BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Modified Minimum Filing Requirements Report in compliance with Section 366.06 (3), Florida Statutes for Fernandina Beach by FLORIDA PUBLIC UTILITIES COMPANY	DOCKET NO. 930720-EI ORDER NO. PSC-94-0983-FOF-EI ISSUED: 8/12/94

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman
SUSAN F. CLARK
JULIA L. JOHNSON
DIANE K. KIESLING

NOTICE OF PROPOSED AGENCY ACTION
ORDER ADJUSTING MINIMUM MODIFIED FILING REPORT
AND REDUCING AUTHORIZED RETURN ON EQUITY

BY THE COMMISSION:

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

Section 366.06(3)(a), Florida Statutes, requires that each public electric utility with total annual sales in excess of one million megawatt-hours file a report every four years, or four years from its most recently completed rate case. All other public electric utilities are required to file on a five year basis. The report is to consist of, at a minimum, the modified minimum filing requirements (MMFRs) then required by the Commission by rule, for rate proceedings pursuant to Section 366.06, F.S.

In compliance with Section 366.06(3)(a), Florida Public Utilities Company (FPUC or the Company) for its Fernandina Beach Division filed its MMFRs on December 9, 1993, with a test year ended June 30, 1993. Having reviewed the filing, we make the following adjustments and findings.

RATE BASE

Contrary to Rule 25-6.0142(7), Florida Administrative Code, Uniform Retirement Units for Electric Utilities, the Company included certain administrative and general expenses (A & G expenses) in capitalized construction overhead. Rule 25-6.0142(7), requires that:

> **Overhead construction costs such as engineering, supervision, general office salaries and expenses, construction engineering, insurance, taxes, relief and pensions, injuries and damages shall be capitalized only if they are directly associated with the construction project and shall be charged to particular jobs or units on the basis of the amounts of such overheads . . .**

The Company capitalized overheads by applying a percentage of total administrative salaries and general expenses to all construction. This is contrary to the rule which clearly states that only those A&G expenses directly associated with a project shall be capitalized. Therefore, we find that Plant shall be reduced by $30,405 and that A&G expenses shall be increased by $60,809. The Company shall revise its procedures to comply with Rule 25-6.0142(7), Florida Administrative Code, beginning January 1, 1994.

The Company has a corporate cash balance of which each operating division is allocated a portion based on revenues. For several years prior to 1991, the Company had a cash management agreement with a local bank which allowed the Company to carry a negative cash balance during certain years. When this agreement was terminated, the Company began to maintain a greatly increased level of cash in its bank. The 13-month average of cash for the period ending June 30, 1993, allocated to Fernandina, amounts to $340,403. We find that $286,702 shall be removed from working capital to reduce cash to the five-year average of $53,701 ($340,403-$286,702). This treatment is consistent with that approved in the Company's last rate case for the Marianna Division. (Order No. PSC-94-0170-FOF-EI, issued February 10, 1994)

Ordinarily, the Commission removes all interest bearing cash from Working Capital. However, in the Marianna rate case the Company offered to include interest earned on cash in revenues if the cash was allowed in Working Capital. This would effectively make this cash non-interest bearing for rate making purposes. The Company earned $2,223 on the five-year level of cash of $53,701 discussed above. We find that this interest should be included in revenues. This treatment by the Commission is also consistent with the treatment approved in the Marianna Division rate case, as mentioned above.

The Company shall include in its future surveillance reports only the five-year average of cash, or the actual amount, whichever is less, as well as the related interest.

For each month July to December of 1992, the Company recorded a $1,705 credit to depreciation expense to correct an overstatement of 1991 depreciation expense. During the test year these adjustments totaled $10,229. The Accumulated Depreciation Account was debited with the same amount.

Since these adjustments represent corrections for 1991, we believe they should not be included in the test year. Therefore, we find that depreciation expense shall be increased by $10,229 and the 13-month average of the accumulated depreciation account shall be decreased by $2,754 to reflect correction of these out-of-period adjustments.

