

MEMORANDUM

January 30, 1995

TO: DIVISION OF RECORDS AND REPORTING
FROM: DIVISION OF AUDITING AND FINANCIAL ANALYSIS (VANDIVER) *W*
RE: DOCKET NO. 940620-GU -- FLORIDA PUBLIC UTILITIES COMPANY
RATE CASE AUDIT REPORT
AUDIT CONTROL NO. 94-300-4-1

The above-referenced audit report is forwarded. Audit exceptions document deviations from the Uniform System of Accounts, Commission rule or order, Staff Accounting Bulletin and generally accepted accounting principles. Audit disclosures show information that may influence the decision process.

The audit was prepared using a micro computer and has been recorded on five diskettes. The diskettes may be reviewed using IBM compatible equipment and LOTUS 1-2-3 software. There are confidential pages in the audit report and working papers, as well as one confidential diskette, associated with this audit.

Please forward a complete copy of this report to:

Florida Public Utilities Company
Frank C. Cressman
P. O. Box 3395
West Palm Beach, FL 33402-3395

DNV/sp
Attachment

cc: Chairman Deason
Commissioner Clark
Commissioner Johnson
Commissioner Kiesling
Commissioner Garcia
Mary Andrews Bane, Deputy Executive Director/Technical
Legal Services
Division of Auditing and Financial Analysis (Devlin/Causseaux/
Revell/File Folder)
Miami District Office (Welch)

Office of Public Counsel

Wayne Schiefelbein
Gatlin, Woods, Carlson & Cowdery
1709 Mahan Drive, Suite D
Tallahassee, Florida 32308

DOCUMENT NUMBER-DATE
01171 JAN 31 1995
FPSC-RECORDS/REPORTING

FLORIDA PUBLIC SERVICE COMMISSION

AUDIT REPORT

12 MONTHS ENDED DECEMBER 31, 1993

FIELD WORK COMPLETED

JANUARY 13, 1995

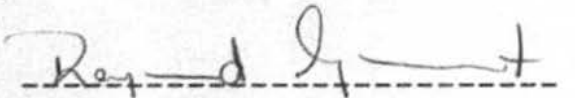
FLORIDA PUBLIC UTILITIES COMPANY

WEST PALM BEACH, FLORIDA

RATE CASE AUDIT
GAS DIVISION

DOCKET NUMBER 940620-GU

AUDIT CONTROL NUMBER 94-300-4-1



RAYMOND GRANT
AUDIT MANAGER

AUDIT STAFF

MINORITY OPINION

JERLEEN JOHN
ILIANA PIEDRA
RUTH YOUNG

YES_ NO_
YES_ NO_
YES_ NO_



KATHY WELCH
DISTRICT AUDIT SUPERVISOR
MIAMI

DOCUMENT NUMBER-DATE

01171 JAN 31 95

FPSC-RECORDS/REPORTING

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I. EXECUTIVE SUMMARY

Audit Purpose:

We have applied the procedures described in Section II of this report to audit the schedules of Rate Base, Net Operating Income and Capital Structure for the twelve month period ending December 31, 1993 prepared by Florida Public Utilities Company for their petition for rate relief, FPSC Docket 940620-GU.

Scope Limitation:

The audit exit conference was held January 23, 1995. This report is based on confidential information which is separately filed with the Commission Clerk.

Disclaim Public Use:

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

Opinion:

Subject to Audit Exceptions 1 and 2, Audit Disclosures 1 - 16 and the scope of work as described in Section II, the company schedules of Rate Base, Net Operating Income and Capital Structure represent the company's books and records maintained in substantial compliance with Commission Directives.

II. AUDIT SCOPE

The opinions contained in this report are based on the audit work described below. When used in this report COMPILED and EXAMINED means that audit work includes:

COMPILED – means that the audit staff reconciled exhibit amounts with the general ledger; visually scanned accounts for error or inconsistency; disclosed any unresolved error, irregularity, or inconsistency; and, except as otherwise noted performed no other audit work.

EXAMINED – means that the audit staff reconciled exhibit amounts with the general ledger; traced general ledger account balances to subsidiary ledgers; applied selective analytical review procedures; tested account balances to the extent further described; and disclosed any error, irregularity or inconsistency observed.

RATE BASE:

Examined Rate Base. Recalculated 13 month average rate base at December 31, 1993. Examined plant in service and completed not classified. Testing includes examination of vouchers and journal entry charges to 19% of plant additions and retirements judgementally selected from 1989 through 1993.

Examined depreciation and accumulated depreciation by recomputing depreciation expense. Traced Accumulated Depreciation balances to last Commission Order; Traced rates per company's schedule to Commission Orders.

Staff reconciled acquisition adjustment and accumulated amortization of acquisition adjustment from the last rate case to balance at December 31, 1993. The acquisition adjustment and amortization of acquisition adjustment balances at December 31, 1993 were traced to the general ledger. The 1993 amortization expense was recalculated and traced to schedule B-6 of the MFR's.

Traced Customer Advances balances for the 12 months ended December 31, 1993 on Schedule B-12 of the MFR's to the company's books, the monthly journal entries and the cash and payment reports.

Recalculated common plant and accumulated depreciation common plant allocated to gas division.

Recalculated working capital. Verified that the methodology used to calculate working capital was used in the last rate case.

COST OF CAPITAL:

Compiled Cost of Capital. Foot and crossfoot Cost of Capital Schedules, recalculated 13 month averages. The cost rates will be reviewed by Tallahassee Analyst.

NET OPERATING INCOME:

Compiled operating revenues. Recalculated base revenues to determine that rate revenues are billed in accordance with utility tariff. Examined Other Operating Revenues for 1993. Recomputed unbilled revenues and reviewed below the line revenue for possible misclassifications.

Compiled an analytical review of all expenses.

Examined operation and maintenance expenses by testing selected vouchers and journal entries for one month for judgementally selected accounts. Tested allocation basis of common accounts between divisions.

Examined property taxes by agreeing amounts to actual bills.

PROFORMA:

Compiled company supporting documentation for all adjustments except income tax and interest synchronization which will be reviewed by the tax department. Traced methodology to prior Commission Orders, recalculated amounts and traced to any other applicable source documentation.

FORECAST:

Compiled forecasted amounts for expenses and cost of capital. Compared actual 1993 data to forecasted plant amounts. Read the company's assumption for forecast; determined all company's source documentation for factors used in the forecast. Analyzed the accounts the company trended as "other" to determine reasonableness of methodology. No work was performed on depreciation and the forecast for plant and revenues will be reviewed by staff analyst. The cost rates for cost of capital will be reviewed by Tallahassee Analyst.

OTHER:

Read external auditors workpapers completed for 1993. Read Board of Directors Minutes for 1993.

III AUDIT EXCEPTION NO. 1

SUBJECT: ADVERTISING EXPENSES

STATEMENT OF FACTS:

The company has included advertising expenses of \$2,500 for the production of corporate video in account 913.1 Promotional Advertising. on Schedule B-3 of the MFR's.

The company also included charges of \$256.24 for the printing of money flyers for the Southern Women Expo. Each money flyer could be used towards the purchase of the following appliances.

- 1 Magic Chef New Generation cooking gas ranges
- 2 Magic Chef New Generation washers or gas dryers
- 3 RayPak gas pool heater with electronic ignition
- 4 Modern Home Products gaslight or WNK gas grill

The code of Federal Regulation Pt 201 states that ..." advertisements which are limited to specific makes of appliances and prices and terms etc., thereof, without referring to the value and advantages of utility service, shall be considered as merchandise advertising and the cost shall be charged to Costs and Expenses of Merchandising, Jobbing and Contract Work, account 416."

