

Florida Public Service Commission

Audit Report

12 Months Ended December 31, 1989

Field Work Completed

October 23, 1990

Florida Public Utilities Company

West Palm Beach, Florida

Palm Beach County

Rate Case Audit

Docket Number 900151-GU

Audit Control Number 90-205-4-1

Gabriela Leon

Gabriela Leon
Audit Manager

Audit Staff
assigned

Jane Janer
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Minority Opinion

Yes---No¹
Yes---No^{ed}

Kathy L. Welch

Kathy Welch
Regulatory Audit Supervisor
Miami District Office

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FPSC-RECORDS/REPORTING

Index

	Page
I. Executive Summary	
Audit Purpose	1
Disclaim Public Use	1
Opinion	1
II. Audit Scope	
Scope of work performed	2
Rate Base	2
Net Operating Income	3
Cost of Capital	3
Proforma	3
Forecast	3
III. Audit Exceptions	
Forecasted Expense-Capitalized General Office Salaries	4
Non-recurring expenses	5
IV. Audit Disclosures	
Forecasted Expense-Inspection of Subaqueous Crossings	6
Forecasted Expense-Injuries and damages	7
Allocations	9
V. Exhibits	
Rate Base	10
Net Operating Income	11
Forecasted Net Operating Income	12
Capital Structure	21

I. Executive Summary

AUDIT PURPOSE: We have applied the procedures described in Section II of this report to the appended Rate Base, Net Operating Income, and Capital Structure exhibits filed by Florida Public Utilities Company in support of Docket 900151-GU for the 12 month period ended December 31, 1990 to determine that exhibits represent utility books and that those records are maintained in compliance with Commission directives; that proforma adjustments are based on supportable facts and assumptions; and that facts which may influence the Commission decision process are disclosed.

DISCLAIM PUBLIC USE: This is an internal accounting report prepared after performing a limited scope audit; accordingly, this document must not be relied upon for any purpose except to assist the Commission staff in the performance of their duties. Substantial additional work would have to be performed to satisfy generally accepted audit standards and produce audited financial statements for public use.

OPINION: Subject to audit exceptions 1 and 2, and audit disclosures 1, 2, and 3, the company scope limitation, and the procedures described in Section II, the appended Rate Base, Net Operating Income, and Cost of Capital exhibits for the 12 months ended December 31, 1990, represent utility books and records maintained in substantial compliance with Commission directives.

II. AUDIT SCOPE

This report is based on the audit work described below. When used in this section of the report COMPILED, REVIEWED, and EXAMINED define completed audit work as:

COMPILED: Reconciled exhibit amounts to the general ledger; visually scanned general ledger accounts for error or inconsistency; disclosed any resolved error, irregularity or inconsistency; and, except as noted performed no other audit work.

REVIEWED: Reconciled exhibit amount to the general ledger; traced general ledger accounts to subsidiary ledgers; applied analytical procedures; investigated observed errors, irregularities and inconsistencies.

EXAMINED: Reconciled exhibit amounts to the general ledger; traced general ledger accounts to subsidiary ledgers; tested account balances to the extent described; analytical procedures were applied; investigated observed errors, irregularities and inconsistencies.

RATE BASE: Compiled Rate Base.

PLANT: Examined Plant. The testing of plant was done by taking a judgemental sample of CWIP additions totaling \$1,960,825.02 which represents 43% of total CWIP vouchers. In addition, miscellaneous journal entries totaling \$99,972 were traced to source documentation and reviewed for reasonableness. Retirements in the amount of \$95,726 were also traced to the proper source documentation.

ACCUMULATED DEPRECIATION: Reviewed Accumulated Depreciation by recomputing a sample of journal entries for proper methodology and proper rates.

WORKING CAPITAL: Staff recalculated working capital and traced some accounts to the general ledger.

NET OPERATING INCOME: Compiled Net Operating Income.

Due to time constraints staff was unable to test unbilled revenues, however, backup is included in the workpapers for the analyst. Expenses were reviewed by taking a random sample of the highest vouchers. Miscellaneous journal entries were also randomly selected and tested based on the highest amounts. The methodology of each standard journal entry for one month was tested for accuracy.

PROFORMAS: The adjustments to N.O.I. were tested for mathematical and clerical accuracy, reasonableness and source documentation.

COST OF CAPITAL: Due to time constraints staff was unable to test Cost of Capital.

FORECAST: Compared actual 1989 data to forecasted plant balances. A staff engineer will need to examine the plant forecast. All future plant expenditures were tested for reasonableness by staff engineer Owen Bowser. Read all company assumptions for forecasted expenses. Traced the inflation factor to published data. The Forecasted-other category for all the expenses were recalculated and all the backup provided was traced to proper source documentation.

AUDIT EXCEPTION NO. 1

SUBJECT: Forecasted Expense-Capitalized General Office Salaries.