Audit Exception No. 1 states that the Company recorded $4,827 to Account 571, Maintenance of Overhead Lines, for 22 loads of concrete wash-out used to construct a trail to gain access to the transmission plant. The Code of Federal Regulations Part 101 states that Account 359, Roads and Trails, should include the cost of roads and trails including grading, surfacing, culverts and bridges used primarily as transmission facilities.

Therefore, we find that Account 359 shall be increased by $4,827 ($2,424 on a 13-month average basis) to reclassify the cost of the concrete wash-out used to construct a trail to gain access to the transmission plant. Account 571, Maintenance of Overhead Lines shall concurrently be decreased by $4,827.

CAPITAL STRUCTURE

In its MMFRs, FPUC used 12.85% as the return on common equity (ROE). This was the rate authorized in the last rate case for the Company's Fernandina Division (See Order No. 22224, issued November 27, 1989). This ROE represented a 3.21% premium above the concurrent yield on BBB-rated utility bonds of 9.64%.

In January 1994, we considered the cost of common equity for FPUC in the rate case for its Marianna division. In that case, the Commission authorized a ROE of 10.85% (See Order No. PSC-94-0170-FOF-EI, issued February 10, 1994). We found that the cost of capital had declined since the previous rate case for the Marianna division. The 10.85% ROE represented a 3.16% risk premium above the concurrent yield on BBB-rated utility bonds. While we found that the cost of capital had declined, the Order noted that the Company's operations had not necessarily become less risky.

We also recently established 11.35% as the appropriate ROE for Tampa Electric Company (TECO) (See Order No. PSC-94-0170-FOF-EI, dated February 10, 1994). Staff notes that, as part of this proceeding, TECO absorbed the cost of an annual accrual of $4 million dollars for its storm damage reserve.

We note that the 30 year Treasury Bond yield was 6.50% in February 1994 and 7.40% in May 1994. We believe that this trend in long-term interest rates suggests an increase in the cost of equity for utility companies, though we do not believe the increase in long-term interest rates exactly matches the increase in utilities' costs of equity. We believe that the equity risk premium, i.e., the difference between a utility's cost of equity and its marginal cost of debt, has declined with the increase in interest rates. In support of this belief, we note that the Value Line Investment Survey, in its June 17, 1994 issue, is showing a decline in the projected average dividend yield for electric utilities. Dividend yield is a component of the cost of equity.

We do not believe that the risk premiums implied by the past Commission decisions for FPUC can be sustained. Therefore, we find that an 11.60% ROE is appropriate and reasonable. 11.60% represents a 3.00% premium over 8.60%, the May 1994 yield on BBB-rated utility bonds. We have considered two additional factors in recommending an 11.60% ROE. First, FPUC has a 42% equity ratio, which is relatively low but is up from 40% in the rate case for its Marianna division (The S & P benchmark for BBB-rated electric utilities ranges from 38% to 50%.). Second, FPUC faces additional business risk due to its small size. For regulatory purposes, we find that the authorized return on equity for FPUC's Fernandina electric division shall be 11.60%, plus or minus 100 basis points.

We find that the appropriate weighted average cost of capital is 9.04% for the test year ended June 30, 1993. For the test year ended June 30, 1993, FPUC filed a capital structure with a 12.85% ROE and a 9.67% weighted average cost of capital. We have approved an 11.60% ROE. We have reduced the Company's filed customer deposit rate of 8.57% to 6.57% to reflect the 2% decline in the residential and non-residential customer deposit rates due to the revision of Rule 25-6.097(4)(a), F.A.C. This revision became effective on April 25, 1994. Further, we find that the cost rates of the costed investment tax credits (ITCs) shall be reduced from 10.99% to 10.34%, due to the recommended capital structure and cost rates as well as the inclusion of short-term debt in the calculation. Our calculation of the ITC cost rate is consistent with the treatment approved in the recent FPUC - Marianna Division rate case (Order No. PSC-94-0170-FOF-EI, issued February 10, 1994).

