



# Public Service Commission

## -M-E-M-O-R-A-N-D-U-M-

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**DATE:** November 21, 1994  
**TO:** Mary A. Bane, Deputy Executive Director/Technical JDS  
**FROM:** Joseph Jenkins, Director, Division of Electric and Gas  
Tim Devlin, Director, Division of Auditing and Financial Analysis *TD*  
**RE:** Docket No. 940620-GU - Application for a Rate Increase by Florida Public Utilities Company - SUPPLEMENTAL RECOMMENDATION - ITEM 38 - 11/22/94 Regular Agenda Conference

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The attached SUPPLEMENTAL RECOMMENDATION addresses three adjustments made by the Staff in determining the appropriate interim rate relief for Florida Public Utilities Company - Gas Division (FPUC). These adjustments were the subject of a letter sent to the Staff by the Company's attorney on November 17, 1994. The supplemental recommendation revises the Staff's recommendation for one of the adjustments.

Two of these adjustments regarding odorant expense and uncollectible expense do not represent errors and therefore, we do not recommend any change to our original recommendation. However, staff has expanded its discussion of these adjustments in its supplemental recommendation to address the concerns of the Company. In the third adjustment regarding advertising, a correction is warranted because a portion of advertising expense was inadvertently disallowed in the original recommendation because these amounts were not clearly identified in the MFRs.

Therefore, the staff has revised its recommendation for Issues 3 (Net Operating Income) and 5 (Interim Rate Increase). In addition, Attachments 2 and 4 were revised to reflect the recommended treatment of advertising expense.

The effect of this supplemental recommendation is to increase the interim award from \$375,149 to \$386,927.

The original recommendation was filed on November 9, 1994 for consideration as ITEM 38 at the November 22, 1994 Regular Agenda Conference. Consideration of this matter can not be deferred because November 22, 1994 is the last day of the 60-day suspension period to suspend the filed rates.

*OK*  
*MAB*  
*11/21/94*

## SUPPLEMENTAL RECOMMENDATION

FLORIDA PUBLIC SERVICE COMMISSION  
Fletcher Building, 101 East Gaines Street  
Tallahassee, Florida 32399-0850

### MEMORANDUM

NOVEMBER 18, 1994

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC & GAS (MCCORMICK, MAKIN, GING) *SM*  
DIVISION OF ~~ACCOUNTING~~ <sup>AUDITING</sup> & FINANCIAL ANALYSIS (GEIGER, *546*  
REVELL, C. ROMPG, SLEMKEWICZ) *JS*  
DIVISION OF LEGAL SERVICES (V. JOHNSON) *JDJ*

RE: DOCKET NO. 940620-GU - FLORIDA PUBLIC UTILITIES COMPANY -  
APPLICATION FOR A RATE INCREASE BY FLORIDA PUBLIC  
UTILITIES COMPANY

AGENDA: 11/22/94 - REGULAR AGENDA - DECISION ON INTERIM RATE -  
PARTICIPATION IS LIMITED TO COMMISSIONERS AND STAFF

CRITICAL DATES: 60-DAY SUSPENSION DATE: 11/22/94

SPECIAL INSTRUCTIONS: I:\PSC\AFA\WP\940620R.RCM  
R:\PSC\AFA\123\FPUCSCHA.WK3 - ATTACHMENTS 1-4  
R:\PSC\EAG\123\INTERIM2.WK3 - ATTACHMENTS 5-6  
R:\PSC\EAG\123\GRP2.WK3 - ATTACHMENT 7  
ATTACHMENT 8 NOT AVAILABLE

### CASE BACKGROUND

Florida Public Utilities Company (FPUC) filed its petition and MFRs on September 23, 1994. On November 9, 1994, Staff filed its recommendation to suspend the permanent rate increase and to grant interim rate relief. Subsequent to the issuance of the Staff's recommendation, FPUC submitted a letter to Staff counsel on November 17, 1994 (Attachment 8) taking exception to three adjustments that the Staff made in determining the appropriate amount to be granted for interim rate relief. This supplemental recommendation addresses the issues raised in FPUC's letter.

At the onset, it should be noted that under the Commission's rules and procedures, parties are not permitted to respond to the merits of interim recommendations. However, if a party discovers

DOCKET NO. 940620-GU  
DATE: NOVEMBER 18, 1994

that a recommendation contains a mistake or mathematical error, such a finding may be communicated through a pleading filed in the Division of Records and Reporting. Mistakes or errors in the Staff recommendation may be pointed out through an appropriate pleading such as a "Suggestion of Error in Staff Recommendation." The types of mistakes which can be communicated through such a pleading do not include differences of opinion as to policy or accounting methodology.

As noted, this supplemental recommendation addresses the issues raised in FPUC's letter. The adjustments for odorant expense and uncollectible accounts made by Staff in the original recommendation were not mistakes or errors, however the rationale for the adjustments was not fully articulated. Therefore, Staff's recommendation regarding these adjustments has been expanded to clarify the rationale. With regard to the third adjustment, a correction to staff's recommendation has been made for advertising expense. It should be noted that had advertising expense been identified as informational in FPUC's interim filing, this correction would be unnecessary.