STATEMENT OF FACT: According to the company the Administrative and General Salaries Overhead was capitalized in 1990 for \$156,287 and \$174,484 for 1991 based on 25% change in the construction account from 1989 to 1990 and 1990 to 1991 and the total change in Administrative and General Salaries balances in Accounts 920, and 921, as shown on the attached Schedule G-2 p. 16 of 31. These expenses are included in the Net Operating Income in the attached schedule G-2 pg. 1 of 31. According to Commission Rule 25-7.0461 "Overhead Construction costs such as engineering, supervision, general office salaries and expenses, construction engineering, insurance, taxes, relief and pensions, injuries and damages should be capitalized only if they are directly associated with the construction project."

OPINION: Since the overhead capitalized was not directly associated with a construction project it should be disallowed.

RECOMMENDATION: Overhead capitalized should be reduced by \$156,287 for 1990, and \$174,484 for 1991, and expenses increased.

COMPANY COMMENTS: Still pending.

AUDIT EXCEPTION NO. 2

SUBJECT: Nonrecurring Expenses

STATEMENT OF FACT: A voucher totalling \$11,473.35 for Southern Bell was paid March 2, 1989. The amount was charged to expense as follows:

	Amount	Percentage	Percentage of Clearing allocated to Gas 65%
Gas Operation and Maintenance	\$5,566.27	48.5148%	
Flo-Gas	\$2,157.61	18.8054%	
WPB Employee Accounts Receivabl	\$63.22	0.5510%	
Clearing Account-Office Supply & Expense for Corp.	\$3,651.87	31.8292%	\$2,373.72
Merchandising & Jobbing	\$34.38	0.2997%	
	\$11,473.35	100.0000%	\$2,373.72

This invoice contained \$4,463.90 for a new installation. These expenses are included in the attached Net Operating Income Schedule G-2 page 1 of 31.

OPINION: Leaving nonrecurring items in the expenses will distort the forecast since the company will not incur these costs in the future. Staff believes that the portion of this invoice related to the new installation should be removed from the forecast expenses for 1990 and 1991. The test year calculation of \$2,165.44 (\$4,463.90 non-recurring expense * 48.51% charged directly to Operation and Maintenance Expenses), and \$923.54 (65% which is the percentage of clearing charged to gas * \$4,463.90 non-recurring expense * 31.8292% percentage originally charged to clearing) for a total of \$3,088.98. The 1990 and 1991 expenses should be trended for inflation. Using the company's inflation rates of 1.0410 for 1990 and 1.0868 for 1991, the adjustment to 1990 should be \$3,215.63 and \$3,357.10 for 1991.

RECOMMENDATION: Operation and Maintenance Expenses should be reduced in 1990 by \$3,215.63 and by \$3,357.10 in 1991.

COMPANY COMMENTS: Still pending.

AUDIT DISCLOSURE NO. 1

SUBJECT: Forecasted Expense-Inspection of Subaqueous Crossings

STATEMENT OF FACT: The Company has forecasted \$4,600 for 1990, and \$4,802 for 1991, for the inspection of all of their subaqueous crossings every three years, as shown on the attached schedule G-2 pg. 11 of 31. These expenses are included in the attached Net Operating Income schedule G-2 pg. 1 of 31.

OPINION: The actual figure for 1990 submitted by Atlantic Underwater Diving Service is for \$3,950 for the inspection of all the crossings.

RECOMMENDATION: The forecasted expense for the above stated inspection should be reduced by \$650.00(\$4,600-\$3,950) for 1990, and \$4,802 for 1991, since the company did all the crossings in 1990.

COMPANY COMMENTS: Still pending.

AUDIT DISCLOSURE NO. 2

SUBJECT: Forecasted Expenses-Injuries and Damages

STATEMENT OF FACT: Forecasted injuries and damages for 1990 and 1991 totaled \$497,480 and \$538,911 respectively, as included in Schedule G-2 pg. 16 of 31. These expenses are included in the Net Operating Income on the attached Schedule G-2 pg. 1 of 31.

OPINION: Based on the most current data provided by the company, injuries and damages were recomputed by staff to be \$491,803 for 1990 and \$534,390 for 1991. Please see the following page for the computation.

RECOMMENDATION: This forecasted expense should be reduced by \$5,677(\$497,480-\$491,803) for 1990, and reduced in 1991 by \$14,521(\$538,911-\$524,390).

COMPANY COMMENTS: Company agrees with the exception.

