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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public)
Utilities Company for a rate)
Increase.)
_____)

DOCKET NO. 900151-GU
FILED: December 14, 1990

STAFF'S PREHEARING STATEMENT

The Staff of the Florida Public Service Commission files its Prehearing Statement and states:

A. All Known Witnesses

- 1. Andrew L. Maurey

B. All Known Exhibits

Exhibit No. **Witness**

_____ Maurey
(ALM-1)

Description

Composite Exhibit
Consisting of:

Schedule 1: Interest and
Inflation Rates Stock Market
Performance

Schedule 2: Moody's Natural
Gas Distribution Index
Investment Risk
Characteristics

Schedule 3: DCF Model
Equation

Schedule 4: Two Stage
Growth Quarterly Compunded
DCF Model

Schedule 5: DCF Analysis,
Moody's Natural Gas
Distribution Index

Schedule 6: Estimated
Monthly Risk Premiums

Schedule 7: Risk Premium
Analyses

- ACK _____
- AFA _____
- APP _____
- CAF _____
- GMU _____
- CTR _____
- EAG _____
- LEG _____
- LIN 6
- OPC _____
- RCH _____
- SEC 1
- WAS _____
- OTH _____

DOCUMENT NUMBER-DATE

11060 DEC 14 1990

FPSC-RECORDS/REPORTING

<u>Exhibit No.</u>	<u>Witness</u>	<u>Description</u>
		Schedule 8: FPUC, Therm Sales and Revenues
		Schedule 9: Moody's Natural Gas Distribution Index Revenue Breakdown
		Schedule 10: Bond Yield Differentials
		Appendix A: Derivation of the Two-Stage Growth Quarterly Compounded DCF Model

C. Staff's Statement of Basic Position

Florida Public Utilities Company has failed to fully support its request for a revenue increase of \$2,022,050 amended to \$2,238,827 in its amended direct testimony. The Company has filed data to support an increase of \$1,979,534 in the projected test year.

D. Staff's Position on the Issues

Note: If no position statement is indicated for an issue below, Staff has no position on such issue at this time. Staff explicitly reserves the right to take a position on such issues.

STAFF'S LIST OF ISSUES

ISSUE 1: Should an adjustment be made to the Company's projected test year balance of plant in service, accumulated depreciation, and depreciation expense to reflect increases in percentages of common plant allocable to nonutility operations?

**STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 3**

STAFF: Yes. The following adjustments should be made to common plant:

<u>Account</u>	<u>Plant</u>	<u>Accumulated Depreciation</u>	
		<u>Depreciation</u>	<u>Expense</u>
389	(\$2,583)	N/A	N/A
374	(\$469)	N/A	N/A
375	(\$19,984)	(\$5,919)	(\$500)
390	(\$2,716)	(\$765)	(73)
392	<u>(\$58,577)</u>	<u>(\$26,475)</u>	<u>N/A</u>
Subtotal	(\$84,329)	(\$33,159)	(\$573)
Less: Co. Adj.	<u>(\$77,608)</u>	<u>(\$30,101)</u>	<u>(0)</u>
Net Adjustment	(\$ 6,721)	(\$ 3,058)	(\$573)

ISSUE 2: Contrary to Commission rule 25-7.0461, the Company included certain administrative and general expenses in capitalized construction overhead. Should there be an adjustment reducing plant, accumulated depreciation, and depreciation expenses and increasing administrative and general expenses to achieve compliance with the Commission's rule?

STAFF: Yes. The following adjustments should be made:

<u>Plant</u>	<u>Accum. Depr.</u>	<u>Depr. Exp.</u>	<u>Admin. & Gen. Expense</u>
(\$658,530)	(\$54,323)	(\$19,754)	\$174,484

ISSUE 3: Should Plant in Service and associated accumulated depreciation accounts be reduced to remove inactive service lines that have been inactive for more than five years?

STAFF: Yes. Plant in Service and Associated Accumulated Depreciation should be reduced. However, the amounts cannot be determined until the Company conducts a study to identify the number of effected lines.

ISSUE 4: What is the appropriate projected test year working capital allowance? (This is a calculation based on the resolution of any preceding working capital issues.)

STAFF: The appropriate amount of projected test year working capital is \$0.

**STAFF PREHEARING STATEMENT
DOCKET NO. 90015-GU
PAGE 4**

ISSUE 5: What is the appropriate rate base to be used for the projected test year ending December 31, 1991? (This is a calculation based on the resolution of the preceding rate base issues.)

STAFF: \$23,119,419.