Changes in the amounts shown in the body of the recommendation have been highlighted. Changes on Attachments 2 and 4 have also been highlighted. Attachments 5 and 6 have been revised to reflect the Staff's revised recommendation for interim rate relief.

#### DISCUSSION OF ISSUES

**ISSUE 3:** The Company proposes an interim test year net operating income of \$1,667,225. Is this appropriate?

**RECOMMENDATION:** No. The appropriate interim test year net operating income is \$1,710,916 ~~\$1,718,214~~. (REVELL, C. ROMIG, GEIGER, SLEMKEWICZ)

**STAFF ANALYSIS:** Discussed below are the three adjustments in Issue 3 that were addressed in FPUC's letter:

**Adjustment 5: Odorant Expense** - In its letter, FPUC asserts that an adjustment to allow the inclusion of odorant expense in the 1993 historical interim test period is appropriate. Odorant is purchased in bulk quantities every four to five years and is expensed in the year of purchase. Since the Company did not purchase any odorant during 1993, it made a pro forma adjustment of \$4,423 to account for the cost of the odorant actually used during 1993. In the Company's last rate case, an odorant expense

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DATE: NOVEMBER 18, 1994

adjustment was made to reduce the bulk quantity amount to reflect one year's worth of expense.

Staff does not dispute the fact that the Company actually consumed odorant during the 1993 historical interim test year. Nor is there any dispute that odorant expense was included as an appropriate expense in the Company's last rate case. It is the Company's booking of the odorant expense that gives rise to the present controversy. The Company expenses the bulk quantity when it is purchased rather than including it in an inventory account and expensing it as it is used. This causes the odorant expense to be high during the year of purchase and zero for each following year until a subsequent purchase is made. In order to include an expense for the interim test year, the Company had to make a pro forma adjustment because the actual expense for the test year is zero.

It is Staff's opinion that this type of pro forma adjustment is not appropriate for interim rate relief purposes because it attempts to increase expenses for an item for which no cost was incurred during the actual historical test period. However, Staff would agree that such an adjustment would be appropriate for the full rate case to set permanent rates on a prospective basis. It should also be noted that FPUC does not include this adjustment in its monthly Earnings Surveillance Report.

Adjustment 7: Uncollectible Accounts - The Company contends that its adjustment to increase the uncollectible accounts expense by \$29,044 is justified because a three-year average charge-off methodology was utilized in determining the appropriate level in its last rate case.

Again, Staff does not dispute the fact that the three-year average methodology was utilized in the Company's last rate case. In the Staff's opinion, however, the three-year average methodology is simply a tool for gauging the reasonableness of the uncollectible expense in projected test years. In addition, it is a levelizing mechanism for determining a representative amount of uncollectible expense to be included in rates on a prospective basis. The three-year average methodology is not a substitute for the actual uncollectible expense incurred during an historical interim test year.

In the Staff's opinion, this is a pro forma type adjustment that should not be allowed for interim rate relief purposes. The Company does not include this adjustment in its monthly Earnings Surveillance Report.

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Adjustment 9: Advertising Expenses - In the Company's last rate case, all advertising that was not strictly safety or information related was disallowed by the Commission. During the review of the Company's MFR Schedule C-9, Advertising Expenses, for this case, it was evident that there were several categories of expenses which were not safety or information related. One type of expense amounting to \$18,691, was simply titled "other". There was no description to indicate what specific expenses were in this category.

In our initial interim recommendation, Staff disallowed \$25,499 in advertising expenses which did not fit the established criteria for allowance, including the entire \$18,691 of "other" expenses. The Company has indicated that \$11,700 of these expenses in the "other" category is for telephone book listings in the three service areas of Sanford, Deland and West Palm Beach. Invoices related to these expenses were reviewed on a cursory basis by field staff and appear to be reasonable in amount and related to regulated activities. Since these expenses were incurred in 1993 and appear to be both proper and prudent, we recommend that \$11,700 in advertising expenses for telephone listings be allowed for interim purposes. Staff recommends that the remaining advertising expenses of \$13,799 (original \$25,499-\$11,700) be disallowed.

ISSUE 5: The Company requested an interim increase of \$496,326. Should this amount be granted?

RECOMMENDATION: No. Florida Public Utilities-Gas Division should be granted an interim increase of \$386,927 ~~\$375,149~~.  
(REVELL, MCCORMICK)

STAFF ANALYSIS: The Staff's revised recommendation reflects the inclusion of an additional \$11,700 in operating expenses for advertising expenses as previously discussed in Issue 3.

