)	0.0000	0.0000	0.0000
<u>INDUSTRIAL</u>			
CUSTOMER CHARGE	\$17.00	0	\$17.00
ENERGY CHARGE (cents/therm)	13.3330	1.8136	15.1466
<u>HOUSING AUTHORITY</u>			
CUSTOMER CHARGE	\$4.00	0	\$4.00
ENERGY CHARGE (cents/therm)	5.7100	2.2875	7.9975
<u>INTERRUPTIBLE</u>			
CUSTOMER CHARGE	\$70.00	0	\$70.00
ENERGY CHARGE (cents/therm)	3.6540	0.4961	4.1901
<u>INTERRUPT LG. VOL.</u>			
CUSTOMER CHARGE	\$700.00	0	\$700.00
ENERGY CHARGE (cents/therm)	0.5550	0.0728	0.6278

FLORIDA PUBLIC UTILITIES
COST OF SERVICE SUMMARY
RATE COMPARISON

RATE SCHEDULE: RESIDENTIAL

PRESENT RATES

Customer Charge

6.00

Energy Charge

<u>Beginning</u> <u>therms</u>	<u>Ending</u> <u>therms</u>	<u>costs</u> <u>per therm</u>
0	0	0
0	N/A	20.849

INTERIM
PROPOSED RATES

Customer Charge

6.00

Energy Charge

<u>Beginning</u> <u>therms</u>	<u>Ending</u> <u>therms</u>	<u>costs</u> <u>per therm</u>
0	0	0
0	N/A	26.529

GAS COST CENTS/THERM

22.032

THERM USAGE INCREMENT

10

PRESENT

PROPOSED

<u>therm</u> <u>usage</u>	<u>monthly</u> <u>bill</u> <u>w/o fuel</u>	<u>monthly</u> <u>bill</u> <u>with fuel</u>	<u>monthly</u> <u>bill</u> <u>w/o fuel</u>	<u>monthly</u> <u>bill</u> <u>with fuel</u>	<u>percent</u> <u>increase</u> <u>w/o fuel</u>	<u>percent</u> <u>increase</u> <u>with fuel</u>	<u>Dollar</u> <u>Increase</u>
0	6.00	6.00	6.00	6.00	0.00	0.00	0.00
10	8.08	10.29	8.65	10.86	7.02	5.52	0.57
20	10.17	14.58	11.31	15.71	11.17	7.79	1.14
30	12.25	18.86	13.96	20.57	13.90	9.03	1.70
40	14.34	23.15	16.61	25.42	15.84	9.81	2.27
50	16.42	27.44	19.26	30.28	17.29	10.35	2.84
60	18.51	31.73	21.92	35.14	18.41	10.74	3.41
70	20.59	36.02	24.57	39.99	19.30	11.04	3.98
80	22.68	40.30	27.22	44.85	20.03	11.27	4.54
90	24.76	44.59	29.88	49.70	20.84	11.46	5.11
100	26.85	48.88	32.53	54.56	21.15	11.62	5.68
110	28.93	53.17	35.18	59.42	21.59	11.75	6.25
120	31.02	57.46	37.83	64.27	21.97	11.86	6.82
130	33.10	61.75	40.49	69.13	22.30	11.96	7.38
140	35.19	66.03	43.14	73.98	22.60	12.04	7.95
150	37.27	70.32	45.79	78.84	22.86	12.11	8.52
160	39.36	74.61	48.45	83.70	23.09	12.18	9.09
170	41.44	78.90	51.10	88.55	23.30	12.24	9.66
180	43.53	83.19	53.75	93.41	23.49	12.29	10.22
190	45.61	87.47	56.40	98.26	23.66	12.34	10.79

FLORIDA PUBLIC UTILITIES
COST OF SERVICE SUMMARY
RATE COMPARISON

RATE SCHEDULE: COMMERCIAL

PRESENT RATES

Customer Charge

6.00

Energy Charge

<u>Beginning</u> <u>therms</u>	<u>Ending</u> <u>therms</u>	<u>costs</u> <u>per therm</u>
0	0	0
0	N/A	22.847