I. Calculation of Injuries and Damages based on current data.

Date	Actual Estimate	JE 8	JE 9 Cr.		JE 13 58.2%	JE 9 Capitalized	12 Month Ending			
		Total Insurance	JE 8 Flo-gas	JE 8 Balance				Workmen's Comp Flo-gas Balance		
1/80	Actual	\$80,272.00	(\$3,422.00)	\$76,850.00	(\$3,941.00)	\$72,909.00	\$42,433.04	(\$3,155.00)	\$39,278.04	
2/80	Actual	\$72,577.00	(\$3,333.00)	\$69,244.00	(\$3,512.00)	\$65,732.00	\$36,256.02	(\$2,665.00)	\$36,591.02	
3/80	Actual	\$74,046.00	(\$2,733.00)	\$71,312.00	(\$3,828.00)	\$67,483.00	\$39,275.11	(\$2,880.00)	\$36,395.11	
4/80	Actual	\$75,482.00	(\$2,807.00)	\$72,675.00	(\$3,593.00)	\$69,082.00	\$40,322.12	(\$2,573.00)	\$37,749.12	
5/80	Actual	\$84,748.00	(\$1,884.00)	\$82,864.00	(\$3,598.00)	\$79,266.00	\$51,953.98	(\$2,744.00)	\$49,209.98	
6/80	Actual	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$4,903.00)	\$75,993.00	\$44,227.93	(\$3,542.00)	\$40,685.93	
7/80	Actual	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,778.00)	\$77,117.00	\$44,882.09	(\$2,505.00)	\$42,377.09	
8/80	Actual	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,908.00)	\$76,997.00	\$44,806.43	(\$2,737.00)	\$42,069.43	
9/80	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	
10/80	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	
11/80	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	
12/80	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	\$491,802.41
1/81	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	
2/81	Estimate	\$82,791.00	(\$1,885.00)	\$80,906.00	(\$3,900.00)	\$76,996.00	\$44,811.67	(\$2,700.00)	\$42,111.67	
3/81	Estimate	\$84,752.00	(\$1,880.00)	\$82,872.00	(\$4,000.00)	\$78,872.00	\$45,982.76	(\$2,750.00)	\$43,112.76	
4/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
5/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
6/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
7/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
8/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
9/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
10/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
11/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	
12/81	Estimate	\$86,713.00	(\$2,000.00)	\$84,713.00	(\$4,100.00)	\$80,613.00	\$46,916.77	(\$2,800.00)	\$44,116.77	\$524,387.00

The Company decides how much of Payroll needs to be capitalized based on payroll dollars * workmen's compensation rate.

The workmen's compensation rate comes from the annual audit of workmen's compensation insurance.

AUDIT DISCLOSURE NO. 3

SUBJECT: Allocations

STATEMENT OF FACT: The percentages used in allocating clearing accounts to various expense accounts haven't been updated since December 1987. The company is currently updating these percentages, however, they will not be ready until next month.

OPINION: Use of the allocation basis that are two years old could materially mistake the allocation between electric, water and sewer, and gas.

RECOMMENDATION: The effect of the difference between the percentages based on 1987 data and 1989 data should be computed by the company as soon as possible, and provided to the analyst before the hearing.

COMPANY COMMENTS: Still pending.

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE RATE BASE FOR THE HISTORIC RATE YEAR, THE HISTORIC RATE YEAR PLUS ONE, AND THE PROJECTED TEST YEAR.

TYPE OF DATA SHOWN:
 HISTORIC RATE YEAR DATA: 12/31/90
 HISTORIC RATE YEAR + 1: 12/31/91
 PROJECTED TEST YEAR: 12/31/91
 WITNESS: DACHMAN

COMPANY: FPUC GAS OPERATIONS

BUCKET NO.: 90054-00

LINE NO.	DESCRIPTION	RATE YEAR 1990		RATE YEAR 1991		PROJECTED TEST YEAR 1991		
		COMPANY (PER BOOKS) ADJUSTMENTS	AVERAGE ADJUSTED	COMPANY ADJUSTMENTS	AVERAGE ADJUSTED	COMPANY ADJUSTMENTS	AVERAGE ADJUSTED	
UTILITY PLANT								
1	PLANT IN SERVICE	\$ 28,993,704	\$ 0	\$ 28,993,704	\$ 1,605,671	\$ 30,599,375	\$ 2,640,829	\$ 33,240,204
2	GENERAL PLANT ALLOCATED OUT	0	(169,602)	(169,602)	291,919	(677,603)	(29,634)	(702,517)
3	COMMON PLANT ALLOCATED IN	671,945	0	671,945	(1,637)	670,308	14,392	684,500
4	ACQUISITION ADJUSTMENT	303,000	0	303,000	0	303,000	0	303,000
5	CONSTRUCTION WORK IN PROGRESS	200,399	0	200,399	(113,866)	94,733	146,267	291,000
6	TOTAL	30,177,700	(169,602)	29,200,106	1,701,997	30,998,013	2,704,634	33,774,647
DEDUCTIONS								
7	ACCN DEPR - UTILITY PLANT	8,013,676	0	8,013,676	431,650	9,245,326	746,912	9,992,238
8	ACCN DEPR - GENERAL PLANT	0	(439,999)	(439,999)	193,660	(246,331)	(13,639)	(239,990)
9	ACCN DEPR - COMMON PLANT	301,275	0	301,275	(50,890)	250,377	(60,563)	181,814
10	ACCN AMORT - ACC. ADJ.	296,977	0	296,977	7,970	304,967	0,244	313,211
11	CUSTOMER ADVANCES FOR CONSTRUCTION	323,730	0	323,730	(9,760)	313,970	(6,266)	307,704
12	TOTAL DEDUCTIONS	9,735,676	(439,999)	9,295,677	572,630	9,868,309	666,660	10,534,977
13	PLANT NET	20,442,024	(529,603)	19,712,427	1,209,277	21,121,704	2,117,906	23,239,670
ALLOWANCE FOR WORKING CAPITAL								
14	BALANCE SHEET METHOD	(139,645)	0	(139,645)	(16,007)	(151,652)	(7,551)	(159,203)
15	TOTAL RATE BASE	\$ 20,306,385	\$ (529,603)	\$ 19,776,782	\$ 1,193,270	\$ 20,970,052	\$ 2,110,435	\$ 23,080,487
16	NET OPERATING INCOME	\$ 1,049,803	\$ 90,049	\$ 1,167,872	\$ (299,000)	\$ 868,844	\$ (12,006)	\$ 855,370
17	RATE OF RETURN	5.27%		5.91%		4.19%		3.71%