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET 940620-GU  
COMPARATIVE AVERAGE RATE BASES  
TYE 12/31/93

ATTACHMENT 1  
November 22, 1994  
Interim

ADJ NO.		COMPANY			STAFF	
		TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS. ADJUST.	ADJ. JURIS.
<b>UTILITY PLANT</b>						
1	Plant in Service	\$36,451,898	(\$835,984)	\$35,615,914		
	Common Plant Allocated	\$695,435		\$695,435		
	Acquisition Adjustment	\$303,400		\$303,400		
	Construction Work in Progress	\$269,372		\$269,372		
	<b>Total Plant</b>	<u>\$37,720,105</u>	<u>(\$835,984)</u>	<u>\$36,884,121</u>	<u>\$0</u>	<u>\$36,884,121</u>
<b>DEDUCTIONS</b>						
2	Accum. Depr.—Utility Plant	\$12,057,256	(\$368,541)	\$11,688,715		
	Accum. Depr.—Common Plant	\$281,901		\$281,901		
	Accum. Amort.—Acq. Adj.	\$319,741		\$319,741		
	Customer Adv. for Const.	\$240,935		\$240,935		
	<b>Total Deductions</b>	<u>\$12,899,833</u>	<u>(\$368,541)</u>	<u>\$12,531,292</u>	<u>\$0</u>	<u>\$12,531,292</u>
	<b>Plant Net</b>	<u>\$24,820,272</u>	<u>(\$467,443)</u>	<u>\$24,352,829</u>	<u>\$0</u>	<u>\$24,352,829</u>
<b>ALLOW. FOR WORKING CAPITAL</b>						
3	Balance Sheet Method	(\$6,655)	\$6,655	\$0	\$0	\$0
	<b>TOTAL RATE BASE</b>	<u>\$24,813,617</u>	<u>(\$460,788)</u>	<u>\$24,352,829</u>	<u>\$0</u>	<u>\$24,352,829</u>

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET NO. 940620-GU  
COMPARATIVE NOIs  
TYE 12/31/93

REVISED 11/21/94  
ATTACHMENT 2  
Page 1 of 2  
Interim

ADJ NO.		COMPANY			STAFF	
		TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS. ADJUST.	ADJ. JURIS.
	OPERATING REVENUES	\$22,413,675				
4	Fuel Revenue Adjustment		(\$11,707,618)			
	Totals	<u>\$22,413,675</u>	<u>(\$11,707,618)</u>	<u>\$10,706,057</u>	<u>\$0</u>	<u>\$10,706,057</u>
	OPERATING EXPENSES:					
	Operation and Maintenance	\$17,999,964				
4	Remove Cost of Gas		(\$11,711,444)			
5	Odorant Expense		\$4,423		(\$4,423)	\$0
6	Company-Used Gas		\$23,756			
7	Uncollectible Accounts		\$29,044		(\$29,044)	\$0
8	Pension Expense		\$25,604		(\$25,604)	\$0
9	Advertising Expenses				(\$13,799)	(\$13,799)
	Total O & M Adjustments	<u>\$17,999,964</u>	<u>(\$11,628,617)</u>	<u>\$6,371,347</u>	<u>(\$72,870)</u>	<u>\$6,298,477</u>
	Depreciation and Amortization	\$1,345,537				
10	Correction of Error		(\$6,320)			
11	Nonregulated Depr. Exp.		(\$27,082)			
	Totals	<u>\$1,345,537</u>	<u>(\$33,402)</u>	<u>\$1,312,135</u>	<u>\$0</u>	<u>\$1,312,135</u>
	Amortization Of Environmental	<u>\$239,604</u>	<u>\$0</u>	<u>\$239,604</u>	<u>\$0</u>	<u>\$239,604</u>
	Taxes Other Than Income	\$912,100				
4	Fuel Revenue Taxes		(\$37,889)			
12	Nonutility Property Taxes		(\$21,119)			
	Totals	<u>\$912,100</u>	<u>(\$59,008)</u>	<u>\$853,092</u>	<u>\$0</u>	<u>\$853,092</u>
	Income Taxes-Federal	(\$4,589)				
13	Prior Period Adjustments		\$27,089			
14	Interest Rec. & ITC Synch		\$12,992		\$10,040	
15	Tax Effect of Above Adj.		\$4,307		\$23,413	
	Total	<u>(\$4,589)</u>	<u>\$44,388</u>	<u>\$39,799</u>	<u>\$33,453</u>	<u>\$74,252</u>
	Income Taxes-State	(\$3,392)				
13	Prior Period Adjustments		\$7,192			
14	Interest Rec. & ITC Synch		\$2,224		\$1,718	
15	Tax Effect of Above Adj.		\$737		\$4,008	
	Total	<u>(\$3,392)</u>	<u>\$10,153</u>	<u>\$6,761</u>	<u>\$5,726</u>	<u>\$12,487</u>

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET NO. 940620 - GU  
COMPARATIVE NOIs  
TYE 12/31/93