ISSUE 6: Should depreciation expenses be adjusted to reflect the depreciation rates approved by the Commission in Docket No. 900600-GU relating to the Company's 1990 depreciation study?

STAFF: Yes. Plant in Service and associated accumulated depreciation should be calculated at rates determined in Docket No. 900600-GU. This will also require an adjustment to depreciation expense.

ISSUE 7: Should there be an adjustment to remove projected test year salaries associated with open positions that will not be filled until April, 1991 and to remove the salary of a terminated position?

STAFF: Yes. \$27,944 should be removed from projected test year salaries for positions that will not be filled during all or a portion of the test year.

ISSUE 8: Should there be an adjustment to the projected test year medical insurance expense because of the unusually high level of claims paid by the Company in 1989 and 1990?

STAFF: Yes. Based on past claims experience, the level of expenses paid in 1989 and 1990 is unlikely to recur in 1991. Allowing for a 10% increase over the average of the past five years of expenses results in a figure that is slightly less than the figure originally filed by the Company. Staff recommends a reduction of \$27,942 to return to the original expense figure that was proposed.

ISSUE 9: Should there be an adjustment reducing accounts 909 and 913 for advertising expenses properly allocable to the Company's LP and merchandising operations?

STAFF: Yes. Advertising expenses should be reduced by \$9,555.

ISSUE 10: Should gross receipts taxes be eliminated from base rates and stated as a separate line item on customers' bills?

**STAFF PREHEARING STATEMENT
DOCKET NO. 90015 -GU
PAGE 5**

STAFF: Yes. In this issue Staff agrees with Company. However, an adjustment also needs to be made to remove gross receipts taxes from revenues.

ISSUE 11: What are the appropriate trend factors to be used in deriving the projected test year operating and maintenance expenses?

STAFF: The appropriate trend factors to be used to derive the projected test year operating and maintenance expenses are as follows:

<u>FACTOR</u>	<u>HBV + 1</u>	<u>PTY</u>
Payroll	4.50%	4.50%
Customer Growth x Inflation	5.19%	6.10%
Inflation Only	5.50%	5.00%
Customer Growth	-.29%	1.05%

ISSUE 12: Should adjustments be made for the effect of the Company exceeding the O & M benchmark?

STAFF: Yes. The Company has not justified an increase in distribution account expenses of \$35,974. Therefore, O & M expenses should be reduced by that amount.

ISSUE 13: What is the appropriate amount of rate case amortization expense to be included in the projected test year?

STAFF: Staff agrees with the Company's adjustment increasing the expense by \$2,736. The appropriate amount of expense is \$56,906. Since the original estimate was for \$48,700, the projected test year amortization expense should be increased by \$2,736 assuming a three year write off is used.

ISSUE 14: Should the projected test year expenses be reduced for the effect of changing which trend factor is selected to apply to portions of O & M accounts?

STAFF:

ISSUE 15: Should an adjustment be made to the projected test year payroll taxes for the effect of Staff's adjustments to payroll expense?

STAFF: Yes. Payroll taxes should be reduced by \$2,254 for the effect of a reduction to payroll expenses.

ISSUE 16: Should an adjustment be made to the projected test year operating expenses for the effect of changing the trend factors addressed in Issue 19? (This is a calculation based on the resolution of all operating and maintenance issues above.)

STAFF: Yes. By applying these factors, the following adjustments are required due to a change in the inflation rate:

<u>Factor Type</u>	<u>PTY Amount</u>
Inflation	\$5,317

ISSUE 17: Should an adjustment be made for the effect of updating allocation factors that are applied to common expense accounts? The old allocation factors were based on 1987 data. The new allocation factors reflect 1989 data.

STAFF: Yes. The revised allocation factors result in a \$43,441 reduction of common expenses allocated to the Company's natural gas operations. O & M expenses should be reduced by \$43,441.

ISSUE 18: What is the appropriate amount of the projected test year depreciation and amortization expense?

STAFF: \$1,332,771.

ISSUE 19: Should adjustments be made to current income taxes and interest reconciliation for the effect of changes to the projected test year capital structure and net operating income?

**STAFF PREHEARING STATEMENT
DOCKET NO. 90015 -GU
PAGE 7**

STAFF: Yes. The following adjustments should be made for the effect of changes to the projected test year operating income and capital structure:

Current Income Tax Expense:	
State Income Tax	\$ 9,501
Federal Income Tax	55,506
Deferred Income Tax Expense:	
State Income Tax	-0-
Federal Income Tax	-0-
Interest Reconciliation	(\$18,467)
Total Adjustments	\$46,540

ISSUE 20: What is the appropriate amount of the projected test year net operating income?

STAFF: Net Operating Income for the projected test year is \$783,283.