LINE NO.	HISTORIC BASE YEAR 1989			BASE YEAR=1 1990		PROJECTED TEST YEAR 1991	
	(PER BOOKS)	COMPANY ADJUSTMENTS	1989 ADJUSTED	COMPANY ADJUSTMENTS	1990 ADJUSTED	COMPANY ADJUSTMENTS	1991 ADJUSTED
OPERATING REVENUE:							
1	OPERATING REVENUES	923,405,497	(915,354,993)	98,130,504	9104,049	98,234,353	98,683,217
2	REVENUE RELIEF	0	0	0	0	0	0
3	CHANGE IN UNBILLED REVENUES	88,575	0	88,575	(225,405)	139,528	2,678
4	TOTAL REVENUES	23,574,672	(15,354,993)	8,219,679	(121,356)	8,097,723	8,685,915
OPERATING EXPENSES:							
5	OPERATION & MAINTENANCE	20,547,428	(15,251,955)	5,295,465	318,243	5,605,708	5,923,485
6	DEPRECIATION & AMORTIZATION	971,878	(32,897)	939,773	78,517	1,018,290	1,095,959
7	AMOUNT OF ENVIRONMENTAL MATTERS	0	0	0	0	239,400	239,400
8	TAXES OTHER THAN INCOME	933,525	(186,482)	747,043	82,787	789,750	839,885
9	INCOME TAXES - FEDERAL	(64,544)	(45,542)	(112,086)	18,186	(93,900)	(265,500)
10	INCOME TAXES - STATE	(23,712)	4,994	(18,718)	2,268	(16,450)	(45,900)
11	DEFERRED TAXES - FEDERAL	199,474	45,717	283,191	(227,863)	(23,872)	92,750
12	DEFERRED TAXES - STATE	28,876	14,383	35,179	(38,337)	(3,158)	12,718
13	INVESTMENT TAX CREDITS	(38,640)	0	(38,640)	(69)	(38,709)	(38,708)
14	TOTAL OPERATING EXPENSES	22,584,269	(15,853,862)	7,851,287	178,452	7,229,659	7,838,337
15	OPERATING INCOME	1,049,883	98,869	1,147,872	(299,888)	848,044	855,578
16	TOTAL RATE BASE	20,386,385	(529,483)	19,776,782	1,193,270	20,970,052	23,888,987
17	RATE OF RETURN	5.27%		5.91%		4.14%	3.71%

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE CALCULATION OF OPERATION AND MAINTENANCE EXPENSES FOR THE HISTORIC BASE YEAR +1 AND THE PROJECTED TEST YEAR. IF ADDITIONAL TREND RATES ARE APPLIED, PROVIDE AN EXPLANATION AS TO THE BASIS OF THE FACTOR.

COMPANY: FPUC GAS OPERATIONS

TYPE OF DATA SHOWN:
 HISTORIC BASE YEAR DATA: 12/31/90
 HISTORIC BASE YEAR +1: 12/31/91
 PROJECTED TEST YEAR: 12/31/91
 WITNESS: TROY

DOCKET NO.: 900151-00

TREND BASIS	CODE	HISTORIC BASE	PROJECTED
		YEAR +1 12/31/90	TEST YEAR 12/31/91
No Trend Basis	0	0.00%	0.00%
Inflation only	1	104.10%	100.60%
Customer Growth	2	99.71%	100.70%
Payroll Increases	3	104.50%	109.20%
Sales / MCF	4	103.30%	112.07%
Revenues / \$	5	99.02%	104.10%
Plant - Net	6	106.07%	116.71%
Inflation X Customer Growth	7	103.00%	109.51%
Payroll X Customer Growth	8	104.20%	110.03%
Other	9	VARIOUS	