**REVISED** 11/21/94  
ATTACHMENT 2  
Page 2 of 2  
Interim

ADJ NO.		COMPANY			STAFF	
		TOTAL PER BOOKS	JURIS. ADJUST.	COMPANY ADJUSTED	JURIS. ADJUST.	ADJ. JURIS.
	Deferred Income Taxes					
	Federal	\$231,825				
13	Prior Period Adj.		(\$22,861)			
	State	\$42,052				
13	Prior Period Adj.		(\$6,282)			
	Total	<u>\$273,877</u>	<u>(\$29,143)</u>	<u>\$244,734</u>	<u>\$0</u>	<u>\$244,734</u>
	Investment Tax Credit - Net	(\$38,640)				
	Total	<u>(\$38,640)</u>		<u>(\$38,640)</u>	<u>\$0</u>	<u>(\$38,640)</u>
	TOTAL OPERATING EXPENSES	\$20,724,461	(\$11,695,629)	\$9,028,832	(\$33,691)	\$8,995,141
	OPERATING INCOME	<u>\$1,689,214</u>	<u>(\$11,989)</u>	<u>\$1,677,225</u>	<u>(\$33,691)</u>	<u>\$1,710,916</u>

DOCKET NO. 940620-GU  
 FPUC CONSOLIDATED GAS DIVISION  
 INTERIM TEST YEAR ENDING DECEMBER 31, 1993

ATTACHMENT 3

	PER MFRs	STAFF ADJUSTMENTS		ADJUSTED	WEIGHT	COST RATE	WEIGHTED COST
		SPECIFIC	PRO RATA				
COMMON EQUITY	7,824,359	0	0	7,824,359	32.13%	10.00%	3.21%
PREFERRED STOCK	238,954	0	0	238,954	0.98%	4.75%	0.05%
LONG TERM DEBT	9,804,530	0	0	9,804,530	40.26%	9.69%	3.90%
SHORT TERM DEBT	655,735	0	0	655,735	2.69%	4.86%	0.13%
CUSTOMER DEPOSITS	1,562,611	0	0	1,562,611	6.42%	6.18%	0.40%
TAX CREDITS—ZERO COST	29,349	0	0	29,349	0.12%	0.00%	0.00%
TAX CREDITS - WEIGHTED COST	811,473	0	0	811,473	3.33%	9.58%	0.32%
ACC DEF INC TAXES—ZERO COST	3,425,818	0	0	3,425,818	14.07%	0.00%	0.00%
	<u>\$24,352,829</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,352,829</u>	<u>100.00%</u>		<u>8.01%</u>

OVERALL RATE OF RETURN  
EQUITY RATIO

8.01%  
42%

FLORIDA PUBLIC UTILITIES COMPANY  
DOCKET 940620-GU  
COMPARATIVE DEFICIENCY CALCULATIONS  
TYE 12/31/93

**REVISED** 11/21/94  
ATTACHMENT 4  
NOVEMBER 22, 1994  
INTERIM

	COMPANY	STAFF
RATE BASE (AVERAGE)	\$24,352,829	\$24,352,829
RATE OF RETURN REQUIRED NOI	X <u>8.15%</u> <u>\$1,984,756</u>	X <u>8.01%</u> <u>\$1,950,662</u>
Operating Revenues	<u>\$10,706,057</u>	<u>\$10,706,057</u>
Operating Expenses:		
Operation & Maintenance	\$6,371,347	\$6,298,477
Depreciation & Amortization	\$1,312,135	\$1,312,135
Amortization of Environmental	\$239,604	\$239,604
Taxes Other Than Income Taxes	\$853,092	\$853,092
Current Income Taxes—Federal	\$39,799	\$73,252
—State	\$6,761	\$12,487
Deferred Income Taxes—Federal	\$208,964	\$208,964
—State	\$35,770	\$35,770
ITC Amortization	(\$38,640)	(\$38,640)
Total Operating Expenses	<u>\$9,028,832</u>	<u>\$8,995,141</u>
ACHIEVED NOI	<u>\$1,677,225</u>	<u>\$1,710,916</u>
NET REVENUE DEFICIENCY	\$307,531	\$239,746
REVENUE TAX FACTOR	<u>1.6139054</u>	<u>1.6139054</u>
TOTAL REVENUE DEFICIENCY	<u>\$496,326</u>	<u>\$386,927</u>