ISSUE 21: Should accumulated deferred income taxes associated with customer deposits be included in the capital structure?

STAFF: No position at this time.

ISSUE 22: What is the appropriate cost rate for investment tax credits?

STAFF: No position at this time.

ISSUE 23: What is the appropriate cost of common equity to be used to calculate the overall cost of capital in the projected test year?

STAFF: 13.00%

ISSUE 24: What is the weighted average cost of capital including the proper components, amounts, and cost rates associated with the capital structure for the projected test year ending December 31, 1991?

STAFF: The weighted average cost of capital is 8.6901%. Calculations showing the proper components, amounts and cost rates are shown on Attachment 3.

ISSUE 25: What is the appropriate amount of the projected test year revenue deficiency?

**STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 8**

STAFF: \$1,979,534.

ISSUE 26: What should the miscellaneous service charges be?

STAFF: The following miscellaneous service charges should be approved.

Initial Connection	\$21.00
Reconnection	\$17.00
Change of Account (meter read only)	\$ 8.00
Collection in lieu of disconnection	\$ 7.00
Returned Check Charge 5% or	\$15.00

ISSUE 27: What is the appropriate cost of service methodology to be used in allocating costs to the various rate classes?

STAFF: Staff's cost of service as modified by Florida Public Utilities Company.

ISSUE 28: Should the Company's proposed revenue requirement allocation be approved?

STAFF: No. Revenue requirements have changed due to prior adjustments by Staff. The revenue requirements should be allocated as shown in Attachment ?

ISSUE 29: How should the revenue increase, if any, be allocated between customer classes?

STAFF: The revenue increase should be allocated between rate classes so as to move toward equal rates of return for all classes as much as possible.

ISSUE 30: What should the rates and charge be for Florida Public Utilities Company?

STAFF: The rates shown on Attachment 6.

ISSUE 31: What are the billing determinants to be used in the projected test year?

STAFF: As used in Attachment 6.

ISSUE 32: Should the Commission approve the Company's proposed transportation rate schedules LVTS, ITS, LVITS and the additional declining block transportation administrative charges?

STAFF: Yes, with the exception of the additional declining block transportation administrative charges.

ISSUE 33: Should the Commission approve the Company's proposed elimination of rate schedule OLS, outdoor lighting service?

STAFF: Yes.

ISSUE 34: Should the refund of interim be based upon the total interim revenues above the permanent increase or based upon the appropriate return on equity established in the rate case?

STAFF: The refund, if any, should be based upon the appropriate return on equity established in the rate case.

E. Stipulated Issues

None at this time.

F. Pending Motions

None at this time.

G. Other Matters

Attached to this Prehearing Statement are schedules showing Comparative Average Rate Bases (Attachment 1), Comparative Net Operating Income (Attachment 2), O&M Forecast Worksheet (Attachment 2B), Cost of Capital (Attachment 3), Calculation of the Net Operating Income Multiplier (Attachment 4) and Projected Test Year Deficiency Calculation (Attachment 5). Staff's Cost of Service Study, which will be Attachment 6 will be filed at a later date.

STAFF PREHEARING STATEMENT
DOCKET NO. 900111-GU
PAGE 10

Dated this 14 day of December, 1990.

Respectfully Submitted,

Robert V. Elias

ROBERT V. ELIAS

Staff Counsel

FLORIDA PUBLIC SERVICE COMMISSION

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FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE AVERAGE RATE BASES
PTY 12/31/91

Attachment 1
January 3, 1991

ADJ NO.	COMPANY			STAFF		
	TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS ADJUST.	ADJ. JURIS.	
Utility Plant:						
	Plant in Service	\$33,248,284				
1	Common Plant Allocated Out	(\$702,517)	(\$77,608)		(\$6,721)	
	Common Plant Allocated In	\$684,500				
2	Remove Capitalized A&G Exp				(\$658,530)	
	Acquisition Adjustment	\$303,400				
	Update Construction Budget		\$542,046			
3	Adjust Inactive Service Lines					
	Construction Work In Progress	\$241,000				
	Total Plant	\$33,774,667	\$464,438	\$34,239,105	(\$665,251)	\$33,573,854
Deductions:						
	Accum. Depr. & Amort.-Utility Plant	\$9,992,238				
1	Accum. Depr. Alloc In-Common Plan	(\$259,990)	(\$30,101)		(\$3,058)	
	Accum. Depr. Alloc Out-Common PI	\$181,814				
2	Accum. Depr.-Capitalized A&G Exp				(\$54,323)	
	Accum. Amort.-Acquisition Adj.	\$313,211				
	Accum. Depr.-Updated Construc. Budget		\$6,940			
3	Adjust Inactive Service Lines					
	Customer Advances for Construction	\$307,704				
	Total Deductions	\$10,534,977	(\$23,161)	\$10,511,816	(\$57,381)	\$10,454,435
	Net Plant	\$23,239,690	\$487,599	\$23,727,289	(\$607,870)	\$23,119,419
Allowance for Working Capital:						
4	Balance Sheet Method	(\$159,203)	\$159,203	\$0	\$0	\$0
5	Total Rate Base	\$23,080,487	\$646,802	\$23,727,289	(\$607,870)	\$23,119,419