FPUC maintains, by division, separate records for its deferred taxes and ITCs. The Company specifically identified the amounts for deferred taxes, ITCs and customer deposits. We agree with the balances for these items. We have not made specific or pro rata adjustments to these items, with the exception of the adjustment to deferred taxes. Our adjustment to deferred taxes is coincidental to our adjustment which increases test year post-retirement benefit expense, discussed below.

The common equity balance for FPUC - Fernandina as filed reflects non-regulated investment specifically removed from equity. For the test year, FPUC netted all its treasury stock against its non-regulated investment. We believe that the treasury stock is related to FPUC as a whole, rather than only associated with non-regulated operations. Consistent with the adjustment made in the last FPUC - Marianna rate case, we have made a specific adjustment to the investor sources of capital to reflect the utility's share of the treasury stock.

Incorporating the adjustments discussed above, the resulting weighted average cost of capital is 9.04%. Attachment 2 shows the components, amounts, cost rates, and weighted average cost of capital associated with the average test year capital structure.

NET OPERATING INCOME

Rule 25-14.012, F.A.C., requires regulated utilities to use Financial Accounting Standard No. 106 (FAS 106) for regulatory accounting purposes, and requires that the unfunded FAS 106 liability reduce rate base. FPUC filed its MMFRs with an accrued post-retirement benefit expense of $10,568, which was for the first six months of 1993 and did not include the life insurance accrual. We have increased this amount by $15,609 to reflect the total annual FAS 106 accrual for 1993. This adjustment results in a total FAS 106 expense allowance of $26,177.

The Company advised Staff that the appropriate amount for the unfunded liability would be one-half of the expense allowance. Therefore, we have reduced working capital by $13,089 to reflect the unfunded FAS 106 liability, and therefore we find that the appropriate amount of FAS 106 expense is $26,177. Operation and Maintenance expenses shall be increased by $15,609 to reflect FAS 106 accrual.

During our review of charges in Account 930, which includes miscellaneous expenses, $693 for Fernandina Beach Chamber of Commerce dues were discovered that the Company had not removed. Expenses related to Chambers of Commerce dues are normally disallowed for regulatory purposes. We find that these expenses shall be disallowed because these expenses provide no benefit to the ratepayers.

Audit Disclosure No. 7 of the audit report states that the Company included expenses of $7,242 in the Test Year to reimburse a management employee, John English, for his house payments in Fernandina after his transfer to West Palm Beach. These payments actually began in July, 1991 and continued through October, 1993, a total of 28 months. The amount of $7,242 only relates to the Test Year from July, 1992 through June, 1993. The audit states that these expenses were temporary and nonrecurring and should be disallowed. We agree with this audit finding.

In the Company's last rate case (Marianna Division, Order No. PSC-94-0170-FOF-EI, issued February 10, 1994) the allocated portion of Mr. English's moving expenses was disallowed as nonrecurring. To be consistent with that case, we find that the expenses of $7,242 in this docket shall also be disallowed as nonrecurring.

We find that Account 580, Operation Supervision and Engineering, shall be reduced by $3,570; Account 590, Maintenance Supervision and Engineering, shall be reduced by $1,224; and Account 901, Supervision, shall be reduced by $2,448 for a total reduction of $7,242.

During our review of expenses, three invoices were found to be image building in nature. One invoice was for a $100 charge for an advertisement to appear in the booklet of a local organization. One invoice was for a $50 charge for a sponsorship for the local junior golf association. Even though these two invoices indicate a willingness on the part of the Company to support the local community, such invoices represent image building expenditures and should be disallowed for regulatory purposes. Expenses in Account 930.1 shall be reduced $150.

A third invoice was for a $2,500 charge to a corporate clearing account for a public relations video. Fernandina's allocated portion was $523. This video is a 14-minute video with music and voice-over which was shown to new corporate visitors as a method to inform potential clients about the Company and as a potential way to increase sales of electricity.