REVISED 11/21/94

COMPANY: FLORIDA PUBLIC UTILITIES CO.  
 ALLOCATION OF INTERIM INCREASE  
 BASED ON 12 MONTHS ENDED: DEC. 31, 1993

ATTACHMENT 5  
 DOCKET NO. 940620- GU

(1)	(2)	<u>PRESENT REVENUE</u>			<u>INTERIM INCREASE</u>			(9)
		(3)	(4)	(5)	(6)	(7)	(8)	
					(4)+(5)	(6)X(8)	(7)/(6)	(7)/(3)
						\$	%	INCREASE
<u>RATE SCHEDULE</u>	<u>BILLS</u>	<u>THERM SALES</u>	<u>CUSTOMER CHARGE</u>	<u>ENERGY CHARGE</u>	<u>TOTAL</u>	<u>INCREASE</u>	<u>INCREASE</u>	<u>PER THERM CENTS</u>
RESIDENTIAL	360,540	8,431,321	\$2,837,952	\$2,493,837	\$5,331,789	\$196,524	3.69	2.3309
GENERAL SERVICE	19,328	4,789,969	\$191,370	\$989,009	\$1,180,379	\$43,508	3.69	0.9083
LARGE VOLUME SERVICE	15,407	20,949,408	\$487,034	\$2,936,134	\$3,423,168	\$126,174	3.69	0.6023
PUBLIC HOUSING AUTH. SVC	10,254	299,711	\$81,463	\$66,921	\$148,384	\$5,469	3.69	1.8249
INTERRUPTIBLE SERVICE	144	3,044,303	\$23,040	\$165,398	\$188,438	\$6,946	3.69	0.2282
INTERRUPTIBLE TRANS. SVC.	1	31,859	\$160	\$1,652	\$1,812	\$67	3.69	0.2096
LARGE VOL. INTERR. TRANSP	17	21,103,660	\$12,000	\$211,526	\$223,526	\$8,239	3.69	0.0390
<b>TOTAL</b>	<b>405,686</b>	<b>58,650,231</b>	<b>\$3,633,019</b>	<b>\$6,864,477</b>	<b>\$10,497,496</b>	<b>\$386,927</b>	<b>3.69</b>	<b>0.6597</b>

NOTE: REVENUE ABOVE DEVOID OF FUEL

REVISED 11/21/94

COMPANY: FLORIDA PUBLIC UTILITIES CO.  
 ALLOCATION OF INTERIM INCREASE  
 BASED ON 12 MONTHS ENDED: DEC. 31, 1993

ATTACHMENT 6  
 DOCKET NO. 940920-GU

<u>RATE SCHEDULE</u>	<u>PRESENT RATE</u>	<u>INTERIM INCREASE</u>	<u>PROPOSED RATE</u>
<u>RESIDENTIAL</u>			
CUSTOMER CHARGE	\$8.00	0	\$8.00
ENERGY CHARGE (cents/therm)	29.5400	2.3309	31.8709
<u>GENERAL SERVICE</u>			
CUSTOMER CHARGE	\$10.00	0	\$10.00
ENERGY CHARGE (cents/therm)	20.6720	0.9083	21.5803
<u>LARGE VOLUME SERVICE</u>			
CUSTOMER CHARGE	\$30.00	0	\$30.00
ENERGY CHARGE (cents/therm)	13.9610	0.6023	14.5633
<u>PUBLIC HOUSING AUTH. SVC.</u>			
CUSTOMER CHARGE	\$8.00	0	\$8.00
ENERGY CHARGE (cents/therm)	22.1570	1.8249	23.9819
<u>INTERRUPTIBLE SERVICE</u>			
CUSTOMER CHARGE	\$160.00	0	\$160.00
ENERGY CHARGE (cents/therm)	5.1860	0.2282	5.4142
<u>INTERRUPTIBLE TRANS. SVC.</u>			
CUSTOMER CHARGE	\$160.00	0	\$160.00
ENERGY CHARGE (cents/therm)	5.1860	0.2096	5.3956
<u>LARGE VOL. INTERRU. TRANSP.</u>			
CUSTOMER CHARGE	\$1,000.00	0	\$1,000.00
ENERGY CHARGE (cents/therm)	0.9650	0.0290	1.0040

COST OF SERVICE SUMMARY

**RATE COMPARISON**

**RATE SCHEDULE: RESIDENTIAL SERVICE (RS)**

PRESENT RATES

Customer Charge  
8.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	29.54

PROPOSED RATES

Customer Charge  
8.0000

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	31.8709

Gas Cost Cents/Therm      Therm usage increment  
24.117                              10

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	dollar increase
0	8.00	8.00	8.00	8.00	0.00	0.00	0.00
10	10.95	13.37	11.19	13.60	2.13	1.74	0.23
20	13.91	18.73	14.37	19.20	3.35	2.49	0.47
30	16.86	24.10	17.56	24.80	4.15	2.90	0.70
40	19.82	29.46	20.75	30.40	4.71	3.16	0.93
50	22.77	34.83	23.94	35.99	5.12	3.35	1.17
60	25.72	40.19	27.12	41.59	5.44	3.48	1.40
70	28.68	45.56	30.31	47.19	5.69	3.58	1.63
80	31.63	50.93	33.50	52.79	5.90	3.66	1.86
90	34.59	56.29	36.68	58.39	6.07	3.73	2.10
100	37.54	61.66	39.87	63.99	6.21	3.78	2.33
110	40.49	67.02	43.06	69.59	6.33	3.83	2.56
120	43.45	72.39	46.25	75.19	6.44	3.86	2.80
130	46.40	77.75	49.43	80.78	6.53	3.90	3.03
140	49.36	83.12	52.62	86.38	6.61	3.93	3.26
150	52.31	88.49	55.81	91.98	6.68	3.95	3.50
160	55.26	93.85	58.99	97.58	6.75	3.97	3.73
170	58.22	99.22	62.18	103.18	6.81	3.99	3.96
180	61.17	104.58	65.37	108.78	6.86	4.01	4.20
190	64.13	109.95	68.55	114.38	6.91	4.03	4.43