INTERIM
PROPOSED RATES

Customer Charge

6.00

Energy Charge

<u>Beginning</u> <u>therms</u>	<u>Ending</u> <u>therms</u>	<u>cents</u> <u>per therm</u>
0	0	0
0	N/A	26.018

GAS COST CENTS/THERM

22.032

THERM USAGE INCREMENT

50

<u>therm</u> <u>usage</u>	<u>PRESENT</u>		<u>PROPOSED</u>		<u>percent</u> <u>increase</u> <u>w/o fuel</u>	<u>percent</u> <u>increase</u> <u>with fuel</u>	<u>Dollar</u> <u>Increase</u>
	<u>monthly</u> <u>bill</u> <u>w/o fuel</u>	<u>monthly</u> <u>bill</u> <u>with fuel</u>	<u>monthly</u> <u>bill</u> <u>w/o fuel</u>	<u>monthly</u> <u>bill</u> <u>with fuel</u>			
0	6.00	6.00	6.00	6.00	0.00	0.00	0.00
50	17.42	28.44	19.01	30.03	9.10	5.58	1.59
100	28.85	60.88	32.02	54.05	10.99	6.23	3.17
150	40.27	73.32	45.03	78.08	11.81	6.49	4.76
200	51.69	85.76	58.04	102.10	12.27	6.62	6.34
250	63.12	118.20	71.05	126.13	12.56	6.71	7.93
300	74.54	140.64	84.06	150.15	12.76	6.77	9.51
350	85.96	163.08	97.06	174.18	12.91	6.81	11.10
400	97.39	185.52	110.07	198.20	13.03	6.84	12.69
450	108.81	207.96	123.08	222.23	13.12	6.86	14.27
500	120.24	230.40	136.09	246.25	13.19	6.88	15.86
550	131.66	252.83	149.10	270.28	13.25	6.90	17.44
600	143.08	275.27	162.11	294.30	13.30	6.91	19.03
650	154.51	297.71	175.12	318.33	13.34	6.92	20.61
700	165.93	320.15	188.13	342.35	13.38	6.93	22.20
750	177.35	342.59	201.14	366.38	13.41	6.94	23.79
800	188.78	365.03	214.15	390.40	13.44	6.95	25.37
850	200.20	387.47	227.16	414.43	13.47	6.96	26.96
900	211.62	409.91	240.17	438.45	13.49	6.96	28.54
950	223.05	432.35	253.17	462.48	13.51	6.97	30.13