The amount involved is minimal; however in Gulf Power Company's last rate case (Docket 891345-EI, Order No. 23573, issued October 3, 1990), similar expenses related to economic development were disallowed because these expenses were incurred by Gulf promoting activities which directly increased the use of electricity by new industrial and commercial customers. We find that the entire allocated portion of the video's expense of $523 in Account 921 shall be disallowed.

The Company made an adjustment increasing Uncollectible Expense $6,186. The calculation of the adjustment was based on the three year average charge-offs divided by revenues excluding revenues from interruptible and large use customers. (Audit Disclosure 2).

We made an adjustment to Uncollectible Expense in the Company's last rate case using a three year average of total charge-offs divided by average total revenues. This method has also been used in other gas and electric rate cases. Since it would be appropriate to use the same method used in the last rate case, we find that Uncollectible Expenses shall be reduced $1,998, and working capital increased $999.

FPUC received Commission approval in its last rate case to establish and accrue $21,625 for a Provision for Property Insurance (Storm Damage Reserve) in accordance with Rule 25-6.0143, F.A.C. Pursuant to the Rule, the account provides for losses through accident, fire, flood, storms, etc. not covered by insurance and would include provision for deductible amounts contained in insurance policies.

In April 1993 the Company incurred $10,968 in expenses to repair a breaker damaged by lighting. Since the insurance deductible is $25,000, no insurance claim was filed. (Audit Disclosure 5).

We believe this type of expenditure is provided for under the provisions of Rule 25-6.0143, F.A.C., and should have been charged against the reserve account. Therefore we find that expenses shall be reduced $10,968 and working capital be increased $4,278. The increase in working capital represents the 13-month average reduction in the Provision for Property Insurance.

FPUC - Fernandina's income tax expense per its MMFRs is $314,898. We find that the appropriate income tax expense is $316,530, The $1,632 increase is the net of three separate types of adjustments which are explained below.

A. Deferred taxes (ARAM/Flow-Through) - Historically, FPUC reported its cost of service income tax expense at the then existing statutory rate. Further, the resulting difference between the income tax expense reported for financial purposes and for cost-of-service purposes was recorded below-the-line. Consequently, based on this method of presentation, the customer does not reap the benefit of the flowback of excess deferred income taxes or the negative effect of the regulatory asset (created by previously flowed through items) being written off. Upon discovering this error in the FPUC - Marianna Division rate case, by Commission order, the Company was required to properly reflect the amortization and the flowback in its cost-of-service income tax calculations, prospectively. Because the Company filed the Fernandina Division MMFRs prior to issuance of the FPUC - Marianna Division order, the Company did not present the Fernandina Division income tax expense as required by that order. However, the Company subsequently submitted additional information which substantiates that an increase to deferred income tax expense of $22,158 is necessary to comply with the Commission directive. Consequently, we increase income tax expense by $22,158.

B. Other NOI adjustments - Other approved adjustments to NOI decrease NOI before tax by $58,023, which results in a decrease to tax expense of $21,834, a $15,960 decrease to current tax expense and a $5,874 decrease to deferred tax expense.

C. Interest Synchronization/Reconciliation - Comparing the recommended capital structure components and rates to the capital structure components and rates in the Company's MMFRs results in a decrease of imputed interest expense of $3,477 and increase in tax expense of $1,308.

ADJUSTMENTS TO CURRENT RATES

As discussed above, we have established the return on equity as 11.60%, with a range of plus or minus 100 basis points. As shown on Attachment 1, the Company's achieved ROE for the test year ended June 30, 1993, as adjusted, was 10.57%.

The March, 1994, surveillance report filed by the Company indicated a higher rate of return than the Company had been projecting. The Company explained that the increase was due to increased usage by large interruptible customers and increased demand caused by unusual weather patterns.