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE NOIs
PTY 12/31/91

	COMPANY		STAFF	
Operating Revenues:	\$23,485,497			
Remove Interim Relief				
Revenues Due To Growth	\$552,713			
Fuel Revenue Adjustment	(\$15,279,211)			
Remove Propane Sales	(\$75,782)			
Change in Unbilled Revenues	\$2,698			
10 Remove Gross Receipts			(\$117,510)	
Totals	<u>\$8,685,915</u>	<u>\$0</u>	<u>\$8,685,915</u>	<u>(\$117,510)</u>
				<u>\$8,568,405</u>
Operating Expenses:	\$21,038,070			
Remove Cost of Gas	(\$15,136,981)			
Add Cost of Company Use Gas	\$22,316			
7 Remove Salaries-Open Positions			(\$27,944)	
8 Increase Medical Ins Exp	\$27,942		(\$27,942)	
Increase Pensions Expense	\$25,991			
9 Remove Nonutility Advertising			(\$9,555)	
Correct Subaqueous Inspect'n. Exp	(\$3,485)			
Remove Nonrecurring Exp.	(\$3,376)			
Adjust Liability Insurance	(\$14,521)			
12 Benchmark-Distribution Expenses			(\$35,974)	
13 Adjust Rate Case Expense	\$2,736			
14 Adjust for Different Trend				
16 Effect of Changing Trend	\$33,561		(\$5,317)	
17 Adj for Updated Alloc Factor			(\$43,441)	
2 Adj Capitalized A&G Exp	\$174,484			
Totals	<u>\$5,923,405</u>	<u>\$243,332</u>	<u>\$6,166,737</u>	<u>(\$150,173)</u>
				<u>\$6,016,564</u>
Depreciation and Amortization:	\$1,095,959			
1 Adjust Common Plant			(\$573)	
2 Adj Depr-Capitalized A&G Exp			(\$19,754)	
Adj Depr-Updated Construc Budget	\$17,539			
3 Adjust Inactive Service Lines				
6 Adj to New Depre Rates			?	
Amort. Environmental Costs	\$239,600			
18 Totals	<u>\$1,335,559</u>	<u>\$17,539</u>	<u>\$1,353,098</u>	<u>(\$20,327)</u>
				<u>\$1,332,771</u>

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 900151-GU
COMPARATIVE NOIs
PTY 12/31/91

ADJ NO	COMPANY			STAFF	ADJUSTED JURIS.	
	PER BOOKS	ADJUST.	COMPANY ADJUST.	ADJUSTS.		
	Taxes Other Than Income:	\$839,885				
15	Adjust Payroll Taxes			(\$2,254)		
	Adjust Emergency Excise Tax					
10	Remove Gross Receipts Tax		(\$117,510)			
	Adjust Property Tax		\$8,497			
	Adjust Intangible Tax Rate		\$1,013			
	Totals	<u>\$839,885</u>	<u>(\$108,000)</u>	<u>\$731,885</u>	<u>(\$2,254)</u>	<u>\$729,631</u>
	Federal Income Taxes:	(\$265,500)				
	Interest Reconciliation		(\$12,250)			
19	Tax Effect of Above Adjustments		(\$49,117)	\$55,506		
	Totals	<u>(\$265,500)</u>	<u>(\$61,367)</u>	<u>\$55,506</u>	<u>(\$271,361)</u>	
	State Income Taxes:	(\$45,900)				
	Interest Reconciliation		(\$2,097)			
19	Tax Effect of Above Adjustments		(\$8,408)	\$9,501		
	Totals	<u>(\$45,900)</u>	<u>(\$10,505)</u>	<u>\$9,501</u>	<u>(\$46,904)</u>	
	Deferred Income Taxes:					
19	Federal	\$68,878				
	Prior Year Adjustment					
19	State	\$12,718				
	Prior Year Adjustment					
	Totals	<u>\$81,596</u>	<u>\$0</u>	<u>\$81,596</u>	<u>\$0</u>	<u>\$81,596</u>
	Investment Tax Credit:	(\$38,708)				
19	Interest Reconciliation			(\$18,467)		
	Totals	<u>(\$38,708)</u>	<u>\$0</u>	<u>(\$18,467)</u>	<u>(\$57,175)</u>	
	Total Operating Expenses	\$7,830,337	\$80,999	\$7,911,336	(\$126,214)	\$7,785,122
20	Net Operating Income	<u>\$855,578</u>	<u>(\$80,999)</u>	<u>\$774,579</u>	<u>\$8,704</u>	<u>\$783,283</u>