OPINION:

The charges of \$2,500 incurred for the production of corporate video did not promote the use of utility service and should be removed from test year expenses. The video was promoting the Palm Beach County area. The charges of \$256.24 for the printing of money flyers is related to merchandise and jobbing. The company forecast account 913 at 103.98% for 1994 and 104.34% for 1995.

Production of Corporate Video	\$2,500.00	
Printing Money Flyers	\$256.24	

Total	\$2,756.24	
	=====	
	1994	1995
	-----	-----
Account 913 Overstated By	\$2,756.24	\$2,865.94
Forecast %	103.98%	104.34%
	-----	-----
Total	\$2,865.94	\$2,990.32
	=====	=====

RECOMMENDATION:

An adjustment should be made to reduce 1993 expenses by \$2,756.24, forecast 1994 expenses by \$2,865.94 and forecast 1995 expenses by \$2,990.32.

Company Comments: Forthcoming.

AUDIT EXCEPTION NO. 2

SUBJECT: SELLING EXPENSES NOT AMORTIZED

STATEMENT OF FACTS:

The company has included selling expenses of \$2,909.38 for a three (3) year supply of color posters pocket folders purchased from Alliance Marketing in account 912- Selling Expenses on schedule C-5 of the MFR's.

OPINION:

Account 121.401.912.1 is overstated by \$1,939.59 for 1993. These expenses were forecast at 103.98% for 1994 and 104.34% for 1995. The selling expenses should have been amortized over the three year period.

	1994	1995
Account 912.1 Overstated By	1939.59	2016.79
Forecast %	103.98%	104.34%
	<u>\$2,016.79</u>	<u>\$2,104.32</u>

RECOMMENDATION:

An adjustment should be made to reduce 1993 expenses by \$1,939.59, forecast 1994 expenses by \$2,016.70 and forecast 1995 expenses by \$2,104.32.

COMPANY COMMENTS: Forthcoming.

AUDIT DISCLOSURE NO. 1

SUBJECT: INACTIVE SERVICE LINES

STATEMENT OF FACTS:

Commission Order No. 24094 (docket 900151 –GU, dated 2/12/91) states, "Plant in Service and associated accumulated depreciation accounts should be reduced to remove inactive service lines that have been inactive for more than five years.... We have agreed to allow only five years for completion of the company's study."

No adjustment was made by the company in this filing. The company has filed yearly progress reports with the Commission, these reports are attached. The company's estimated date of completion is December 31, 1998.

RECOMMENDATION:

The Commission staff should determine if any adjustments to Plant in Service and to Accumulated Depreciation related to the inactive service lines should be projected and included in the forecast for 1995. Per the attached company reports there are 1,321 inactive service lines as of 7/31/94.

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 8/19/94

Subject: Service Line Locator Program Statistics from
Inception of Program until 7/31/94

Attention of: C. L. Stein

Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

	<u>12/31/93-</u> <u>7/31/94</u>	<u>Prior</u> <u>Balance</u>	<u>Program</u> <u>to Date</u>
Total number of services located and documented	989	8034	9023
Total number of inactive services	191	1130	1321
Total number of abandon services documented	187	693	880
Total number of lots without natural gas service	659	8234	8893
Total number of leaks discovered	87	235	322

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 1/20/94

Subject: Service Line Locator Program Statistics from
Inception of Program until 12/31/93

Attention of: C. L. Stein

Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

	<u>12/31/92-</u> <u>12/31/93</u>	<u>Prior</u> <u>Balance</u>	<u>Program</u> <u>to Date</u>
Total number of services located and documented	927	7107	8034
Total number of inactive services	179	951	1130
Total number of abandon services documented	141	552	693
Total number of lots without natural gas service	883	7351	8234
Total number of leaks discovered	105	130	235

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 1/26/93

Subject: Service Line Locator Program Statistics from
Inception of Program until 12/31/92

Attention of: C. L. Stein

Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

	<u>12/31/91-</u> <u>12/31/92</u>	<u>Prior</u> <u>Balance</u>	<u>Program</u> <u>to Date</u>
Total number of services located and documented	2646	4461	7107
Total number of inactive services	572	379	951
Total number of abandon services documented	261	291	552
Total number of lots without natural gas service	2336	5015	7351
Total number of leaks discovered	48	82	130

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 1/29/92

Subject: Service Line Locator Program Statistics from
Inception of Program until 12/31/91

Attention of: C. L. Stein

Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

	<u>8/25/91-</u> <u>12/31/91</u>	<u>Prior</u> <u>Balance</u>	<u>Program</u> <u>to Date</u>
Total number of services located and documented	666	3795	4461
Total number of inactive services	76	303	379
Total number of abandon services documented	48	243	291
Total number of lots without natural gas service	2176	2839	5015
Total number of leaks discovered	16	66	82

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 8/26/91

Subject: Service Line Locator Program Statistics from
Inception of Program until 8/25/91

Attention of: C. L. Stein

Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

	<u>9/20/90-</u> <u>8/25/91</u>	<u>Prior</u> <u>Balance</u>	<u>Program</u> <u>to Date</u>
Total number of services located and documented	1551	2244	3795
Total number of inactive services	101	202	303
Total number of abandon services documented	44	199	243
Total number of lots without natural gas service	1741	1098	2839
Total number of leaks discovered	13	53	66

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

COMPANY CORRESPONDENCE

Location: West Palm Beach

Date: 9/21/90

Subject: Service Line Locator Program Statistics from
Inception of Program until 9/20/90

Attention of: C. L. Stein

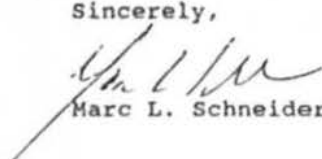
Location: West Palm Beach

The Service Line Location Program started on 7/1/89. This memo lists the statistics of said program.

Total number of services located and documented	<u>7/1/89 -</u> <u>9/20/90</u> 2244
Total number of inactive services	202
Total number of abandon services documented	199
Total number of lots without natural gas service	1098
Total number of leaks discovered	53

If you have any questions do not hesitate to discuss them with me.

Sincerely,


Marc L. Schneidermann

AUDIT DISCLOSURE NO. 2

SUBJECT: ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION (AFUDC)

STATEMENT OF FACTS:

The utility capitalizes interest using the AFUDC rate of 8.67%.
This rate was computed as of 12/31/77 and has not been updated.

Equity Portion (Account 419.1)	0.0524
Debt Portion (Account 432)	0.0343

	0.0867
	=====

Commission Rule 25-6.0141, effective 8/11/86, states the following,
"The most recent 13-month average embedded cost of capital, . . . shall
be derived using all sources of capital and adjusted using adjustments
consistent with those used by the Commission in the company's last rate
case."

AUDIT OPINION:

The utility should follow the guidelines per Rule 25-6.0141 when
calculating the AFUDC rate.

CONFIDENTIAL

P. 14-21

AUDIT DISCLOSURE 5

SUBJECT: PROJECTED COMMON STOCK IN COST OF CAPITAL

STATEMENT OF FACTS:

Included in the Projected Cost of Capital is Common Stock for 1994 and 1995 in the amounts of \$13,227,449 and \$13,535,232 for 13 month average; and \$13,354,563 and \$13,681,648 for year end.

The common stock amount per MFR schedule G-3 (d-5) was increased from \$13,065,836 on January 1, 1994 to \$13,681,648 on December 31, 1995; a difference of \$615,648.

This increase was based on the company forecasting their shares to be issued for the Dividend Reinvestment Plan and Employee Stock Ownership Plan (ESOP) for 1994 and 1995 and applying a price per share.

The amounts per share forecasted for the second half of 1994 for the Dividend Reinvestment Plan (DRIP) was \$17.25. The company states that this is the January 1, 1994 rate. The 1995 DRIP shares amounts were projected using \$18.25. The Company's assumption is that the share price should increase due to better earnings.