At the request of Staff, the Company filed a revised projected 1994 report, reflecting actual data through April and projected through December. We applied to these revised 1994 schedules the appropriate adjustments that would carry over from the June 30, 1993 test year. The resulting adjusted projected ROE indicates that the Company is not expected to earn above the recommended midpoint of 11.60% during the remainder of 1994 (See Attachments 3 and 4). Therefore, we find that no adjustments to the currently effective rates are appropriate.

USE OF MMFR FILING FOR FUTURE REGULATORY PURPOSES

Section 366.06(3), F.S., states:

> **It is the legislative intent in requiring the mandatory filing of the minimum filing requirements that the Public Counsel and other substantially affected persons be assured of periodically obtaining the necessary information to reasonably ascertain whether the rates and charges of a company are just, reasonable, not unjustly discriminatory, not in violation of law, or yielding excessive compensation for the services rendered.**

We believe that the intent of Section 366.06(3), F.S., was not only for the Commission to gather information to assure that the Public Counsel and other affected parties obtain the information to evaluate the rates but also to allow the Commission to perform a periodic in-depth review of a company's financial and earning status. Companies submit periodic Earnings Surveillance Reports; however, they do not provide sufficient information to be a solid basis for a Commission-initiated rate review proceeding. Furthermore, a rate proceeding is often lengthy and expensive. Section 366.06(3), F.S., Modified Minimum Filing Requirement proceeding, provides a less burdensome proceeding than a full rate case and yet contains enough information for the Commission to conduct an in-depth review to ascertain whether the rates of the company are just and reasonable.

Section 366.06(3), F.S., mandates each public electric utility with less than 1 million megawatt-hours of total sales annually to file MMFRs every five years. The new statute provides all parties an opportunity to address accounting adjustments and an appropriate return on equity on a regularly scheduled basis. Because these periodic reviews offer an opportunity for a full review, we find that this MMFR proceeding shall be treated as the most recent rate case proceeding for all future purposes.

It is therefore,

ORDERED that the adjustments, corrections and revisions to FPUC's Minimum Modified Filing Requirements Report for its Fernandina Beach electric utility discussed in the body of this Order are hereby approved. It is further

ORDERED that the Company is authorized to earn a rate of return on common equity of 11.60%, plus or minus 100 basis points. It is further

ORDERED that no adjustments to the currently tariffed rates and charges for FPUC's Fernandina Beach electric utility are appropriate. It is further

ORDERED that Company's Minimum Modified Filing Requirements Report for its Fernandina Beach electric utility shall be the Company's last rate proceeding for all regulatory purposes. It is further

ORDERED that this docket shall be closed if no person whose substantial interests are affected timely files a protest to this proposed agency action.

By ORDER of the Florida Public Service Commission, this 12th day of August, 1994.

Blanca S. Bayó

BLANCA S. BAYÓ, Director
Division of Records and Reporting

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on September 2, 1994.