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXinfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05%) For Informational Purposes

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
807 Payroll Trended	558	583	609	1
Other Trended	5,022	5,188	5,628	
Other not Trended				
Total	5,580	5,771	6,237	
Distribution Expense				
870 Payroll Trended	149,929	156,676	163,726	1
Other Trended	19,215	20,272	21,285	4
Other not Trended				
Total	169,144	176,948	185,012	
871 Payroll Trended	2,250	2,351	2,457	1
Other Trended	17,508	18,471	19,394	4
Other not Trended				
Total	19,758	20,822	21,852	
874 Payroll Trended	130,211	135,680	143,278	2
Other Trended	54,764	57,606	61,120	3
Other not Trended	0	3,950	1,317	
Total	184,975	197,236	205,715	
875 Payroll Trended	472	493	515	1
Other Trended	759	801	841	4
Other not Trended				
Total	1,231	1,294	1,356	
Subtotal	375,108	396,300	413,935	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-(U)
PAGE 15

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year	Projected
	+1	Test Year
	12/31/90	12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXInfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05%) For Informational Purposes

Account	FPUC	Base Year	Projected	Trend Basis Applied
	Base Year	+1	Test Year	
Maintenance Expenses				
876 Payroll Trended	4,750	4,964	5,187	1
Other Trended	2,309	2,436	2,558	4
Other not Trended				
Total	<u>7,059</u>	<u>7,400</u>	<u>7,745</u>	
877 Payroll Trended	4,833	5,050	5,278	1
Other Trended	2,530	2,669	2,803	4
Other not Trended				
Total	<u>7,363</u>	<u>7,720</u>	<u>8,080</u>	
878 Payroll Trended	526,549	548,664	579,389	2
Other Trended	170,680	179,538	190,490	3
Other not Trended				
Total	<u>697,229</u>	<u>728,202</u>	<u>769,879</u>	
879 Payroll Trended	177,653	185,114	195,481	2
Other Trended	(50,718)	(52,848)	(55,808)	2
Other not Trended				
Total	<u>126,935</u>	<u>132,266</u>	<u>139,673</u>	
880 Payroll Trended	236,869	246,817	260,639	2
Other Trended	99,369	104,526	110,902	3
Other not Trended				
Total	<u>336,238</u>	<u>351,344</u>	<u>371,542</u>	
Subtotal	<u>1,549,932</u>	<u>1,623,232</u>	<u>1,710,854</u>	

**STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 16**

**Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation**

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthGrnl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05% } For Informational Purposes -

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
Distribution Expense				
881 Payroll Trended	0	0	0	
Other Trended	3,348	3,532	3,709	4
Other not Trended				
Total	3,348	3,532	3,709	
Total Distr. Exp.	1,553,280	1,626,764	1,714,563	
Maintenance Expense				
885 Payroll Trended	57,303	59,882	62,576	1
Other Trended	7,405	7,812	8,203	4
Other not Trended				
Total	64,708	67,694	70,779	
886 Payroll Trended	63	66	69	1
Other Trended	3,563	3,759	3,947	4
Other not Trended				
Total	3,626	3,825	4,016	
887 Payroll Trended	186,765	194,609	205,507	2
Other Trended	120,736	127,002	134,749	3
Other not Trended				
Total	307,501	321,611	340,257	
Subtotal	375,835	393,130	415,051	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 17

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

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Customer Growth -0.29% 1.05%) For Informational Purposes

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
889 Payroll Trended	541	565	591	1
Other Trended	370	390	410	4
Other not Trended				
Total	911	956	1,001	
890 Payroll Trended	669	699	731	1
Other Trended	1,059	1,117	1,173	4
Other not Trended				
Total	1,728	1,816	1,904	
891 Payroll Trended	8,471	8,852	9,251	1
Other Trended	3,696	3,899	4,094	4
Other not Trended		4,600	4,802	
Total	12,167	17,351	18,147	
892 Payroll Trended	58,697	61,162	64,587	2
Other Trended	19,487	20,498	21,749	3
Other not Trended				
Total	78,184	81,661	86,336	
893 Payroll Trended	88,403	92,116	97,274	2
Other Trended	30,602	32,190	34,154	3
Other not Trended				
Total	119,005	124,306	131,428	
Subtotal	587,830	619,220	653,867	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-CU
PAGE 18