The ESOP share amounts are forecasted based on the price per share of the DRIP and calculated further as follows. The price per share for the DRIP in 1995 was projected at \$18.25. The ESOP is 90% of the Fair Market Value (FMV) when the option is given. In this case the Company used Flo-Gas Treasury Shares at \$7.13 each for ESOP.

Price per Share Projected	18.25	
@ 90% FMV	16.43	
less:		
Flo Gas Treasury Stk		
Company paid per share	7.13	

Amount used to		Difference between Treasure Stk and
Project ESOP in MFR's		9.30 90% of FMV. (Net Change in Equity)
		=====

OPINION:

At the time of the hearing, which will be in 1995, the Commission should take into account the actual price of the stock in order to Project the Common Stock amounts. The number of shares projected are found on MFR G-3(d-5).

AUDIT DISCLOSURE NO.6

SUBJECT: ADJUSTMENTS FOR PLANT IN SERVICE AND RELATED DEPRECIATION

STATEMENT OF FACT:

Per MFR Schedule B-2, the company made credit adjustments of \$835,984 to Plant In Service and \$368,541 to Accumulated depreciation - Utility Plant to remove non-regulated plant.

OPINION:

Staff engineer reviewed the allocation percentages and determined that merchandising bills should be included in the customer ratio calculations. The company presently uses only natural gas and propane sales to calculate this ratio. As a result, the adjustment increases for Plant in Service from \$835,984 to \$935,447, and for Accumulated Depreciation from \$368,541 to \$415,511 an increase of \$99,463 and \$46,970 respectively. See attached exhibit for new ratios and recalculation.

RECOMMENDATION:

The following entries should be made to reflect the increase in the adjustments.

Non-regulated Plant in Service	\$99,463.00	
Plant In Service		\$99,463.00
Accum. Depreciation - Utility Plant	\$46,970.00	
Non-regulated Accum. depreciation		\$46,970.00

TEL :

ACCOUNT LOCATION	DESCRIPTION	ALLOCATION BASIS	%	UTILITY PLAN*		DEPRECIATION RESERVE		STAFF ADJUSTMENTS UTILITY PLAN		STAFF ADJUSTMENTS DEPRECIATION RESERVE	
				13-MONTH AVERAGE	NON-REGULATED	13-MONTH AVERAGE	NON-REGULATED	13-MONTH AVERAGE	NON-REGULATED	13-MONTH AVERAGE	NON-REGULATED
374 WPS	DISTRIBUTION LAND TOTAL ACCOUNT 374	CUSTOMER	14	1,54,684	5,10,260	0	0	54,684	11,804	0	0
375 WPS	DISTRIBUTION-STRUC & IMPROV DISTRIBUTION-STRUC & IMPROV DISTRIBUTION-STRUC & IMPROV TOTAL ACCOUNT 375	CUSTOMER CUSTOMER CUSTOMER	14 12 62	472,416 12,328 4,581	83,715 1,666 2,800	0	0	472,416 14,277 4,581	88,417 2,142 2,443	0	0
387 WPS	DISTRIBUTION-OTHER EQUIP DISTRIBUTION-OTHER EQUIP DISTRIBUTION-OTHER EQUIP TOTAL ACCOUNT 387	CUSTOMER CUSTOMER CUSTOMER	14 12 62	188,274 14,227 8,555	28,639 7,112 3,444	0	0	188,604 14,277 8,555	34,810 2,142 2,500	0	0
389 WPS	GENERAL PLANT-LAND GENERAL PLANT-LAND GENERAL PLANT-LAND TOTAL ACCOUNT 389	CUSTOMER CUSTOMER CUSTOMER	14 12 62	42,805 8,436 2,771	7,345 1,912 2,328	0	0	42,805 8,436 2,771	6,586 1,263 2,205	0	0
390 WPS	GENERAL STRUC & IMPROV GENERAL STRUC & IMPROV GENERAL STRUC & IMPROV TOTAL ACCOUNT 390	CUSTOMER CUSTOMER CUSTOMER	14 12 62	104,710 62,818 177,288	18,508 11,265 18,281	0	0	104,710 62,818 177,288	22,629 14,082 17,532	0	0
391-394 WPS	GENERAL PLANT-OTHER GENERAL PLANT-OTHER GENERAL PLANT-OTHER TOTAL ACCOUNTS 391-394	CUSTOMER CUSTOMER CUSTOMER	14 12 62	784,324 14,316 104,250	134,879 13,374 72,820	0	0	784,324 14,316 104,250	139,444 12,147 74,279	0	0
395 WPS	TRANSPORTATION EQUIPMENT TRANSPORTATION EQUIPMENT TRANSPORTATION EQUIPMENT TOTAL ACCOUNT 395	CUSTOMER CUSTOMER CUSTOMER	14 12 62	1,103,308 204,681 189,082	198,710 24,485 81,828	0	0	1,103,308 204,681 189,082	221,301 20,808 102,889	0	0

13-MONTH AVERAGE
NON-REGULATED
DEPRECIATION RESERVE
STAFF ADJUSTMENTS
DEPRECIATION RESERVE

3,822,132
624,844
1,604,245
268,541
2,623,132
804,447
1,604,245
414,541

* PERCENTAGE INCREASE DUE TO MISCCHARGING BILLS BEING INCLUDED IN CUSTOMER RATIO ON ALLOCATION

AUDIT DISCLOSURE NO. 7

SUBJECT: DEPRECIATION STUDY

STATEMENT OF FACTS: The company included 1995 projection of depreciation study expenses of \$5,652 as other trended on Schedule G-2 (c-5) of the MFR.

The Special Projects Ledger revealed that the last depreciation study is still being written off over 4 years at \$245 per month. The company projections are based on invoices totaling \$10,842.50 received from Stone & Webster Management Consultants Inc. in March and April '94 related to the current gas depreciation study. The charges incurred to date for the current depreciation study are \$14,703.

	Total
Current Charges per Staff	\$14,703
Monthly Amortization - \$245 (Amort. ends 12/95)	
Unamort. Dep. Study Exp. \$245*12months (1/95-12/95)	\$2,940
Total Depreciation Exp. Subject To Amortization	\$17,643
Monthly Write Off (\$17,643/48)	\$368
1995 'Annual Dep. Study Exp. Per Staff	\$4,411
1995 'Annual Dep. Study Exp. Per Co.	\$5,652
Difference	(\$1,241)

OPINION: Based on the charges incurred to date the amount forecasted for 1995 gas depreciation study is overstated by \$1,241.

RECOMMENDATION: Field audit staff recommends that an adjustment should be made to reduce the depreciation study expenses projected for 1995.

Company Comments: The company agrees with this disclosure.

AUDIT DISCLOSURE NO. 8

SUBJECT: FORECAST OF CONSERVATION EXPENSES

STATEMENT OF FACTS: The company included the following projections for 1995 as other trended on MFR G-2 (c5):

913 Other Information Instruction	\$25,800
913 Energy Savings Program	\$120,000
913 Energy Savings Program Representative	\$18,000

Total	\$163,800
	=====

In answer to staff auditor's request, to provide explanation for the expenses, described above, the company stated the following;

- (1) The "Other Service Information Program (USIP)" represents costs to use broadcast and print media and developing a customer information handbook to disseminate information related to the USIP.
- (2) The expenses associated with the "Energy Savers Program" is to cover the umbrella advertising expenses for the following conservation marketing programs:
 - (a). Residential Energy Efficiency Program (REEP)
 - (b). Residential Energy Audit Program (REAP)
 - (c). Homeowners Maximized Energy Savings Program (HOMES)
 - (d). Business Efficiency Plan (BEEP), Appliance
 - (e). Appliance Conservation and Education Program (ACE)
 - (f). Business Energy Savers Team (BEST)
- (3) The need for an Energy Savers Program Representative is to communicate, facilitate and maintain accountability for ESP, The ESP representative will also handle customer inquiries concerning natural gas service and utilization. The amount projected for this position is an estimate of a salary the company is willing to offer to a qualified individual. There is no industry equivalent position to compare salary requirements.