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

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

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

ATTACHMENT 1

07-Jul-94

FLORIDA PUBLIC UTILITIES
FERNANDINA BEACH DIVISION
DOCKET NO. 930720-EI
YEAR ENDED JUNE 30, 1993

-MONTH AVERAGE RATE BASE	(1) ADJUSTED JURIS AS FILED	(2) Overheads Capitalized	(3) Cash in Working Capital	(4) Reclass Acct 359	(5) Out-of Period Adj.	(6) Uncollectible Expense	(7) Storm Damage	(8) Employee Relocation Expenses	(9) Chamber of Commerce Dues	(10) Image Building Expenses	(11) FAS 106	(12) ARAM/ Flo Thru	(13) Interest Rec/Synch	TOTAL ADJUST-MENTS	ADJUSTED TOTAL
ANT-IN-SERVICE	$19,987,929	($30,405)		2,424										($27,981)	$19,959,948
OMMON PLANT ALLOCATED	205,098													0	205,098
ONSTRUCTION WIP	350,551													0	350,551
CCUMULATED DEPRECIATION	(6,298,249)				2,754									2,754	(6,295,495)
ET UTILITY PLANT	14,245,329	(30,405)	0	2,424	2,754	0	0	0	0	0	0	0	0	(25,227)	14,220,102
VORKING CAPITAL	531,194		(286,702)			999	4,278				(13,089)			(294,514)	236,680
TOTAL RATE BASE	$14,776,523	($30,405)	($286,702)	$2,424	$2,754	$999	$4,278	$0	$0	$0	($13,089)	$0	$0	($319,741)	$14,456,782
OPERATING REVENUES	$4,342,098		$2,223											$2,223	$4,344,321
OPERATING EXPENSES:															
O&M	1,393,602	60,809		(4,827)		(1,996)	(10,964)	(7,242)	(693)	(673)	15,609			50,017	1,443,619
DEPRECIATION & AMORTIZATION	732,201				10,229									10,229	742,430
TAXES OTHER THAN INCOME	584,876													0	584,876
INCOME TAXES - CURR. PAYABLE	198,982	(22,882)	837	1,816	(3,849)	752	4,127	2,725	261	253			1,308	(14,652)	184,330
DEFERRED INCOME TAXES - NET	147,387										(5,874)	22,158		16,284	163,671
INVESTMENT TAX CREDIT - NET	(31,471)													0	(31,471)
TOTAL OPERATING EXPENSES	3,025,577	37,927	837	(3,011)	6,380	(1,246)	(6,841)	(4,517)	(432)	(420)	9,735	22,158	1,308	61,878	3,087,455
NET OPERATING INCOME	$1,316,521	($37,927)	$1,386	$3,011	($6,380)	$1,246	$6,841	$4,517	$432	$420	($9,735)	($22,158)	($1,308)	($59,655)	$1,256,866
ACHIEVED RATE OF RETURN	8.91%													-0.22%	8.69%
ACHIEVED RETURN ON EQUITY	10.74%													-0.17%	10.57%

ATTACHMENT 2

FPUC FERNANDINA
DOCKET NO. 930720-EI
COST OF CAPITAL - 13 MONTH AVERAGE
TEST YEAR ENDED 6/30/93

CAPITAL COMPONENT	COMPANY ADJUSTED	STAFF ADJUSTMENTS SPECIFIC	STAFF ADJUSTMENTS PRO RATA	TOTAL ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
COMMON EQUITY	5,305,665	(274,518)	(132,302)	4,898,846	33.89%	11.60	3.9308%
LONG-TERM DEBT	6,493,537	263,702	(177,692)	6,579,547	45.51%	9.61	4.3737%
SHORT-TERM DEBT	96,379	4,791	(2,660)	98,510	0.68%	5.66	0.0386%
PREFERRED STOCK	151,797	6,025	(4,150)	153,672	1.06%	4.75	0.0505%
CUSTOMER DEPOSITS	646,994	0	--	646,994	4.48%	6.57	0.2940%
DEFERRED TAXES	1,579,256	(2,937)	--	1,576,319	10.90%	0.00	0.0000%
TAX CREDITS - 0 COST	4,461	0	--	4,461	0.03%	0.00	0.0000%
TAX CREDITS - WTD COST	498,434	0	--	498,434	3.45%	10.34	0.3566%
TOTAL	14,776,523	(2,937)	(316,804)	14,456,782	100.00%		9.0442%