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
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Customer Growth -0.29% 1.05%) For Informational Purposes

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
Maintenance Expenses				
894 Payroll Trended	391	407	430	2
Other Trended	930	978	1,038	3
Other not Trended				
Total	1,321	1,386	1,468	
Total Maint. Exp.	589,151	620,606	655,335	
Customer Acct & Colln.				
901 Payroll Trended	29,853	31,196	32,600	1
Other Trended	7,246	7,645	8,027	4
Other not Trended				
Total	37,099	38,841	40,627	
902 Payroll Trended	168,625	175,707	185,547	2
Other Trended	40,205	42,292	44,871	3
Other not Trended				
Total	208,830	217,999	230,418	
903 Payroll Trended	364,369	379,672	400,934	2
Other Trended	98,670	103,791	110,122	3
Other not Trended	98,936	100,622	123,876	
Total	561,975	584,085	634,932	
Subtotal	807,904	840,925	905,978	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-CJ
PAGE 19

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXInfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05% } For Informational Purposes

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
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Customer Acct. & Collec.

904 Payroll Trended	0			
Other Trended	55,535	55,435	57,856	
Other not Trended				
Total	55,535	55,435	57,856	
905 Payroll Trended	6,965	7,258	7,664	2
Other Trended	37,272	39,206	41,598	3
Other not Trended				
Total	44,237	46,464	49,262	
Total Cust Acct Exp	907,676	942,824	1,013,096	

Cust. Serv. & Info.

908 Payroll Trended	0	0	0	
Other Trended	280	295	312	3
Other not Trended				
Total	280	295	312	
909 Payroll Trended	0	0	0	
Other Trended	8,929	9,392	9,965	3
Other not Trended				
Total	8,929	9,392	9,965	
Total Cust Serv Exp	9,209	9,687	10,278	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 20

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year	Projected		
	+1 12/31/90	Test Year 12/31/91		
#1 Payroll Only	4.50%	4.50%		
#2 Cust GrwthXPay	4.20%	5.60%		
#3 Cust GrwthXInfl	5.19%	6.10%		
#4 Inflation Only	5.50%	5.00%		
Customer Growth	-0.29%	1.05%) For Informational Purposes	
	FPUC	Base Year	Projected	Trend
Account	Base Year	+1	Test Year	Basis
				Applied
911 Payroll Trended	63,627	66,490	69,482	1
Other Trended	11,115	11,726	12,313	4
Other not Trended				
Total	74,742	78,217	81,795	
912 Payroll Trended	276,801	288,427	304,579	2
Other Trended	44,506	46,816	49,672	3
Other not Trended				
Total	321,307	335,243	354,250	
913 Payroll Trended	0	0	0	
Other Trended	3,035	3,193	3,387	3
Other not Trended				
Total	3,035	3,193	3,387	
916 Payroll Trended	43,817	45,657	48,214	2
Other Trended	65,159	68,541	72,722	3
Other not Trended				
Total	108,976	114,198	120,936	
Total Sales Exp	508,060	530,850	560,368	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 21

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXInfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05% } For Informational Purposes

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
920 Payroll Trended	609,519	636,947	665,610	1
Other Trended	1,296	1,367	1,436	4
Other not Trended				
Total	<u>610,815</u>	<u>638,315</u>	<u>667,046</u>	
920 Payroll Trended	(395)	(413)	(431)	1
Other Trended	0	0	0	
Other not Trended				
Total	<u>(395)</u>	<u>(413)</u>	<u>(431)</u>	
921 Payroll Trended	0	0	0	
Other Trended	149,010	157,206	165,066	4
Other not Trended	7,020	7,000	8,369	
Total	<u>156,030</u>	<u>164,206</u>	<u>173,435</u>	
922 Payroll Trended	0	0	0	
Other Trended	(143,964)	(156,287)	0	
Other not Trended				
Total	<u>(143,964)</u>	<u>(156,287)</u>	<u>0</u>	
923.1 Payroll Trended	0	0	0	
Other Trended	23,290	24,571	25,799	4
Other not Trended	2,400	2,532	2,659	4
Total	<u>25,690</u>	<u>27,103</u>	<u>28,458</u>	
Subtotal	<u>648,176</u>	<u>672,923</u>	<u>868,507</u>	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 22.