Staff auditor inquired why the company was including conservation expenses in its projections, and why they did not file any conservation programs for the FPSC approval. According to Mr Smith's (Marketing Director's) testimony "The Florida Energy Efficiency and Conservation Act (Section 366.82) does not require the filing of programs with the FPSC by the utilities which provide natural gas at retail to the public if annual sales volume is less than 100 million therms. The Commission has, however, permitted natural gas utilities with lower sales volume to voluntarily file conservation programs and the company has elected not to do so."

AUDIT DISCLOSURE NO. 8 - Continued

In answer to Staff Auditor's question on whether any of the expenses projected for the 1995 test year for account 913 related to merchandising and jobbing, Mr. Smith stated that the expenses projected do not relate to merchandising and jobbing. He also stated that the amounts projected for the programs are for the promotion and advertising of the efficient use of gas.

OPINION:The account 913 expenses projected for 1995 represents a significant increase over test year 1993 amounts. These expenses should be reviewed by staff Analyst to determine if they are reasonable and if company should be allowed to recover these expenses through their base rates or if they should come through the conservation clause.

AUDIT DISCLOSURE NO. 9

SUBJECT: FORECAST OF DEMONSTRATION EXPENSES

STATEMENT OF FACTS: The company included the following projections for 1995 as other trended on MFR G-2 (c5):

916 Market Development & Demonstration Expense	\$35,000
916 Water Heater Stands	\$39,000
916 Conversions: Other Fuels To Gas	\$15,000
916 Other Misc. Expenses	\$10,000
916 Piping Allowance	\$39,000

Total	\$138,000
	=====

In answer to staff auditor's request, to provide explanation for the expenses, described above, the company stated the following:

- (1) The "Market Development and Demonstration Expense" are estimated costs associated with the company's proposed Marketing Development & Demonstration Program. The program is designed to provide customers with information on competitive neutral gas fired equipment.
- (2) In 1990, a revision of the standard gas code relating to the standards for installation of appliances where flammable liquids may be stored became effective. The revision requires that an open flame of a gas appliance be a minimum of 18 inches above the floor. The company estimated that there are approximately 9,000 residential water heater installation within their system that do not meet the new Code standard. The company is proposing to extend a one time offer to elevate any gas appliances located in a residential garage on a 50% shared cost basis to the customer. The company estimated an average cost of \$200 per water heater to elevate and replace the water heater and expects a minimum of 390 customers per year for the next five to seven years to take advantage of this incentive program and improve the safety of their water heater installations. The Commission has granted approval of similar programs at West Florida Natural Gas Company (Order No. PSC - 92-0580-FOF-GU), and for Peoples Gas Systems Inc. (Order No. PSC-92-0924-FOF-GU).
- (3) The expenses associated with the Conversions-Other fuels To Gas and Piping Allowance are adjusted estimated costs to cover expenses for the projected scheduled increase in the number of conversions in 1995.
- (4) The "Other Miscellaneous Expenses" are to cover miscellaneous marketing non-labor expenses. Costs totaling this amount include miscellaneous meeting supplies, postage costs, office automation software supplies, and expenses that do not support specific programs and activities in other areas of the company's marketing department.

DISCLOSURE NO. 9 – Continued

OPINION:The marketing expenses projected for 1995 represents a significant increase over test year 1993 amounts. Also, a portion of these expenses seem to be related to conservation. Staff believes that these expenses should be reviewed by staff Analyst to determine if they are reasonable, if there are any conservation related expenses and if should the company be allowed to recover these expenses through their base rates.

AUDIT DISCLOSURE NO. 10

SUBJECT: FORECAST OF MARKETING EXPENSES

STATEMENT OF FACTS: The company included the following projections for 1995 as other trended on MFR G-2 (c5):

912 Commercial Marketing Representative	\$25,000
912 Residential Marketing Representative	\$9,360
912 Construction Coordinator	\$4,000
912 Construction Representative	\$22,000
912 Marketing Application Representative	\$35,000
912 Cellular Telephone	\$3,000
912 Commercial Marketing Representative	\$26,600
912 Marketing Assistant (Part time)	\$7,500

Total	\$132,460
	=====

In answer to staff auditor's request, to provide an explanation for the expenses, described above, Mr Smith (Marketing Director) stated that " the need to create the positions above are documented in Volume 1 of the MFR's." He also stated that " The position of New Construction Coordinator is requested to assist in the supervision and directing of activities for the new residential Construction function. This position will also be utilized for field and administrative responsibilities to formulate strategies in this market sector. Since this position is essentially an upgrade of an existing New Construction Representative position, a salary adjustment of \$4,000 is requested. All other positions have applicable salaries which are in line with current company or industry compensation for equivalent positions. The current monthly average cost of cellular telephones used by four marketing representatives is approximately \$25. The use of the telephones will be extended to ten additional marketing representatives. This will increase annual expenses by \$3,000."

OPINION: The marketing expenses projected for 1995 represents a significant increase over test year 1993 amounts. Staff could not verify these costs because the positions have not yet been filled. Therefore these expenses should be reviewed by staff Analyst to determine if they are reasonable and if company should be allowed to recover these expenses through their base rates.

COMPANY COMMENTS: Forthcoming.

AUDIT DISCLOSURE NO. 11

SUBJECT: BLANKET CONSTRUCTION MISSING FROM 1995 PROJECTIONS

STATEMENT OF FACTS:

The company did not include construction projects totaling \$520,743 in 1995 projected data.

The company's calculations and schedules supporting the impact of the missing construction projects on Rate Base, Net Operating Income are presented on the following pages.

OPINION/RECOMMENDATION:

This should be reviewed by Tallahassee Staff Analyst.

FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISIONS
 BLANKET CONSTRUCTION MISSING FROM
 1995 PROJECTIONS
 PROJECTED TEST YEAR ENDING 12/31/95

	<u>13 MONTH AVERAGE</u>
<u>RATE BASE</u>	
NET CHANGE TO PLANT	\$520,743
LESS: NET CHANGE TO RESERVE	<u>5,693</u>
NET CHANGE TO RATE BASE	<u>\$515,050</u>

	<u>12 MONTH TOTAL</u>
<u>N.O.I.</u>	
NET CHANGE TO DEPRECIATION EXPENSE	\$16,734
LESS: NET CHANGE TO I/T (37.63%)	<u>6,297</u>
NET CHANGE TO NET OPERATING INCOME	<u>(\$10,437)</u>

Projects, with a cost of \$2,500 or less were left off to the original projections for 1995. Internally, these projects are referred to as blanket construction. The depreciation rates used for this additional plant are those approved in our recent Depreciation Study-Docket No. 940374-GU Order No. PSC-94-1539-FOF-GU. These schedules represent support for the additional plant, additional reserve and change to net operating income necessitated by the additional blanket construction missing for the 1995 projected test year.