FLORIDA PUBLIC UTILITIES
COST OF SERVICE SUMMARY
RATE COMPARISON

RATE SCHEDULE: INTERRUPTIBLE

PRESENT RATES

Customer Charge

70.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	3.694

INTERIM
PROPOSED RATES

Customer Charge

70.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	4.190

GAS COST CENTS/THERM

21.933

THERM USAGE INCREMENT

1000

therm usage	<u>PRESENT</u>		<u>PROPOSED</u>		percent increase w/o fuel	percent increase with fuel	Dollar Increase
	monthly bill w/o fuel	monthly bill with fuel	monthly bill w/o fuel	monthly bill with fuel			
0	70.00	70.00	70.00	70.00	0.00	0.00	0.00
1000	106.94	328.27	111.90	331.23	4.64	1.52	4.96
2000	143.88	542.54	153.80	592.46	6.90	1.70	9.92
3000	180.82	838.81	195.70	853.69	8.23	1.77	14.88
4000	217.76	1,095.08	237.60	1,114.92	9.11	1.81	19.84
5000	254.70	1,351.35	279.51	1,376.16	9.74	1.84	24.81
6000	291.64	1,607.62	321.41	1,637.39	10.21	1.85	29.77
7000	328.58	1,863.89	363.31	1,898.62	10.57	1.86	34.73
8000	365.52	2,120.16	405.21	2,159.85	10.86	1.87	39.69
9000	402.46	2,376.43	447.11	2,421.08	11.09	1.88	44.65
10000	439.40	2,632.70	489.01	2,682.31	11.29	1.88	49.61
11000	476.34	2,888.97	530.91	2,943.54	11.46	1.89	54.57
12000	513.28	3,145.24	572.81	3,204.77	11.60	1.89	59.53
13000	550.22	3,401.51	614.71	3,466.00	11.72	1.90	64.49
14000	587.16	3,657.78	656.61	3,727.23	11.83	1.90	69.45
15000	624.10	3,914.05	698.52	3,988.47	11.92	1.90	74.41
16000	661.04	4,170.32	740.42	4,249.70	12.01	1.90	79.38
17000	697.98	4,426.59	782.32	4,510.93	12.08	1.91	84.34
18000	734.92	4,682.86	824.22	4,772.16	12.15	1.91	89.30
19000	771.86	4,939.13	866.12	5,033.39	12.21	1.91	94.26

FLORIDA PUBLIC UTILITIES
COST OF SERVICE SUMMARY
RATE COMPARISON

RATE SCHEDULE:

INTERRUPTIBLE LARGE VOLUME

PRESENT RATES

Customer Charge

700.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	0.555

INTERIM
PROPOSED RATES

Customer Charge

700.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	0.628

GAS COST CENTS/THERM

21.933

THERM USAGE INCREMENT

10000

PRESENT

PROPOSED

therms <u>usage</u>	monthly bill		monthly bill		percent increase w/o fuel	percent increase with fuel	Dollar Increase
	w/o fuel	with fuel	w/o fuel	with fuel			
0	700.00	700.00	700.00	700.00	0.00	0.00	0.00
10000	755.50	2,948.80	762.78	2,956.08	0.96	0.25	7.28
20000	811.00	5,197.60	825.56	5,212.16	1.80	0.28	14.56
30000	866.50	7,446.40	888.34	7,468.24	2.52	0.29	21.84
40000	922.00	9,695.20	951.12	9,724.32	3.16	0.30	29.12
50000	977.50	11,944.00	1,013.90	11,980.40	3.72	0.30	36.40
60000	1,033.00	14,192.80	1,076.68	14,236.48	4.23	0.31	43.68
70000	1,088.50	16,441.60	1,139.46	16,492.56	4.68	0.31	50.96
80000	1,144.00	18,690.40	1,202.24	18,748.64	5.09	0.31	58.24
90000	1,199.50	20,939.20	1,265.02	21,004.72	5.46	0.31	65.52
100000	1,255.00	23,188.00	1,327.80	23,260.80	5.80	0.31	72.80
110000	1,310.50	25,436.80	1,390.58	25,516.88	6.11	0.31	80.08
120000	1,366.00	27,685.60	1,453.36	27,772.96	6.40	0.32	87.36
130000	1,421.50	29,934.40	1,516.14	30,029.04	6.66	0.32	94.64
140000	1,477.00	32,183.20	1,578.92	32,285.12	6.90	0.32	101.92
150000	1,532.50	34,432.00	1,641.70	34,541.20	7.13	0.32	109.20
160000	1,588.00	36,680.80	1,704.48	36,797.28	7.34	0.32	116.48
170000	1,643.50	38,929.60	1,767.26	39,053.36	7.53	0.32	123.76
180000	1,699.00	41,178.40	1,830.04	41,309.44	7.71	0.32	131.04
190000	1,754.50	43,427.20	1,892.82	43,565.52	7.88	0.32	138.32

FLORIDA PUBLIC UTILITIES
COST OF SERVICE SUMMARY
RATE COMPARISON

RATE SCHEDULE:

HOUSING AUTHORITY

PRESENT RATES

Customer Charge

4.00

Energy Charge

Beginning therms	Ending therms	costs per therm
0	0	0
0	N/A	5.71

INTERIM
PROPOSED RATES

Customer Charge

4.00

Energy Charge

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	7.998

GAS COST CENTS/THERM

22.032

THERM USAGE INCREMENT

10

therms <u>usage</u>	<u>PRESENT</u>		<u>PROPOSED</u>		percent increase w/o fuel	percent increase with fuel	Dollar Increase
	monthly bill w/o fuel	monthly bill with fuel	monthly bill w/o fuel	monthly bill with fuel			
0	4.00	4.00	4.00	4.00	0.00	0.00	0.00
10	4.67	6.77	4.80	7.00	5.00	3.38	0.23
20	5.14	9.55	5.60	10.01	8.90	4.79	0.46
30	5.71	12.32	6.40	13.01	12.01	5.57	0.69
40	6.28	15.10	7.20	16.01	14.56	6.06	0.92
50	6.86	17.87	8.00	19.01	16.68	6.40	1.14
60	7.43	20.65	8.80	22.02	18.48	6.65	1.37
70	8.00	23.42	9.60	25.02	20.02	6.84	1.60
80	8.57	26.19	10.40	28.02	21.36	6.99	1.83
90	9.14	28.97	11.20	31.03	22.53	7.11	2.06
100	9.71	31.74	12.00	34.03	23.56	7.21	2.29
110	10.28	34.52	12.80	37.03	24.47	7.29	2.52
120	10.85	37.29	13.60	40.04	25.29	7.36	2.74
130	11.42	40.06	14.40	43.04	26.03	7.42	2.97
140	11.99	42.84	15.20	46.04	26.70	7.48	3.20
150	12.57	45.61	16.00	49.04	27.31	7.52	3.43
160	13.14	48.39	16.80	52.05	27.86	7.56	3.66
170	13.71	51.16	17.60	55.05	28.37	7.60	3.89
180	14.28	53.94	18.40	58.05	28.84	7.63	4.12
190	14.85	56.71	19.20	61.06	29.27	7.66	4.35

**Docket 900151-GU
August 16, 1990**

**INTERIM
ISSUE AND RECOMMENDATION SUMMARY**

ISSUE 1: Should the request for permanent increases in rates and charges be suspended for Florida Public Utilities Company?

RECOMMENDATION: Yes. Staff recommends that rates and charges of \$2,022,050 be suspended for Florida Public Utilities Company.

ISSUE 2: The Company proposes an interim test year rate base of \$19,776,782. Is this appropriate?

RECOMMENDATION: No. The appropriate interim test year rate base is \$19,912,427.

ISSUE 3: The Company proposes an interim test year net operating income of \$1,167,872. Is this appropriate?

RECOMMENDATION: Yes. The appropriate interim test year net operating income is \$1,167,872.

ISSUE 4: The Company proposes an interim return on equity of 13.50% and an overall rate of return of 8.98%. Is this appropriate?

RECOMMENDATION: The appropriate rate of return on equity and overall rate of return for purposes of determining the interim increase are 13.50% and 8.92%, respectively.

ISSUE 5: The Company requested an interim increase of \$997,055. Should this amount be granted?

RECOMMENDATION: Yes. The requested increase of \$997,055 should be granted.

ISSUE 6: How should the interim increase for Florida Public Utilities Company be distributed among customers?

RECOMMENDATION: In accordance with Rule 25-7.040, Florida Administrative Code, any interim authorized should be applied uniformly across the board to all rate classes' base rates exclusive of fuel costs and collected on a cents-per-therm basis, as shown on Attachment 6.

ISSUE 7: Should any interim increase granted Florida Public Utilities Company be subject to refund under bond or corporate undertaking?

RECOMMENDATION: Yes. Interim revenues should be subject to refund and Florida Public Utilities Company should file an appropriate corporate undertaking.