OVERALL RATE OF RETURN	9.04%
EQUITY RATIO	42%

ATTACHMENT 3

07-Jul-94

FLORIDA PUBLIC UTILITIES
FERNANDINA BEACH DIVISION
DOCKET NO. 930720-EI
YEAR ENDED DECEMBER 31, 1994

13-MONTH AVERAGE RATE BASE	(1) ADJUSTED JURIS AS FILED	(2) Overheads Capitalized	(3) Cash in Working Capital	(4) Reclass Acct 359	(5) Out-of Period Adj	(6) Uncollectible Expense	(7) Storm Damage	(8) Employee Relocation Expenses	(9) Chamber of Commerce Dues	(10) Image Building Expenses	(11) FAS 106	(12) ARAM/ Flo Thru	(13) Interest Rec/Synch	TOTAL ADJUST-MENTS	ADJUSTED TOTAL
PLANT-IN-SERVICE	$21,575,103	($31,912)		4,827										($27,085)	$21,548,018
COMMON PLANT ALLOCATED	301,560													0	301,560
CONSTRUCTION WIP	183,782													0	183,782
ACCUMULATED DEPRECIATION	(7,331,159)				0									0	(7,331,159)
NET UTILITY PLANT	14,729,286	(31,912)	0	4,827	0	0	0	0	0	0	0	0	0	(27,085)	14,702,201
WORKING CAPITAL	368,155		(72,957)			0	10,968				(42,775)			(104,764)	263,391
TOTAL RATE BASE	$15,097,441	($31,912)	($72,957)	$4,827	$0	$0	$10,968	$0	$0	$0	($42,775)	$0	$0	($131,849)	$14,965,592
OPERATING REVENUES	$0		$2,223											$2,223	$2,223
OPERATING EXPENSES:															
O&M	0	63,842		0		(1,998)	0	0	(732)	(711)	21,048			81,419	81,419
DEPRECIATION & AMORTIZATION	0				0									0	0
TAXES OTHER THAN INCOME	0													0	0
INCOME TAXES-CURR. PAYABLE	0	(24,024)	837	0	0	752	0	0	275	268			(7,633)	(29,525)	(29,525)
DEFERRED INCOME TAXES-NET	0										(7,920)	22,158		14,238	14,238
INVESTMENT TAX CREDIT-NET	0													0	0
TOTAL OPERATING EXPENSES	0	39,818	837	0	0	(1,246)	0	0	(457)	(443)	13,128	22,158	(7,633)	66,161	66,161
NET OPERATING INCOME	$1,361,920	($39,818)	$1,386	$0	$0	$1,246	$0	$0	$457	$443	($13,128)	($22,158)	$7,633	($63,938)	$1,297,962
ACHIEVED RATE OF RETURN	9.02%													-0.35%	8.67%
ACHIEVED RETURN ON EQUITY	11.50%													-0.80%	10.70%

ATTACHMENT 4

FPUC FERNANDINA
DOCKET NO. 930720-EI
COST OF CAPITAL - 13 MONTH AVERAGE
PROJECTED TEST YEAR ENDING 12/31/94

CAPITAL COMPONENT	COMPANY ADJUSTED	STAFF ADJUSTMENTS SPECIFIC	STAFF ADJUSTMENTS PRO RATA	TOTAL ADJUSTED	RATIO	% COST RATE	% WEIGHTED COST
COMMON EQUITY	5,517,989	(286,402)	(120,397)	5,111,190	34.16%	11.60	3.9624%
LONG-TERM DEBT	6,140,925	248,285	(147,037)	6,242,172	41.72%	9.86	4.1133%
SHORT-TERM DEBT	646,364	32,014	(15,612)	662,766	4.43%	5.66	0.2507%
PREFERRED STOCK	154,469	6,103	(3,695)	156,877	1.05%	4.75	0.0498%
CUSTOMER DEPOSITS	642,273	0	--	642,273	4.29%	6.50	0.2790%
DEFERRED TAXES	1,681,001	(9,835)	--	1,671,166	11.17%	0.00	0.0000%
TAX CREDITS - 0 COST	2,057	0	--	2,057	0.01%	0.00	0.0000%
TAX CREDITS - WTD COST	474,687	0	--	474,687	3.17%	10.30	0.3266%
TOTAL	15,259,765	(9,835)	(286,741)	14,963,189	100.00%		8.9818%

OVERALL RATE OF RETURN	8.98%
EQUITY RATIO	42%