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE A DETAILED CONSTRUCTION BUDGET FOR THE
PROJECTED TEST YEAR ENDING 12/31/95

TYPE OF DATA SHOWN:

COMPANY: FLORIDA PUBLIC UTILITIES
CONSOLIDATED GAS DIVISION
DOCKET NO.: 940620-GU

PROJECTED TEST YEAR ENDING: 12/31/95

WITNESS: MARTIN

LINE #	ACCT #	DESCRIPTION OF PROPOSED PURCHASES AND/OR CONSTRUCTION PROJECT*	COMPLETED DATE OF PROPOSED PURCHASE OR CONSTR.	PURCHASE PRICE OR CONSTRUCTION COST	DATE OF RELATED RETIREMENT	RETIREMENT AMOUNT OF RELATED RETIREMENT	SALVAGE VALUE OF RELATED RETIREMENT
1							
2	381	CONSUMER METERS	1070.11	12/31/95		\$129,700	
3	382	CONSUMER METERS - INTALLS	1070.02	12/31/95		\$35,600	
4	3801	SERVICES	1070.03	12/31/95		\$684,800	
5	3802	SERVICES - OTHER	1070.04	12/31/95		\$2,000	
6	383	HOUSE REGULATORS	1070.05	12/31/95		\$18,400	
7	384	HOUSE REGULATORS - INSTALLS	1070.06	12/31/95		\$20,400	
8	3761	MAINS - PLASTIC	1070.08	12/31/95		\$85,200	
9	3762	MAINS - OTHER	1070.09	12/31/95		\$6,000	
10	398	MISC. TOOLS & EQUIP.	1070.10	12/31/95		\$34,900	
11	3911	OFFICE FURNITURE	1070.12	12/31/95		\$1,600	
12	390	MISC. PLANT	1070.14	12/31/95		\$1,700	
13							
14							
15		TOTAL BLANKETS FOR 1995				<u>\$1,020,300</u>	
16							
17							
18							
19							
20							

-33-

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION: PROVIDE THE MONTHLY PLANT ADDITIONS BY ACCOUNT FOR THE PROJECTED TEST YEAR ENDING 12/31/95.

TYPE OF DATA SHOWN:

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISIONS

PROJECTED TEST YEAR: 12/31/95

DOCKET NO.: 940620-GU

WITNESS: MARTIN

LINE NO.	A/C NO.	DESCRIPTION	1995 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
1	304	LAND													
2	305	STRUCTURES & IMPROVEMENTS													
3	311	LIQUEFIED PETROLEUM GAS EQUIP.													
4	362	GAS HOLDERS													
5	374	LAND													
6	375	STRUCTURES & IMPROVEMENTS													
7	376.1	MAINS - PLASTIC	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	7,100	85,200
8	376.2	MAINS - OTHER	500	500	500	500	500	500	500	500	500	500	500	500	6,000
9	378	MEAS & REG STATION EQUIP-GEN													
10	379	MEAS & REG STATION EQUIP-GATE													
11	380.1	SERVICES - PLASTIC	57,400	57,400	56,400	57,400	57,400	56,400	57,400	57,400	56,400	57,400	57,400	56,400	684,800
12	380.2	SERVICES - OTHER			500			500			500			500	2,000
13	381	METERS	22,200	20,800	12,600	7,500	4,900	2,000	18,600	4,500	11,000	2,000	21,800	2,000	129,700
14	382	METER INSTALLATIONS	3,100	2,900	2,900	3,100	2,900	2,900	3,100	2,900	2,900	3,100	2,900	2,900	35,600
15	383	HOUSE REGULATORS	2,300	5,400	400	800	400	2,400	800	4,500	400	600	400	400	18,400
16	384	HOUSE REG-INST	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	1,700	20,400
17	385	IND MEAS & REG STA. EQUIP													
18	387	OTHER EQUIPMENT													
19	389	LAND & LAND RIGHTS													
20	390	STRUCTURES & IMPROVEMENTS						1,700							1,700
21	391.1	OFFICE FURNITURE			600					1,000					1,600
22	391.2	OFFICE MACHINES													
23	391.3	EDP EQUIPMENT													
24	392.1	TRANS. EQUIP. - CARS													
25	392.2	TRANS. EQUIP. - LT TRUCKS,VANS													
26	392.4	TRANS. EQUIP. - TRAILERS													
27	393	STORES EQUIPMENT													
28	394	TOOLS, SHOP, GARAGE EQUIP													
29	395	LABORATORY EQUIPMENT													
30	396	POWER OPERATED EQUIPMENT													
31	397	COMMUNICATION EQUIPMENT													
32	398	MISC EQUIPMENT	3,700	4,600	1,000	4,500	4,100	8,200	900	1,700	5,000	1,000			34,900
33		TOTAL FORECAST I.R.'S	98,000	100,600	83,700	82,400	79,000	83,400	89,900	81,300	85,500	73,400	91,600	71,500	1,020,300
34		GAS PLANT PURCHASED OR SOLD													
36		TOTAL UTILITY PLANT	98,000	100,600	83,700	82,400	79,000	83,400	89,900	81,300	85,500	73,400	91,600	71,500	1,020,300

SUPPORTING SCHEDULES:

RECAP SCHEDULES:

LINE NO.	AC NO.	DESCRIPTION	1994 DEC	1995 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	13 MONTH AVERAGE	NON REQUALIFIED	ADJUSTED 13 MONTH AVERAGE
1	304	LAND																
2	305	STRUCTURES & IMPROVEMENTS																
3	311	LIQUEFIED PETROLEUM GAS EQUIP																
4	322	GAS HOLDERS																
5	374	LAND																
6	374	LAND RIGHTS																
7	375	STRUCTURES & IMPROVEMENTS																
8	376	METERS - PLASTIC	7,100		14,200	21,300	28,400	35,500	42,600	49,700	56,800	63,900	71,000	78,100	85,200	42,600		42,600
9	376	METERS - METAL	500		1,000	1,500	2,000	2,500	3,000	3,500	4,000	4,500	5,000	5,500	6,000	2,800		2,800
10	378	MEAS & REG STATION EQUIP-GEN																
11	378	MEAS & REG STATION EQUIP-GATE																
12	380.1	SERVICES - PLASTIC																
13	380.2	SERVICES - OTHER	57,400		114,800	171,200	228,600	286,000	342,400	399,800	457,200	513,600	571,000	628,400	684,800	342,200		342,200
14	381	METERS	22,200		42,000	55,000	63,100	64,000	70,000	88,000	93,100	104,100	106,100	127,700	129,700	448		448
15	382	METER INSTALLATIONS	3,100		6,000	8,900	12,000	14,800	17,800	20,800	23,800	26,700	29,800	32,700	35,600	17,862		17,862
16	383	HOUSE REGULATORS	2,300		4,600	6,900	9,200	11,500	13,800	16,100	18,400	20,700	23,000	25,300	27,600	11,315		11,315
17	384	HOUSE REG-INST	1,700		3,400	5,100	6,800	8,500	10,200	11,900	13,600	15,300	17,000	18,700	20,400	10,200		10,200
18	385	IND MEAS & REG STA EQUIP																
19	387	OT: -SR EQUIPMENT																
20	389	LAND & LAND RIGHTS																
21	390	STRUCTURES & IMPROVEMENTS																
22	391.1	OFFICE FURNITURE				600	600	600	600	600	600	600	600	600	600	600	600	600
23	391.2	OFFICE EQUIPMENT				600	600	600	600	600	600	600	600	600	600	600	600	600
24	391.3	OFFICE EQUIPMENT				600	600	600	600	600	600	600	600	600	600	600	600	600
25	392.1	TRANS. EQUIP - CARS																
26	392.2	TRANS. EQUIP - TRUCKS VANS																
27	392.4	TRANS. EQUIP - TRAILERS																
28	393	STONES EQUIPMENT																
29	394	TOOLS, SHOP, GARAGE EQUIP																
30	395	LABORATORY EQUIPMENT																
31	396	POWER OPERATED EQUIPMENT																
32	397	COMMUNICATION EQUIPMENT																
33	398	MISC EQUIPMENT																
34		PLANT IN SERVICE	3,700		6,500	9,500	14,000	18,100	23,300	27,200	28,800	31,900	34,900	34,900	34,900	21,138		18,278
35	102	GAS PLANT PURCHASED OR SOLD			198,600	282,300	364,700	443,700	527,100	617,000	698,300	793,800	897,200	948,800	1,020,200	508,138		530,743
36		TOTAL PLANT IN SERVICE	98,000		198,600	282,300	364,700	443,700	527,100	617,000	698,300	793,800	897,200	948,800	1,020,200	508,138		530,743