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXInfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05%) For Informational Purposes -

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
923.2 Payroll Trended				
	0			
Other Trended	27,916	29,451	30,924	4
Other not Trended				
Total	<u>27,916</u>	<u>29,451</u>	<u>30,924</u>	
923.3 Payroll Trended				
	0			
Other Trended	60,498	63,825	67,017	4
Other not Trended				
Total	<u>60,498</u>	<u>63,825</u>	<u>67,017</u>	
924 Payroll Trended				
	0	0	0	
Other Trended	21,216	20,486	19,623	Prem Quote
Other not Trended				
Total	<u>21,216</u>	<u>20,486</u>	<u>19,623</u>	
925 Payroll Trended				
	0	0	0	
Other Trended	468,195	491,803	512,854	Prem Quote
Other not Trended				
Total	<u>468,195</u>	<u>491,803</u>	<u>512,854</u>	
926.1 Payroll Trended				
	0	0	0	
Other Trended	(19,080)	(9,812)	12,033	Act Proj
Other not Trended				
Total	<u>(19,080)</u>	<u>(9,812)</u>	<u>11,596</u>	
Subtotal	<u>1,206,921</u>	<u>1,268,677</u>	<u>1,510,521</u>	

STAFF PREHEARING STATEMENT
DOCKET NO. 900151-GU
PAGE 23

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year	Projected		
	+1 12/31/90	Test Year 12/31/91		
#1 Payroll Only	4.50%	4.50%		
#2 Cust GrwthXPay	4.20%	5.60%		
#3 Cust GrwthXInfl	5.19%	6.10%		
#4 Inflation Only	5.50%	5.00%		
Customer Growth	-0.29%	1.05%) For Informational Purposes	

Account	FPUC Base Year	Base Year +1	Projected Test Year	Trend Basis Applied
Administrative Expenses				
926.2 Payroll Trended	0	0	0	
Other Trended	0	0	0	4
Other not Trended	257,991	344,100	352,990	Med Claim Adj
Total	257,991	344,100	352,990	
928 Payroll Trended	3,621	3,784	3,954	1
Other Trended	40,149	42,357	44,475	4
Other not Trended	7,395	0	18,969	Rate Case Exp
Total	51,165	46,141	67,398	
930.1 Payroll Trended	0	0	0	
Other Trended	0	0	0	
Other not Trended				
Total	0	0	0	
930.2 Payroll Trended	0	0	0	
Other Trended	41,586	43,873	46,067	4
Other not Trended				
Total	41,586	43,873	46,067	
930.22 Payroll Trended	0	0	0	
Other Trended	24,401	25,743	27,030	4
Other not Trended				
Total	24,401	25,743	27,030	
Subtotal	1,582,064	1,728,535	2,004,006	

Florida Public Utilities Company
O & M Forecast Worksheet - Projected Test Year Calculation

Staff Trend Rates	Base Year +1 12/31/90	Projected Test Year 12/31/91
#1 Payroll Only	4.50%	4.50%
#2 Cust GrwthXPay	4.20%	5.60%
#3 Cust GrwthXinfl	5.19%	6.10%
#4 Inflation Only	5.50%	5.00%

Customer Growth -0.29% 1.05% } For Informational Purposes
Trend

Account	FPUC Base Year	Base Year +1	Projected Test Year	Basis Applied
931 Payroll Trended	0			
Other Trended	2,208	2,329	2,446	4
Other not Trended				
Total	2,208	2,329	2,446	
935 Payroll Trended	17,670	18,465	19,296	1
Other Trended	27,929	29,465	30,938	4
Other not Trended				
Total	45,599	47,930	50,234	
Total Admin. Exp.	1,629,871	1,778,794	2,056,687	
Total O & M Exp	5,202,827	5,515,296	6,016,563	