COST OF SERVICE SUMMARY

**RATE COMPARISON**

**RATE SCHEDULE: GENERAL SERVICE (GS)**

PRESENT RATES

Customer Charge  
10.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	20.672

PROPOSED RATES

Customer Charge  
10.0000

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	21.5803

Gas Cost Cents/Therm      Therm usage increment  
24.117                              150

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	dollar increase
0	10.00	10.00	10.00	10.00	0.00	0.00	0.00
150	41.01	77.18	42.37	78.55	3.32	1.77	1.36
300	72.02	144.37	74.74	147.09	3.78	1.89	2.72
450	103.02	211.55	107.11	215.64	3.97	1.93	4.09
600	134.03	278.73	139.48	284.18	4.07	1.96	5.45
750	165.04	345.92	171.85	352.73	4.13	1.97	6.81
900	196.05	413.10	204.22	421.28	4.17	1.98	8.17
1050	227.06	480.28	236.59	489.82	4.20	1.99	9.54
1200	258.06	547.47	268.96	558.37	4.22	1.99	10.90
1350	289.07	614.65	301.33	626.91	4.24	1.99	12.26
1500	320.08	681.84	333.70	695.46	4.26	2.00	13.62
1650	351.09	749.02	366.07	764.01	4.27	2.00	14.99
1800	382.10	816.20	398.45	832.55	4.28	2.00	16.35
1950	413.10	883.39	430.82	901.10	4.29	2.00	17.71
2100	444.11	950.57	463.19	969.64	4.29	2.01	19.07
2250	475.12	1,017.75	495.56	1,038.19	4.30	2.01	20.44
2400	506.13	1,084.94	527.93	1,106.74	4.31	2.01	21.80
2550	537.14	1,152.12	560.30	1,175.28	4.31	2.01	23.16
2700	568.14	1,219.30	592.67	1,243.83	4.32	2.01	24.52
2850	599.15	1,286.49	625.04	1,312.37	4.32	2.01	25.89

COST OF SERVICE SUMMARY

**RATE COMPARISON**

**RATE SCHEDULE: LARGE VOLUME SERVICE (LVS)**

PRESENT RATES

Customer Charge  
30.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	13.961

PROPOSED RATES

Customer Charge  
30.0000

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	14.5633

Gas Cost Cents/Therm      Therm usage increment  
24.117                              500

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	dollar increase
0	30.00	30.00	30.00	30.00	0.00	0.00	0.00
500	99.81	220.39	102.82	223.40	3.02	1.37	3.01
1000	169.61	410.78	175.63	416.80	3.55	1.47	6.02
1500	239.42	601.17	248.45	610.20	3.77	1.50	9.03
2000	309.22	791.56	321.27	803.61	3.90	1.52	12.05
2500	379.03	981.95	394.08	997.01	3.97	1.53	15.06
3000	448.83	1,172.34	466.90	1,190.41	4.03	1.54	18.07
3500	518.64	1,362.73	539.72	1,383.81	4.06	1.55	21.08
4000	588.44	1,553.12	612.53	1,577.21	4.09	1.55	24.09
4500	658.25	1,743.51	685.35	1,770.61	4.12	1.55	27.10
5000	728.05	1,933.90	758.17	1,964.02	4.14	1.56	30.12
5500	797.86	2,124.29	830.98	2,157.42	4.15	1.56	33.13
6000	867.66	2,314.68	903.80	2,350.82	4.16	1.56	36.14
6500	937.47	2,505.07	976.61	2,544.22	4.18	1.56	39.15
7000	1,007.27	2,695.46	1,049.43	2,737.62	4.19	1.56	42.16
7500	1,077.08	2,885.85	1,122.25	2,931.02	4.19	1.57	45.17
8000	1,146.88	3,076.24	1,195.06	3,124.42	4.20	1.57	48.18
8500	1,216.69	3,266.63	1,267.88	3,317.83	4.21	1.57	51.20
9000	1,286.49	3,457.02	1,340.70	3,511.23	4.21	1.57	54.21
9500	1,356.30	3,647.41	1,413.51	3,704.63	4.22	1.57	57.22

COST OF SERVICE SUMMARY

**RATE COMPARISON**

**RATE SCHEDULE: PUBLIC HOUSING AUTHORITY SERVICE (PHAS)**

PRESENT RATES

Customer Charge  
8.00

<u>Beginning therms</u>	<u>Ending therms</u>	<u>cents per therm</u>
0	0	0
0	N/A	22.157

PROPOSED RATES

Customer Charge  
8.0000

<u>Beginning therms</u>	<u>Ending therms</u>	<u>cents per therm</u>
0	0	0
0	N/A	23.9819

Gas Cost Cents/Therm      Therm usage increment  
24.117                              5