SUPPORTING SCHEDULES G-1 (b-7), (b-7)(d)
 FOOTNOTE ALLOCATIONS BASIS

RECAP SCHEDULES G-1 (b-1)(b-2)

AUDIT DISCLOSURE NO. 13

SUBJECT: EXPENSES RELATED TO CONVERSION OF LP TO NATURAL GAS

STATEMENT OF FACTS:

The utility recorded the following expenses in April 1993:

Account	Amount	% allocated
121.916.1 - WPB - Misc Sales Expense	20,836.63	85%
121.878 - WPB - Meter and House Reg. Exp.	2,451.37	10%
121.107 - WPB - CWIP	1,225.68	5%
	24,513.68	100%

The \$24,513.68 represents charges related to the conversion of 125 LP customers to Natural gas at the Gun Club Estates. The charges incurred from February 1992 through March 1993 were accumulated in a Deferred Account. The Deferred Account was cleared on April 1993 and charged to the above accounts as indicated. The allocation was based on estimates provided by supervisory personnel involved in the conversion project. No other documentation was provided to staff regarding the allocation.

AUDIT OPINION:

Tallahassee analyst explained that the issue will be reviewed and a determination of whether the amounts will be allowed will be made by them.

AUDIT DISCLOSURE NO. 12

SUBJECT: POST RETIREMENT FASB 106/EXPENSES NOT PAID

STATEMENT OF FACTS: In 1993, the company made adjustments of \$146,660 to account 100.165.3 to comply with FASB 106 and separate post retirement benefits from Employee Pension Benefits. The \$146,660 that was accrued for post retirement was obtained from Buck Consultants Valuation Report.

In 1993, Post Retirement FASB 106 (Medical) of \$93,444 was expensed to account 926.1 and Post Retirement expense of \$53,216 related to health insurance was expensed to account 926.2 Pensions.

The company did not record post retirement expense of \$ 40,321 incurred but not paid. The company decided not to record the expense because the amount was immaterial and there was no cash outflow. \$25,603 or (63.5% of \$40,321) was charged to the gas divisions.

In 1994 the company made Adjustments to transfer Post Retirement (Medical) FASB (106) expense of \$93,444 from account 100.926.1 – Pensions , \$53,216 from account 100.926.2 – Insurance and \$40,321 post retirement expense not booked to 926.3. – Retiree Benefits Post Retirements to comply with FASB 106.

Account 100.1840.926.3	Total Adjustments	Allocation %	Amounts Alloc. To Gas Div.
FASB 106 Medical	\$93,444	63.50%	\$59,337
FASB 106 Medical	\$53,216	63.50%	\$33,792
FASB 106 Life Insurance	\$40,321	63.50%	\$25,604
Total	\$186,981		\$118,733

RECOMMENDATION: This should be reviewed by staff analyst to determine if the company is in compliance with FASB 106 and the impact on working capital for the \$25,604 related to life insurance incurred but not paid.

FLORIDA PUBLIC SERVICE COMMISSION
 FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISIONS
 DOCKET NO. 44029-OU

EXPLANATION: PROVIDE THE DEPRECIATION RESERVE BALANCES FOR EACH ACCOUNT OR SUB-ACCOUNT TO WHICH AN INDIVIDUAL DEPRECIATION RATE IS APPLIED FOR THE PROJECTED TEST YEAR ENDING 12/31/86.

TYPE OF DATA SHOWN: PROJECTED TEST YEAR ENDING 12/31/86
 WITNESS: MARTIN

LINE NO.	AC	DESCRIPTION	1984 DEC	1985 JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	13 MONTH AVERAGE	NON REGULATED	7/1987 13 MONTH AVERAGE
1 205		STRUCTURES & IMPROVEMENTS																
2 211		LIQUEFIED PETROLEUM GAS EQUIP.																
3 262		LAND RIGHTS																
4 314.1		STRUCTURES & IMPROVEMENTS																
5 315		MAINS - PLASTIC																
6 316.1		MAINS - OTHER																
7 316.2		MAINS & REG STATION EQUIP-GEN																
8 318		MAINS & REG STATION EQUIP-GATE																
9 319		SERVICES - PLASTIC																
10 320.1		SERVICES - OTHER																
11 320.2		METERS																
12 321		METERS - INSTALLATIONS																
13 322		HOUSE REGULATOR																
14 323		HOUSE REG-ANT																
15 324		REG. MANS & REG STA. EQUIP																
16 325		OTHER EQUIPMENT																
17 327		STRUCTURES & IMPROVEMENTS																
18 330		OFFICE FURNITURE																
19 331.1		OFFICE MACHINES																
20 331.2		OFFICE EQUIPMENT																
21 331.3		TRUCK EQUIP. - CAB																
22 332.1		TRUCK EQUIP. - LT TRUCK VANS																
23 332.2		TRUCK EQUIP. - TRAILERS																
24 332.4		STORES EQUIP. - CRT																
25 334		TOOLS, PROP. GAUGE EQUIP																
26 335		LABORATORY EQUIPMENT																
27 335		POWER OPERATED EQUIPMENT																
28 337		COMMUNICATION EQUIPMENT																
29 338		MISC EQUIPMENT																
30 338		DEPRECIATION RESERVE																
31																		
32		R.W.I.P																
33		TOTAL DEPRECIATION RESERVE																

SUPPORTING SCHEDULES: G-1 (8-19-81) G-2 (8-17)
 FOOTNOTE ALLOCATION BASE

REGUL SCHEDULES: G-1 (8-15-81)

AUDIT DISCLOSURE NO. 14

SUBJECT: REVENUES

STATEMENT OF FACTS: The company's revenue for the test year ended December 31, 1993 decreased by \$15,199.64 as a result of transferring customers from one rate schedule to another.

During 1993 fifty-two (52) accounts were changed from General Service to Large Volume Service and thirty-one (31) accounts were changed from Large Volume Service to General Service. The company's calculation supporting the impact on test year revenues due to rate changes is presented on the following page.

RECOMMENDATION: This should be reviewed by Staff Analyst to determine how the issue should be treated.

**REVENUE CHANGE TO FPUC DUE TO RATE CHANGES
IN RESPONSE TO REQUEST NUMBER 19
FROM RAYMOND GRANT 1/6/95**

CKET 94620-GU

PREPARED BY M. SCHNEIDERMAN 1/10/95

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REVISED 1/11/95 DUE TO CORRECTED SANFORD INFORMATION

**THE EXPECTED ANNUAL REVENUE IMPACT TO FPU FOR THE BELOW SUMMARIZED RATE CHANGES
AMOUNTED TO: (\$15,199.64) AT ORIGINAL RATES.**

RATE CHANGES FROM LVS TO GS

CUSTOMERS	THERMS/YR	LVS	LVS	LVS	GS	GS	GS	IMPACT OF RATE CHANGE	
		ANNUAL CUSTOMER CHARGE REVENUES	ANNUAL ENERGY CHARGE REVENUES	TOTAL ANNUAL REVENUES	ANNUAL CUSTOMER CHARGE REVENUES	ANNUAL ENERGY CHARGE REVENUES	TOTAL ANNUAL REVENUES		
WPB	24	26,027	\$8,640.00	\$3,833.63	\$12,273.63	\$2,880.00	\$5,380.30	\$8,260.30	(\$4,013.33)
SANFORD	7	9,853	\$2,520.00	\$1,375.58	\$3,895.58	\$840.00	\$2,036.81	\$2,876.81	(\$1,018.77)
DELAND	0	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTALS	31	35,880	\$11,160.00	\$5,009.21	\$16,169.21	\$3,720.00	\$7,417.11	\$11,137.11	(\$5,032.10)