12

ACCOUNT	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
OTHER GAS SUPPLY EXPENSES						
007.4 PAYROLL TRENDED	530	503	609	3	104.50%	109.20%
OTHER TRENDED	5,022	5,100	5,620	4	103.30%	112.07%
OTHER TRENDED					0.00%	0.00%
TOTAL	5,500	5,771	6,237			
TOTAL OTHER GAS SUPPLY EXPENSES	5,500	5,771	6,237			

ACCOUNT	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
DISTRIBUTION EXPENSES - OPERATION						
070 PAYROLL TRENDED	149,929	156,674	163,722	3	104.50%	109.20%
OTHER TRENDED	19,215	20,003	20,003	1	104.10%	100.60%
OTHER TRENDED					0.00%	0.00%
TOTAL	169,144	176,677	184,605			

DESCRIPTION	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
DISTRIBUTION EXPENSES - OPERATION						
071 PAYROLL TRENDED	2,270	2,330	2,437	3	104.302	107.202
OTHER TRENDED	17,340	18,220	19,420	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	19,730	20,577	21,405			
074 PAYROLL TRENDED	130,211	135,400	143,271	0	104.202	110.032
OTHER TRENDED	34,764	36,045	39,772	7	103.002	107.512
OTHER TRENDED	0	4,600	4,002	9	IMPACT SUBSEQUENT CROSSINGS	
TOTAL	164,975	177,125	200,445			
075 PAYROLL TRENDED	472	493	515	3	104.302	107.202
OTHER TRENDED	739	790	825	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	1,231	1,283	1,340			
076 PAYROLL TRENDED	4,730	4,964	5,187	3	104.302	107.202
OTHER TRENDED	2,309	2,404	2,509	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	7,039	7,367	7,696			
077 PAYROLL TRENDED	4,833	5,050	5,270	3	104.302	107.202
OTHER TRENDED	2,530	2,634	2,750	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	7,363	7,684	8,027			
078 PAYROLL TRENDED	532,999	555,385	584,439	0	104.202	110.032
OTHER TRENDED	170,480	177,166	184,912	7	103.002	107.512
OTHER TRENDED					0.002	0.002
TOTAL	703,479	732,551	773,370			
079 PAYROLL TRENDED	177,453	185,114	195,472	0	104.202	110.032
OTHER TRENDED	(50,710)	(52,040)	(55,005)	0	104.202	110.032
OTHER TRENDED					0.002	0.002
TOTAL	126,743	132,264	139,667			

13

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
000 PAYROLL TRENDED	235,013	266,330	201,573	0	104.202	110.032
OTHER TRENDED	132,164	137,106	144,733	7	103.002	109.312
OTHER TRENDED					0.002	0.002
TOTAL	367,177	403,436	426,206			
001 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	3,340	3,403	3,639	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	3,340	3,403	3,639			
TOTAL DISTRIBUTION EXPENSE-OPERATION	1,411,471	1,482,743	1,774,001			
DISTRICTION EXPENSES - MAINTENANCE DISTRICTION EXPENSES - MAINTENANCE						
003 PAYROLL TRENDED	57,303	59,002	62,575	3	104.502	109.202
OTHER TRENDED	7,405	7,709	8,040	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	64,708	67,590	70,623			
006 PAYROLL TRENDED	63	66	69	3	104.502	109.202
OTHER TRENDED	3,563	3,709	3,872	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	3,626	3,775	3,941			
007 PAYROLL TRENDED	104,765	194,609	205,490	0	104.202	110.032
OTHER TRENDED	120,734	125,324	132,210	7	103.002	109.312
OTHER TRENDED					0.002	0.002
TOTAL	307,501	319,933	337,716			
009 PAYROLL TRENDED	541	565	591	3	104.502	109.202
OTHER TRENDED	370	385	402	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	911	951	993			