<u>therm usage</u>	<u>present monthly bill w/o fuel</u>	<u>present monthly bill with fuel</u>	<u>proposed monthly bill w/o fuel</u>	<u>proposed monthly bill with fuel</u>	<u>percent increase w/o fuel</u>	<u>percent increase with fuel</u>	<u>dollar increase</u>
0	8.00	8.00	8.00	8.00	0.00	0.00	0.00
5	9.11	10.31	9.20	10.40	1.00	0.88	0.09
10	10.22	12.63	10.40	12.81	1.79	1.45	0.18
15	11.32	14.94	11.60	15.21	2.42	1.83	0.27
20	12.43	17.25	12.80	17.62	2.94	2.12	0.36
25	13.54	19.57	14.00	20.02	3.37	2.33	0.46
30	14.65	21.88	15.19	22.43	3.74	2.50	0.55
35	15.75	24.20	16.39	24.83	4.05	2.64	0.64
40	16.86	26.51	17.59	27.24	4.33	2.75	0.73
45	17.97	28.82	18.79	29.64	4.57	2.85	0.82
50	19.08	31.14	19.99	32.05	4.78	2.93	0.91
55	20.19	33.45	21.19	34.45	4.97	3.00	1.00
60	21.29	35.76	22.39	36.86	5.14	3.06	1.09
65	22.40	38.08	23.59	39.26	5.29	3.12	1.19
70	23.51	40.39	24.79	41.67	5.43	3.16	1.28
75	24.62	42.71	25.99	44.07	5.56	3.20	1.37
80	25.73	45.02	27.19	46.48	5.67	3.24	1.46
85	26.83	47.33	28.38	48.88	5.78	3.28	1.55
90	27.94	49.65	29.58	51.29	5.88	3.31	1.64
95	29.05	51.96	30.78	53.69	5.97	3.34	1.73

COST OF SERVICE SUMMARY

RATE COMPARISON

RATE SCHEDULE: INTERRUPTIBLE SERVICE (IS)

PRESENT RATES

Customer Charge  
160.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	5.186

PROPOSED RATES

Customer Charge  
160.0000

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	5.4142

Gas Cost Cents/Therm      Therm usage increment  
24.117                              5000

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	dollar increase
0	160.00	160.00	160.00	160.00	0.00	0.00	0.00
5000	419.30	1,625.15	430.71	1,636.56	2.72	0.70	11.41
10000	678.60	3,090.30	701.42	3,113.12	3.36	0.74	22.82
15000	937.90	4,555.45	972.13	4,589.68	3.65	0.75	34.23
20000	1,197.20	6,020.60	1,242.84	6,066.24	3.81	0.76	45.64
25000	1,456.50	7,485.75	1,513.55	7,542.80	3.92	0.76	57.05
30000	1,715.80	8,950.90	1,784.26	9,019.36	3.99	0.76	68.46
35000	1,975.10	10,416.05	2,054.97	10,495.92	4.04	0.77	79.87
40000	2,234.40	11,881.20	2,325.68	11,972.48	4.09	0.77	91.28
45000	2,493.70	13,346.35	2,596.39	13,449.04	4.12	0.77	102.69
50000	2,753.00	14,811.50	2,867.10	14,925.60	4.14	0.77	114.10
55000	3,012.30	16,276.65	3,137.81	16,402.16	4.17	0.77	125.51
60000	3,271.60	17,741.80	3,408.52	17,878.72	4.19	0.77	136.92
65000	3,530.90	19,206.95	3,679.23	19,355.28	4.20	0.77	148.33
70000	3,790.20	20,672.10	3,949.94	20,831.84	4.21	0.77	159.74
75000	4,049.50	22,137.25	4,220.65	22,308.40	4.23	0.77	171.15
80000	4,308.80	23,602.40	4,491.36	23,784.96	4.24	0.77	182.56
85000	4,568.10	25,067.55	4,762.07	25,261.52	4.25	0.77	193.97
90000	4,827.40	26,532.70	5,032.78	26,738.08	4.25	0.77	205.38
95000	5,086.70	27,997.85	5,303.49	28,214.64	4.26	0.77	216.79