RATE CHANGES FROM GS TO LVS

CUSTOMERS	THERMS/YR	LVS	LVS	LVS	GS	GS	GS	IMPACT OF RATE CHANGE	
		ANNUAL CUSTOMER CHARGE REVENUES	ANNUAL ENERGY CHARGE REVENUES	TOTAL ANNUAL REVENUES	ANNUAL CUSTOMER CHARGE REVENUES	ANNUAL ENERGY CHARGE REVENUES	TOTAL ANNUAL REVENUES		
WPB	1	39,383	\$360.00	\$5,498.26	\$5,858.26	\$120.00	\$8,141.25	\$8,261.25	(\$2,402.99)
SANFORD	34	236,886	\$1,240.00	\$33,071.65	\$45,311.65	\$4,080.00	\$48,969.07	\$53,049.07	(\$7,737.42)
DELAND	17	61,200	\$6,120.00	\$8,544.13	\$14,664.13	\$2,040.00	\$12,651.26	\$14,691.26	(\$27.13)
TOTALS	52	337,469	\$18,720.00	\$47,114.04	\$65,834.04	\$6,240.00	\$69,761.58	\$76,001.58	(\$10,167.54)

TOTAL IMPACT TO FPU DUE TO THE FOLLOWING RATE CHANGES:

LVS TO GS RATE CHANGES	(\$5,032.10)
GS TO LVS RATE CHANGES	(\$10,167.54)
TOTAL ANNUAL REVENUE IMPACT TO FPU	(\$15,199.64)

NOTES:	
LVS CUSTOMER CHARGE	\$30.00 /CUSTOMER/MONTH
LVS NON-FUEL ENERGY CHARGE	\$0.139610 /THERM
GS CUSTOMER CHARGE	\$10.00 /CUSTOMER/MONTH
GS NON-FUEL ENERGY CHARGE	\$0.206720 /THERM

AUDIT DISCLOSURE NO. 15

SUBJECT: PROJECTED EXPENSES

STATEMENT OF FACTS:

In the 1994 projection on schedule G-2 (c-5), the company included \$25,750 in account 878 -Meter & House Regulation Expense to hire an additional Service Technician because they were collectively short a Technician in 1993. This amount was increased for payroll growth in projected 1995 data.

As of January 1995, the company has still not hired a Service Technician.

OPINION/RECOMMENDATION:

The expense of \$25,750 should be removed from forecasted 1994 data since the company will not recognize this expense in 1994.

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISION

DOCKET NO.: 94089-GU

EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH
 AVERAGE RATE BASE AS ADJUSTED FOR THE HISTORIC BASE YEAR

RATE BASE - 13 MONTH AVERAGE

TYPE OF DATA SHOWN:
 HISTORIC YEAR ENDED: 12/31/93
 WITNESS: BACHMAN

LINE NO.	UTILITY PLANT	AVERAGE PER BOOKS	ADJUSTMENT	ADJUSTED AVERAGE
1	PLANT IN SERVICE	36,451,896	(835,964)	35,615,934
2	COMMON PLANT ALLOCATED	595,435	0	595,435
3	ACQUISITION ADJUSTMENT	303,400	0	303,400
4	PROPERTY HELD FOR FUTURE USE	0	0	0
5	CONSTRUCTION WORK IN PROGRESS	289,372	0	289,372
6	TOTAL PLANT	<u>37,720,105</u>	<u>(835,964)</u>	<u>36,884,141</u>
DEDUCTIONS				
7	ACCUM. DEPR. - UTILITY PLANT	12,057,235	(368,541)	11,688,715
8	ACCUM. DEPR. - COMMON PLANT	281,901	0	281,901
9	ACCUM. AMORT. - ACQ. ADJ.	319,741	0	319,741
10	ACCUM. DEPR. - LEASEHOLD IMPR.	0	0	0
11	CUSTOMER ADV. FOR CONST.	240,535	0	240,535
12	TOTAL DEDUCTIONS	<u>12,899,413</u>	<u>(368,541)</u>	<u>12,531,282</u>
13	PLANT NET	<u>24,820,722</u>	<u>(467,443)</u>	<u>24,353,279</u>
ALLOWANCE FOR WORKING CAPITAL				
14	BALANCE SHEET METHOD	(6,650)	6,655	0
15	TOTAL RATE BASE	<u>24,813,617</u>	<u>(460,788)</u>	<u>24,352,829</u>
16	NET OPERATING INCOME	<u>1,689,214</u>	<u>(111,989)</u>	<u>1,577,225</u>
17	RATE OF RETURN	<u>6.81%</u>		<u>6.87%</u>

SUPPORTING SCHEDULES: B-1, B-3, B-4, B-5, B-6, B-7, B-8, B-9, B-10, B-11, B-12, B-13, C-1

REC'D SCHEDULES

FLORIDA PUBLIC SERVICE COMMISSION
 COMPANY FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISION
 DOCKET NO.: 940620-GU

EXPLANATION: PROVIDE THE CALCULATION OF NET OPERATING INCOME PER
 BOOKS FOR THE HISTORIC BASE YEAR AND ANY ADJUSTMENTS MADE TO THE
 HISTORIC BASE YEAR FOR INTERIM PURPOSES.

TYPE OF DATA SHOWN:
 HISTORIC YEAR ENDED 12/31/93

WITNESS: BACHMAN

NET OPERATING INCOME - HISTORIC YEAR ENDED 12/31/93

LINE NO.		(1) TOTAL COMPANY PER BOOKS	(2) ADJUSTMENTS	(3) COMPANY ADJUSTED (1) + (2)	(4) REVENUE REQUIREMENT	(5) JURISDICTIONAL AMOUNT PROPOSED RATES
1	OPERATING REVENUES	\$22,413,675	(\$11,707,618)	\$10,706,057	\$496,326	\$11,202,383
2	OPERATING EXPENSES:					
3	OPERATION & MAINTENANCE	17,999,964	(11,628,617)	6,371,347	1,390	6,372,737
4	DEPRECIATION & AMORTIZATION	1,345,537	(33,402)	1,312,135		1,312,135
5	AMORTIZATION OF ENVIRONMENTAL	239,604		239,604		239,604
6	TAXES OTHER THAN INCOME TAXES	912,100	(59,008)	853,092	1,861	854,953
7	INCOME TAXES:					
8	- FEDERAL	(4,589)	44,388	39,799	158,425	198,224
9	- STATE	(3,392)	10,153	6,761	27,119	33,880
10	DEFERRED INCOME TAXES					
11	- FEDERAL	231,825	(22,861)	208,964		208,964
12	- STATE	42,052	(6,282)	35,770		35,770
13	INVESTMENT TAX CREDIT - NET	(38,640)		(38,640)		(38,640)
14	TOTAL OPERATING EXPENSES	20,724,461	(11,695,629)	9,028,832	188,795	9,217,627
15	OPERATING INCOME	\$1,689,214	(\$11,989)	\$1,677,225	\$307,531	\$1,984,756
16	RATE BASE	\$24,813,617	(\$460,788)	\$24,352,829		\$24,352,829
17	RATE OF RETURN	6.81%		6.89%		8.15%

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SUPPORTING SCHEDULES: C-1, F-5, F-7