14

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
***** DISTRIBUTION EXPENSES - MAINTENANCE *****						
090 PAYROLL TRENDED	609	699	731	3	104.502	109.202
OTHER TRENDED	1,099	1,102	1,151	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	1,728	1,902	1,901			
091 PAYROLL TRENDED	0,471	0,852	9,250	3	104.502	109.202
OTHER TRENDED	3,076	3,000	4,817	1	104.102	100.602
OTHER TRENDED	0	4,000	4,002	9	PAYINT TUB GATE STATIONS ANNUALLY	
TOTAL	12,167	17,300	18,069			
092 PAYROLL TRENDED	50,077	61,162	64,500	8	104.202	110.032
OTHER TRENDED	19,407	20,220	21,340	7	103.002	109.512
OTHER TRENDED					0.002	0.002
TOTAL	70,104	81,390	85,925			
093 PAYROLL TRENDED	80,403	92,116	97,270	8	104.202	110.032
OTHER TRENDED	30,602	31,765	33,512	7	103.002	109.512
OTHER TRENDED					0.002	0.002
TOTAL	119,005	123,881	130,782			
094 PAYROLL TRENDED	391	407	430	8	104.202	110.032
OTHER TRENDED	930	965	1,010	7	103.002	109.512
OTHER TRENDED					0.002	0.002
TOTAL	1,321	1,373	1,449			
TOTAL DISTRIBUTION EXPENSE-MAINT.	509,151	617,993	651,370			
***** CUSTOMER ACCT. & COLLEC. *****						
901 PAYROLL TRENDED	29,853	31,196	32,599	3	104.502	109.202
OTHER TRENDED	7,246	7,543	7,675	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	37,099	38,739	40,474			

15

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
***** CUSTOMER ACCT. & COLLEC. *****						
902 PAYROLL TRENDED	148,625	175,767	185,530	8	104.20%	110.63%
OTHER TRENDED	40,285	48,733	44,620	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	208,910	224,500	230,150			
903 PAYROLL TRENDED	344,347	379,672	400,915	8	104.20%	110.63%
OTHER TRENDED	181,445	195,520	111,333	7	103.00%	109.51%
OTHER TRENDED(POSTAGE)	90,936	100,622	123,876	9	POSTAGE INC. & COST. GROWTH	
TOTAL	616,728	675,814	636,124			
904 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	55,535	55,435	57,856	5	99.82%	104.18%
OTHER TRENDED					0.00%	0.00%
TOTAL	55,535	55,435	57,856			
905 PAYROLL TRENDED	6,945	7,250	7,444	8	104.20%	110.63%
OTHER TRENDED	37,961	39,404	41,571	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	44,906	46,654	49,015			
TOTAL CUSTOMER ACCT. EXPENSES	911,346	944,898	1,013,257			
***** CUSTOMER SERVICE & INFO. *****						
906 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	200	291	307	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	200	291	307			
909 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	12,942	13,434	14,173	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	12,942	13,434	14,173			
TOTAL CUST. SERVICE EXPENSE	13,222	13,724	14,479			

9T

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
SALES EXPENSES						
910 PAYROLL TRENDED	43,627	44,490	41,401	3	104.20%	109.20%
OTHER TRENDED	11,115	11,571	12,000	1	104.10%	108.68%
OTHER TRENDED					0.00%	0.00%
TOTAL	54,742	56,061	53,401			
912 PAYROLL TRENDED	276,001	280,427	264,364	8	104.20%	110.43%
OTHER TRENDED	44,504	46,197	48,739	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	320,505	326,624	313,103			
913 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	7,549	7,834	8,267	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	7,549	7,834	8,267			
914 PAYROLL TRENDED	43,817	45,457	48,212	8	104.20%	110.43%
OTHER TRENDED	65,048	68,350	72,118	7	103.00%	109.51%
OTHER TRENDED					0.00%	0.00%
TOTAL	108,865	113,807	120,330			
TOTAL SALES EXPENSES	513,263	534,520	543,432			
ADMINISTRATIVE & GENERAL EXPENSE						
920 PAYROLL TRENDED	623,990	632,870	601,406	3	104.50%	109.20%
OTHER TRENDED	1,296	1,309	1,400	1	104.10%	108.68%
OTHER TRENDED					0.00%	0.00%
TOTAL	625,286	634,179	602,806			
920.1 PAYROLL TRENDED	(395)	(413)	(431)	3	104.50%	109.20%
OTHER TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED					0.00%	0.00%
TOTAL	(395)	(413)	(431)			

17

	BASE YEAR	BASE YEAR #1	PROJECTED TEST YEAR	CODE		
ADVERTISING & GENERAL EXPENSE cont.						
921 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	153,071	159,347	166,330	1	104.10%	106.60%
OTHER TRENDED (POSTAGE)	7,000	7,000	8,349	9	POSTAGE INC. & CUSTOMER GROWTH	
TOTAL	160,071	166,347	174,727			
922 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	(143,964)	(156,207)	(174,404)	9	CONSTRUCTION & 920-921 ABOVE	
OTHER TRENDED					0.00%	0.00%
TOTAL	(143,964)	(156,207)	(174,404)			
923.1 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	23,037	24,014	25,906	1	104.10%	106.60%
OTHER TRENDED-SEPR. STUDY	2,400	2,490	2,600	1	104.10%	106.60%
TOTAL	26,237	27,313	28,914			
923.2 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	20,020	29,169	30,452	1	104.10%	106.60%
OTHER TRENDED					0.00%	0.00%
TOTAL	20,020	29,169	30,452			
923.3 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	61,910	64,457	67,292	1	104.10%	106.60%
OTHER TRENDED					0.00%	0.00%
TOTAL	61,910	64,457	67,292			
924 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	21,216	20,406	19,623	9	PREMIUM QUOTE	
OTHER TRENDED					0.00%	0.00%
TOTAL	21,216	20,406	19,623			
925 PAYROLL TRENDED	0	0	0		0.00%	0.00%
OTHER TRENDED	460,195	497,400	530,911	9	PREMIUM QUOTE	
OTHER TRENDED					0.00%	0.00%
TOTAL	460,195	497,400	530,911			