COST OF SERVICE SUMMARY

**RATE COMPARISON**

**RATE SCHEDULE: LARGE VOL. INTERR. TRANSP. (LVIS)**

PRESENT RATES

Customer Charge  
1000.00

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	0.965

PROPOSED RATES

Customer Charge  
1000.0000

Beginning therms	Ending therms	cents per therm
0	0	0
0	N/A	1.0040

Gas Cost Cents/Therm 0 Therm usage increment 400000

therm usage	present monthly bill w/o fuel	present monthly bill with fuel	proposed monthly bill w/o fuel	proposed monthly bill with fuel	percent increase w/o fuel	percent increase with fuel	dollar increase
0	1,000.00	1,000.00	1,000.00	1,000.00	0.00	0.00	0.00
400000	4,860.00	4,860.00	5,016.00	5,016.00	3.21	3.21	156.00
800000	8,720.00	8,720.00	9,032.00	9,032.00	3.58	3.58	312.00
1200000	12,580.00	12,580.00	13,048.00	13,048.00	3.72	3.72	468.00
1600000	16,440.00	16,440.00	17,064.00	17,064.00	3.80	3.80	624.00
2000000	20,300.00	20,300.00	21,080.00	21,080.00	3.84	3.84	780.00
2400000	24,160.00	24,160.00	25,096.00	25,096.00	3.87	3.87	936.00
2800000	28,020.00	28,020.00	29,112.00	29,112.00	3.90	3.90	1092.00
3200000	31,880.00	31,880.00	33,128.00	33,128.00	3.91	3.91	1248.00
3600000	35,740.00	35,740.00	37,144.00	37,144.00	3.93	3.93	1404.00
4000000	39,600.00	39,600.00	41,160.00	41,160.00	3.94	3.94	1560.00
4400000	43,460.00	43,460.00	45,176.00	45,176.00	3.95	3.95	1716.00
4800000	47,320.00	47,320.00	49,192.00	49,192.00	3.96	3.96	1872.00
5200000	51,180.00	51,180.00	53,208.00	53,208.00	3.96	3.96	2028.00
5600000	55,040.00	55,040.00	57,224.00	57,224.00	3.97	3.97	2184.00
6000000	58,900.00	58,900.00	61,240.00	61,240.00	3.97	3.97	2340.00
6400000	62,760.00	62,760.00	65,256.00	65,256.00	3.98	3.98	2496.00
6800000	66,620.00	66,620.00	69,272.00	69,272.00	3.98	3.98	2652.00
7200000	70,480.00	70,480.00	73,288.00	73,288.00	3.98	3.98	2808.00
7600000	74,340.00	74,340.00	77,304.00	77,304.00	3.99	3.99	2964.00

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Tallahassee, Florida 32308

ATTACHMENT 8  
DOCKET NO. 940620-GU  
PAGE 1 OF 2

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November 17, 1994

Vicki D. Johnson, Esq.  
Division of Legal Services  
Florida Public Service Commission  
101 East Gaines Street  
Tallahassee, FL 32399-0850

**HAND DELIVERY**

Re: Docket No. 940620-GU  
Application for a rate increase by FLORIDA PUBLIC UTILITIES  
COMPANY.

Dear Ms. Johnson:

On September 23, 1994, Florida Public Utilities Company filed for rate relief for its consolidated gas division. The Company requested a permanent increase of \$2,079,120 and interim rate relief of \$496,326. The interim relief was requested in accordance with Section 366.071, Florida Statutes. The Florida Public Service Commission must take action on the interim request in 60 days, or before November 23, 1994.

The Commission Staff filed their recommendation for interim relief with the Division of Records and Reporting on November 9, 1994. The Commission decision on interim rate relief is scheduled for the November 22 regular agenda.

The Staff has recommended certain adjustments to the Company interim request of \$496,326 which have the effect of reducing the rate relief to \$375,149. The Company takes issue with three of the Staff's adjustments.

The Staff has recommended disallowing the \$4,423 odorant expense adjustment the Company had included in the 1993 historical year operations. The Company purchases odorant in bulk every four to five years. The cost of odorant is expensed in the year of purchase but for ratemaking purposes is amortized over a four-to-five-year period. Since the Company did not purchase odorant in 1993, the test year for this proceeding, a Company adjustment in the amount of \$4,423 was included in the 1993 expenses to account for the amount of odorant actually used in 1993. An odorant adjustment was also made in the Company's last gas rate case to adjust expenses to reflect the actual amount of odorant used. This odorant adjustment was accepted by the Staff and allowed by the

Letter to Vicki D. Johnson  
November 17, 1994  
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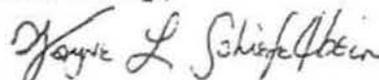
Commission in that rate case, for interim and final rate purposes. (See Docket No. 900151-GU, Order No. 23516, Page 3, and Order No. 24094, Page 12, Account 807, Other Trended.)

The Staff has recommended disallowing the Company adjustment to increase uncollectible accounts expense by \$29,044. The Company made this adjustment to bring the uncollectible expense to the level determined by the actual charge-off rate from the past three calendar years. Using a three-year average charge-off rate to determine the uncollectible expense has been an accepted practice in gas and electric rate cases for many years. The Company's last gas rate case also included an adjustment of uncollectible expense to the three-year charge-off rate which was accepted by Staff and approved by the Commission for interim and final rate purposes (See Docket No. 900151-GU, Order No. 23516, Page 3, and Order No. 24094, Page 17, Account 904.)

The Staff has recommended disallowing certain advertising expenses that they concluded were not safety or informational related. However, in removing advertising expenses they disallowed "other" advertising in the amount of \$18,691 in Account 913.6. This "other" advertising includes \$11,700 in Southern Bell Directory listings which are definitely informational in nature, a necessary expense and a benefit to current and prospective gas consumers. Southern Bell Directory listings were allowed in the Company's last gas rate case for both interim and final rate relief. They were included in Account 909 - Informational and Instructional Advertising (See Docket No. 900151-GU, Order No. 24094, Page 17.)

We therefore respectfully request that Staff reconsider their recommendation on the above three adjustments to allow the recovery of these reasonable and necessary expenses for interim rate relief in the present rate case.

Sincerely,



Wayne L. Schiefelbein

cc: Joseph W. McCormick  
Beth Salak