RECAP SCHEDULES: F-1

FLORIDA PUBLIC SERVICE COMMISSION

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

TYPE OF DATA SHOWN:
HISTORIC YEAR ENDED 12/31/93
PRIOR RATE CASE PROJECTED YEAR
ENDING 12/31/91
WITNESS: MARTIN JACKSON

COMPANY: FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
DOCKET NO.: 940620-GU

LINE NO.	CLASS OF CAPITAL (1)	LAST RATE CASE - PROJECTED TEST YEAR ENDING 12/31/91(1)						PRESENT RATE CASE - HISTORIC YEAR ENDED 12/31/93							
		DOLLARS (2)	RATIO (3)	COST RATE		WEIGHTED COST		AMOUNT PER BOOKS (8)	ADJUSTMENTS			RATIO (12)	COST RATE (13)	WEIGHTED COST (14)	INTEREST EXPENSE (15)
				REQUESTED (4)	APPROVED (5)	REQUESTED (6)	APPROVED (7)		SPECIFIC (9)	PRORATA (10)	NET (11)				
1	COMMON EQUITY	55,763,829	24.78%	13.85%	13.00%	3.70%	3.22%	\$7,824,359 (2)	\$0	\$0	\$7,824,359	32.13%	13.00%	4.18%	
2	PREFERRED STOCK	253,201	1.09%	4.75%	4.75%	0.05%	0.05%	238,954 (2)	0	0	238,954	0.98%	4.75%	0.05%	
3	LONG TERM DEBT	7,545,801	32.44%	9.75%	9.75%	2.99%	3.18%	9,804,530 (2)	0	0	9,804,530	40.28%	9.89%	3.90%	950,059
4	SHORT TERM DEBT	3,723,310	16.01%	8.88%	8.88%	1.34%	1.42%	655,735 (2)	0	0	655,735	2.59%	4.86%	0.13%	31,869
5	CUSTOMER DEPOSITS	1,390,927	5.98%	8.47%	8.47%	0.52%	0.51%	1,562,611	0	0	1,562,611	6.42%	8.18%	0.52%	127,822
6	TAX CROTS - 0 COST	34,397	0.15%	0.00%	0.00%	0.00%	0.00%	29,349	0	0	29,349	0.12%	0.00%	0.00%	
7	TX CROTS - WTD CST	868,751	3.73%	11.54%	10.57%	0.44%	0.39%	811,473	0	0	811,473	3.33%	10.85%	0.36%	43,008
8	ACCUM DEFERRED INC TAXES - 0 COST	3,682,363	15.83%	0.00%	0.00%	0.00%	0.00%	3,425,818	0	0	3,425,818	14.07%	0.00%	0.00%	
9	OTHER (EXPLAIN)	0	0.00%	0.00%	0.00%	0.00%	0.00%	0	0	0	0	0.00%	0.00%	0.00%	
10	TOTAL	<u>\$23,260,599</u>	<u>100.00%</u>			<u>9.04%</u>	<u>8.78%</u>	<u>\$24,352,829</u>	<u>\$0</u>	<u>\$0</u>	<u>\$24,352,829</u>	<u>100.00%</u>		<u>9.14%</u>	<u>1,152,758</u>

COST RATE FOR TAX CREDITS WEIGHTED COST:

11	COMMON EQUITY										7,824,359	42.24%	13.00%	5.49%
12	PREFERRED EQUITY										238,954	1.29%	4.75%	0.08%
13	LONG-TERM DEBT										655,735	3.54%	4.86%	0.17%
14	SHORT-TERM DEBT										<u>9,804,530</u>	<u>52.93%</u>	<u>9.89%</u>	<u>5.13%</u>
15	TOTAL										<u>18,523,578</u>	<u>100.00%</u>		<u>10.85%</u>

COST RATE FOR TAX CREDITS INTEREST EXPENSE:

(1) PER ORDER NO. 24094, PAGE 23.

Note: For comparative purposes, we have used the last rate case authorized equity return for the historic year of the present rate case.

SUPPORTING SCHEDULES: B-1, D-2, D-3, D-4, D-5, D-8

RECAP SCHEDULES: A-1, A-2, C-22

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DOCKET NO.: 94080-GU

NOTE: DEPRECIATION RATES PER ORDER NO. PSC 94-158-FOR-GU DOCKET NO. 94074 ESTIMATED DEPRECIATION AND AMORTIZATION EXPENSE FOR THE YEAR ENDING 12/31/95

LINE NO.	AC NO.	DESCRIPTION	N RATE	1995												TOTAL DEPRECIATION	NON-DEPRECIATION	ADJUSTED DEPRECIATION							
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC										
1	204	LAND																							
2	205	STRUCTURES & IMPROVEMENTS																							
3	211	LOANED INSTRUMENTAL GAS EQUIP																							
4	202	GAS HOLDERS																							
5	214	LAND																							
6	214.1	LAND RIGHTS	1.20																						
7	215	STRUCTURES & IMPROVEMENTS	2.70																						
8	218.1	MAINS - PLASTIC	3.00																						
9	218.2	MAINS - OTHER	3.20																						
10	219	METS & REG STATION EQUIP-GATE	3.40																						
11	219	METS & REG STATION EQUIP-GATE	3.40																						
12	200.2	SERVICES - OTHER	2.20																						
13	200.2	SERVICES - OTHER	2.20																						
14	201	NETS & INSTALLATIONS	2.30																						
15	203	HOUSE REGulators	3.40																						
16	203	HOUSE REGulators	3.40																						
17	204	HOUSE REGulators	3.40																						
18	205	HO MEANS & REG STA. EQUIP	4.10																						
19	207	OTHER EQUIPMENT	3.00																						
20	209	LAND & LAND RIGHTS	2.00																						
21	200	STRUCTURES & IMPROVEMENTS	2.00																						
22	201	OFFICE FURNITURE	12.00																						
23	201.2	OFFICE MACHINES	12.00																						
24	201.3	OFFICE EQUIPMENT	11.70																						
25	201.3	OFFICE EQUIPMENT	11.70																						
26	202.2	TRAINS EQUIP - LI TRUCKS/VANS	13.20																						
27	202.4	TRAINS EQUIP - TRAILERS	18.20																						
28	203	TOOLS, SHOP, GARAGE EQUIP	7.50																						
29	204	LABORATORY EQUIPMENT	6.00																						
30	205	LABORATORY EQUIPMENT	6.40																						
31	206	POWER OPERATED EQUIPMENT	8.70																						
32	207	COMMUNICATION EQUIPMENT	8.70																						
33	208	MISC EQUIPMENT	10.40																						
34		TOTAL DEPRECIATION																							
35		LESS TRANS. SERV. AMOUNT CHARGED TO CLEARING ACCOUNTS																							
36		LESS GENERAL PLANT DEPRECIATION ADJUSTMENT LOC OUT																							
37		ADD AMORTIZATION OF ACQUISITION ADJUSTMENT EXPENSE																							
38		TOTAL DEPRECIATION / AMORTIZATION EXPENSE																							

SUPPORTING SCHEDULES:
 FOOTNOTE ALLOCATION BASIS
 RECAP SCHEDULES: G-2 (REV. 03)

State of Florida

Commissioners:
SUSAN F. CLARK, CHAIRMAN
J. TERRY DEASON
JULIA L. JOHNSON
DIANE K. KIESLING
JOE GARCIA



DIVISION OF RECORDS &
REPORTING
BLANCA S. BAYO
DIRECTOR
(904) 488-8371

Public Service Commission

February 1, 1995

Mr. Frank C. Cressman
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, FL 33402-3395

Dear Mr. Cressman:

RE: Docket No. 940620-GU - Florida Public Utilities Company
Rate Case Audit Report

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

Thank you for your cooperation.

Sincerely,


Blanca S. Bayo

BSB/kes

Enclosure

cc: Public Counsel
Wayne Schiefelbein