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
***** ADMINISTRATIVE & GENERAL EXPENSE cont. *****						
926.1 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	(19,000)	(4,332)	(13,930)	9	ACTUARIAL PROJECTIONS	
OTHER TRENDED					0.002	0.002
TOTAL	(19,000)	(4,332)	(13,930)			
926.2 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	290,269	230,141	261,104	1	104.102	100.602
OTHER TRENDED	17,702	93,939	97,312	9	MEDICAL CLAIM ADJUSTMENT	
TOTAL	257,991	304,100	350,450			
929 PAYROLL TRENDED	3,621	3,704	3,954	3	104.502	109.202
OTHER TRENDED	40,149	41,795	43,634	1	104.102	100.602
OTHER TRENDED	7,395	0	16,233	9	RATE CASE EXPENSE	
TOTAL	31,165	45,579	63,821			
930.1 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	0	0	0		0.002	0.002
OTHER TRENDED					0.002	0.002
TOTAL	0	0	0			
930.2 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	42,522	44,265	46,213	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	42,522	44,265	46,213			
930.22 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	24,401	25,401	26,519	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	24,401	25,401	26,519			
931 PAYROLL TRENDED	0	0	0		0.002	0.002
OTHER TRENDED	2,200	2,299	2,400	1	104.102	100.602
OTHER TRENDED					0.002	0.002
TOTAL	2,200	2,299	2,400			

19

	BASE YEAR	BASE YEAR +1	PROJECTED TEST YEAR	CODE		
ADMINISTRATIVE & GENERAL EXPENSE cont.						
W3 PAYROLL TREND	17,470	18,465	19,270	3	104,502	107,202
OTHER TREND	27,929	29,074	30,353	1	104,102	106,602
OTHER TREND					0,002	0,002
TOTAL	45,399	47,539	49,623			
TOTAL ADMINISTRATION EXPENSES	1,651,418	1,804,830	1,900,520			
TOTAL O & H EXPENSES	5,295,445	5,645,700	5,923,405			

TOTAL EXPENSES

PAYROLL TREND	3,259,724	3,399,537	3,570,630
OTHER TREND	1,902,280	1,992,892	2,064,744
OTHER TREND	133,453	213,279	250,002
TOTAL O & H EXPENSES	5,295,445	5,605,700	5,923,405

20

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE COMPANY'S 13-MONTH AVERAGE RECONCILED JURISDICTIONAL CAPITAL STRUCTURE AND COST RATES FOR EACH CLASS OF CAPITAL FOR THE HISTORIC BASE YEAR OF THE CURRENT CASE AND THE HISTORIC BASE YEAR OR TEST YEAR OF THE LAST DATE CASE.

TYPE OF DATA SHOWN:
 HISTORIC BASE YEAR DATE: 12/31/09
 PRIOR DATE CASE YR: 12/31/04
 METHOD: TBY

COMPANY: FPIC GAS OPERATIONS

DOCKET NO.: 000151-00

21

LINE NO.	CLASS OF CAPITAL (1)	LAST DATE CASE - TEST YEAR OR HISTORIC BASE YEAR ENDED 12/31/04 (1)						PRESENT DATE CASE - HISTORIC BASE YEAR ENDED 12/31/09						INTEREST EXPENSE (13)	
		DOLLARS (2)		RATIO (3)		WEIGHTED COST (4)		AMOUNT PER DOLLAR (8)	ADJUSTMENTS (2)			COST RATE (13) ^a	WEIGHTED COST (14)		
		REQUESTED (4)	APPROVED (5)	REQUESTED (6)	APPROVED (7)	SPECIFIC (9)	PRORATA (10)		NET (11)	RATIO (12)					
1	COMMON EQUITY	4,694,874	32.70%	13.50%	14.50%	5.67%	4.70%	5,440,405	0	(20,406)	5,619,919	28.42%	13.85%	3.936%	
2	PREFERRED STOCK	400,294	2.84%	4.77%	4.77%	0.14%	0.14%	230,367	0	(1,202)	237,165	1.20%	4.75%	0.057%	
3	LONG TERM DEBT	4,920,614	34.33%	9.43%	9.43%	3.24%	3.24%	7,700,900	0	(30,830)	7,662,062	38.74%	9.78%	3.789%	749,354
4	SHORT TERM DEBT	0	0.00%	0.00%	0.00%	0.00%	0.00%	467,074	0	(2,360)	463,514	2.33%	9.81%	0.221%	43,805
5	CUSTOMER DEPOSITS	871,825	6.07%	0.64%	0.64%	0.32%	0.32%	1,234,500	0	0	1,234,500	6.24%	0.64%	0.320%	104,439
6	TAX CREDITS - 0 COST	35,560	0.39%	0.00%	0.00%	0.00%	0.00%	40,819	0	0	40,819	0.21%	0.00%	0.000%	
7	TX CREDITS - WTD CST	904,199	6.38%	9.37%	9.22%	0.60%	0.58%	935,695	0	0	935,695	4.83%	11.17%	0.340%	50,973
8	ACCN DEFERRED INC TAXES - 0 COST	2,494,096	17.37%	0.00%	0.00%	0.00%	0.00%	3,561,100	0	0	3,561,100	18.01%	0.00%	0.000%	
9	OTHER (EXPLAIN)	0	0.00%	0.00%	0.00%	0.00%	0.00%	0	0	0	0	0.00%	0.00%	0.000%	
10	TOTAL	14,337,462	100.00%			9.57%	9.22%	19,047,668	0	(70,006)	19,774,702	100.00%		9.071%	940,567