FLORIDA PUBLIC UTILITIES CORPORATION
DOCKET NO. 900151-GU
COST OF CAPITAL - 13 MONTH AVERAGE
TEST YEAR ENDING 12/31/91

ATTACHMENT 3

DOLLARS IN THOUSANDS

CAPITAL COMPONENT	COMPANY ADJUSTED	ADJ. FOR NONREGULATED AFFILIATE	STAFF SPECIFIC ADJ.	STAFF PRO RATA ADJ.	STAFF ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
COMMON EQUITY	6,403,090	5,483,087	(33,920)	(138,532)	5,310,635	0.2293	13.00%	2.9806%
PREFERRED EQUITY	246,843	267,012	665	(6,805)	260,872	0.0113	4.75%	0.0535%
LONG-TERM DEBT	7,356,461	7,957,395	19,819	(202,802)	7,774,412	0.3357	9.75%	3.2726%
SHORT-TERM DEBT	3,627,508	3,926,408	9,773	(100,068)	3,836,113	0.1656	8.88%	1.4707%
CUSTOMER DEPOSITS	1,418,615	1,418,615	0	(36,065)	1,382,550	0.0597	8.47%	0.5056%
DEFERRED TAXES	3,755,685	3,755,685	42,826	(96,568)	3,701,943	0.1598	0.00%	0.0000%
TAX CREDITS- O COST	35,082	35,082	0	(892)	34,190	0.0015	0.00%	0.0000%
TAX CREDITS- WTD COST	884,005	884,005	0	(22,474)	861,531	0.0372	10.95%	0.4071%
TOTAL	23,727,289	23,727,289	39,183	(604,207)	23,162,245	1.0000		8.6801%
OVERALL RATE OF RETURN							8.68%	
EQUITY RATIO							40.50%	
(calculated using only debt and equity)								

STAFF PREHEARING STATEMENT
DOCKET NO. 900151- EU
PAGE 25

Florida Public Utilities Company
Docket No. 900151-GU
Net Operating Income Multiplier
PTY 12/31/91

Attachment 4
January 3, 1991

<u>Description</u>	<u>Company Per Filing</u>	<u>Company Amended Filing</u>	<u>Staff</u>
Revenue Requirement	100.0000%	100.0000%	100.0000%
Gross Receipts Tax Rate	1.5000%	0.0000%	0.0000%
Regulatory Assessment Fee	0.3750%	0.3750%	0.3750%
Bad Debt Rate	0.3410%	0.3410%	0.3410%
Net Before Income Taxes	97.7840%	99.2840%	99.2840%
State Income Tax Rate	5.5000%	5.5000%	5.5000%
State Income Tax	5.3781%	5.4606%	5.4606%
Net Before Federal Income Tax	92.4059%	93.8234%	93.8234%
Federal Income Tax Rate	34.0000%	34.0000%	34.0000%
Federal Income Tax	31.4180%	31.9000%	31.9000%
Revenue Expansion Factor	60.9879%	61.9234%	61.9234%
Net Operating Income Multiplier	1.6396695	1.6148984	1.6148984

Florida Public Utilities Company
Docket No. 900151-GU
Comparative Deficiency Calculations
PTY 12/31/91

Attachment 5
January 3, 1991

	Company	Staff
Rate Base (Average)	\$23,727,289	\$23,119,419
Rate of Return	X 9.1100%	X 8.6900%
Required N.O.I.	<u>\$2,161,556</u>	<u>\$2,009,078</u>
Operating Revenues	\$8,685,915	\$8,568,405
Operating Expenses:		
Operation and Maintenance	\$6,166,737	\$6,016,564
Depreciation and Amort.	\$1,353,098	\$1,332,771
Taxes Other Than Income Taxes	\$731,885	\$729,631
Current Income Taxes—Federal	(\$326,867)	(\$271,361)
—State	(\$56,405)	(\$46,904)
Deferred Income Taxes	\$81,596	\$81,596
Investment Tax Credit	(\$38,708)	(\$57,175)
Total Operating Expenses	<u>\$7,911,336</u>	<u>\$7,785,122</u>
Achieved N.O.I.	<u>\$774,579</u>	<u>\$783,283</u>
N.O.I. Deficiency (Required—Achieved)	\$1,386,977	\$1,225,795
N.O.I. Multiplier	X 1.6148987	X 1.6148987
Revenue Increase	<u>\$2,239,827</u>	<u>\$1,979,534</u>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public
Utilities Company for a rate
increase.

) DOCKET NO. 900151-GU
) FILED: December 14, 1990
)
)

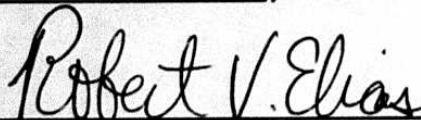
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of STAFF'S
PREHEARING STATEMENT has been furnished via U.S. Mail, Postage
Prepaid, to the following persons:

William E. Eaton, Jr., Esq.
Suite 301, Flagler Court Building
215 Fifth Street
West Palm Beach, Florida 33401

Frederick M. Bryant, Esq.
Moore, Williams, Bryant, Peebles and Gautier, P.A.
306 East College Avenue
Post Office Box 1169
Tallahassee, Florida 32302-1169

this 14 day of December, 1990.



ROBERT V. ELIAS
Staff Counsel

FLORIDA PUBLIC SERVICE COMMISSION
101 East Gaines Street
Tallahassee, FL 32399-0850
(904) 487-2740