COST RATE FOR TAX CREDITS WEIGHTED COST:

11	COMMON EQUITY										5,619,919	41.57%	13.85%	3.757%
12	PREFERRED EQUITY										237,165	1.75%	4.75%	0.0031%
13	LONG-TERM DEBT										7,662,062	56.60%	9.81%	3.336%
14	TOTAL										13,519,146	100.00%		11.1741%

(1) PER ORDER NO. 16195, PAGE 34.

(2) ADJUSTMENT REPRESENTS UNDERRECOVERED GAS COSTS - SEE BALANCE SHEET
 & THE COST RATE FOR COMMON EQUITY SHALL BE THE COMPANY PROPOSED RATE.

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE COMPANY'S 12-MONTH AVERAGE CAPITAL STRUCTURE AND COST RATE FOR THE MOST RECENT YEAR PRIOR TO THE HISTORIC BASE YEAR. (CONSISTENT WITH THE METHODOLOGY OF SCHEDULE B-1 PAGE 1)

TYPE OF DATA SHOWN:
HISTORIC BASE YEAR - 1 : 12/31/00
METHOD: TWT

COMPANY: FPMC GAS OPERATIONS

DOCKET NO.: 900134-00

Line No.	Class of Capital (1)	Dollars (2)	Ratio (3)	Cost Rate (4)	Weighted Cost Rate (5)	Interest Expense (6)
1	COMMON EQUITY	5,170,001	26.40%	13.05%	3.0752%	
2	PREFERRED EQUITY	263,707	1.36%	4.75%	0.0646%	
3	LONG TERM DEBT	7,249,000	37.42%	9.62%	3.5990%	697,431
4	SHORT TERM DEBT	1,276,100	6.59%	0.10%	0.5330%	103,371
5	CUSTOMER DEPOSITS	1,223,692	6.32%	9.00%	0.5400%	110,132
6	TAX CREDITS- 0 COST	43,689	0.23%	0.00%	0.0000%	
7	TAX CREDITS - WTD. COST	991,204	5.12%	11.24%	0.5753%	54,509
8	DEFERRED INCOME TAXES	3,157,502	16.30%	0.00%	0.0000%	
9	TOTAL	19,375,935	100.00%		9.0377%	965,443
10				ROUNDED	9.04%	
COST RATE FOR TAX CREDITS WEIGHTED COST:						
11	COMMON EQUITY	5,170,001	40.76%	13.05%	5.6453%	
12	PREFERRED EQUITY	263,707	2.00%	4.75%	0.0900%	
13	LONG-TERM DEBT	7,249,000	57.16%	9.62%	5.4900%	
14	TOTAL	12,682,708	100.00%		11.2429%	

Commissioners:
MICHAEL H. WILSON, Chairman
GERALD L. (JERRY) GUNTER
THOMAS H. BEARD
BETTY EASLEY
FRANK S. MESSERSMITH

State of Florida



STEVE TRIBBLE, Director
Division of Records & Reporting
(904) 488-8371

Public Service Commission

November 8, 1990

Florida Public Utilities
Attn: Mr. E. J. Patterson
Post Office Drawer C
West Palm Beach, FL 33402-3395

Dear Mr. Patterson:

Docket No. 900151-GU -- Florida Public Utilities
Rate Case Audit - 12 Months Ended December 31, 1989

The enclosed report is forwarded for your review.

The audit report and any company response filed with this office within ten (10) work days of the above date will be forwarded for consideration by the staff analyst in the preparation of a recommendation for this case.

Thank you for your cooperation.

Sincerely,

Steve Tribble

ST/FD/sp
Enclosure