

Company: Florida Public Utilities Company
 Fernandina Beach Water Division

Schedule: B-7 Supplement

Docket No.: 990535-WU

Page 1 of 2

Test Year Ended: December 31, 2000

Preparer: Cheryl Martin

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

Line No.	(1) Account No. and Name	(2) Prior TY 12/31/87 * estimated	(3) Historic Year 12/31/95	(4) Projected Year 12/31/00	(5) \$ Difference (4) -(2)	(6) % Difference	(7) Explanation Required
1	601 Salaries & Wages - Employees	207,071	343,257	476,400	269,329	130.1%	See Page 2, A
2	603 Salaries & Wages - Officers, Etc.		35,167	35,400	35,400	N/A	See Page 2, A
3	604 Employee Pensions & Benefits	2,838	(2,172)	9,400	6,562	231.2%	See Page 2, B
4	610 Purchased Water				-		
5	615 Purchased Power	102,975	133,339	127,200	24,225	23.5%	
6	616 Fuel for Power Purchased				-		
7	618 Chemicals	13,716	23,434	21,800	8,084	58.9%	
8	620 Materials & Supplies	8,066	13,870	30,100	22,034	273.2%	See Page 2, C
9	631 Contractual Services - Engr.				-		
10	632 Contractual Services - Acct.				-		
11	633 Contractual Services - Legal		371	200	200	N/A	See Page 2, D
12	634 Contractual Services - Mgmt. Fees	9,206	1,835	-	(9,206)	-100.0%	See Page 2, D
13	635 Contractual Services - Testing				-		
14	636 Contractual Services - Other		5,625	7,400	7,400	N/A	See Page 2, D
15	641 Rental of Building/Real Prop.	156	509	400	244	156.4%	See Page 2, E
16	642 Rental of Equipment				-		
17	650 Transportation Expenses	60,017	55,067	77,500	17,483	29.1%	
18	656 Insurance - Vehicle				-		
19	657 Insurance - General Liability	43,504	23,464	21,000	(22,504)	-51.7%	
20	658 Insurance - Workman's Comp.		2,081	200	200	N/A	See Page 2, F
21	659 Insurance - Other	16,753	56,556	55,700	38,947	232.5%	See Page 2, F
22	660 Advertising Expense		16		-		
23	666 Reg. Comm. Exp. - Rate Case Amort.	2,100		8,013	5,913	281.6%	See Page 2, G
24	667 Reg. Comm. Exp. - Other				-		
25	668 Water Resource Conserv. Exp.						
26	670 Bad Debt Expense	2,721	2,813	4,200	1,479	54.4%	
27	675 Miscellaneous Expenses	30,879	165,336	191,100	160,221	518.9%	See Page 2, H
28	TOTAL	500,002	860,568	1,066,013	566,011	113.2%	
29							
30	Total Customers	4,196	5,553	6,601	2,405	57.3%	
31							
32	Consumer Price Index - U	113.6	152.4	170.6	57.0	50.2%	
33							
34	Growth Plus Inflation = (Growth + Inflation + (Growth x Inflation))					136.3%	

* Account number structure and reporting was different in 1987. The account number breakdown is estimated.

DOCUMENT NUMBER - DATE

09430 AUG-68

O&M EXPENSE REPORTING

74-A

Operation & Maintenance Expense Comparison - Water

Florida Public Service Commission

Company: Florida Public Service Commission
 Fernandina Beach Water Division
 Docket No.: 990535-WU
 Projected Test Year Ended: December 31, 2000

Schedule: B-7 Supplement
 Page 2 of 2
 Preparer: Cheryl Martin

Explanation: Complete the following comparison of the applicant's current and prior test year O&M expenses before this Commission. Provide an explanation of all differences which are not attributable to the change in customer growth and the CPI-U. If the applicant has not had a previous rate case, use the year 5 years prior to the test year for comparison. Provide an additional schedule, if necessary, to explain differences.

74-B

Line No.	(1) Account No. and Name	(2) Explanation
1	A 601/603 Salaries & Wages	A new position was added as a Water Superintendent hired in February 1998. The water personnel has increased due to work load. Water treatment has been improved and maintenance has increased significantly since the last rate case; primarily due to regulatory compliance and increased awareness.
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3		
4		
5	B 604 Employee Pensions & Benefits	Significant changes were made to the company pension plan; reducing the retirement age and increasing overall benefits caused an increase to this account above growth plus inflation factors.
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7		
8	C 620 Materials & Supplies	More material and supplies have been used for maintenance projects. System maintenance has increased beyond customer growth and inflation due to an increased awareness and effort to improve water loss, improve water treatment process to improve water quality and regulatory compliance, and improve appearance of visible system components (water tanks, fire hydrants etc.). Increasing regulatory climate has identified areas in which improvement is mandated.
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13	D 633/634/636 Contractual Services	The amounts for 1987 were estimated; the previous approved test year amounts did not follow the same account number structure or reporting type. These should be reviewed in total for contractual services (Accounts 631-636) and accordingly are within the allowable benchmark.
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15		
16		
17	E 641 Rental of Building/Real Property	Although the percentage increase is high, the dollar amount is low. The corporate office has expanded since 1987 and additional parking spaces were needed; the space is rented from the city for some employee parking.
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19		
20	F 658/659 Insurance	Insurance accounts include retirement benefits which were also affected by the significant changes to company pension plan. (See line 5) The medical self insurance plan for company employees has significantly changed over the years providing more coverage and options; thus increasing the cost of the insurance to the company. The prior test year costs breakdown was estimated; to get an accurate comparison, all insurance should be grouped together. Doing so would result in costs remaining in the allowable benchmark of customer growth and inflation.
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26	G 666 Reg. Comm. Exp. - Rate Case Amort.	The filing requirements have increased since the last rate case and legal fees are higher than our last rate case. In addition, we made the assumption of a full year's projected test year amortization of rate case expense for 2000.
27		
28		
29	H 675 Miscellaneous Expenses	Significant increases in all types of expenses associated with water operations have occurred as a result of increased regulatory compliance and increased awareness and effort to improve water loss, water treatment, water quality and general overall water service.
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31		
32		
33	SPECIAL NOTE: Since Prior TY 12/31/87 breakdown between account numbers was estimated, some accounts are not fairly represented. Accounts 620, 650, 675 are the most difficult to estimate because items were tracked by function rather than type of expenditure (similar to Electric and Natural Gas). In total expenses are within the allowable customer growth and inflation benchmark.	
34		
35		

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August 6, 1999

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Ms. Blanca Bayo, Director
Division of Records and Reporting
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Re: Docket No. 990535-WU

Dear Ms. Bayo:

In response to the letter dated July 29, 1999 from Mr. Dan Hoppe, Director, Division of Water and Wastewater, enclosed for filing please find the following:

1. Twenty copies of Schedule B-7 Supplement (Addition to Volume 1) - pages have been added to our original B-7 to show the comparison of O & M expenses of the test year compared to prior rate case test year. **09430-99**
2. Twenty copies of E-14 Billing Analysis, Volume 3 supplement 8/2/99 (Supplement to Original Volume 3) - a supplemental Volume has been prepared showing an analysis for each class of service by meter size for each applicable rate change period and the entire calendar year of 1998. Reconciliation for consumption and billed revenues is also shown on the summary pages. All immaterial differences between E-2 and E-14 relate to billing adjustments on our system and the billing analysis by rate and meter size cannot be run on those adjustments. **09431-99**
3. Twenty copies of Schedule E-2, Page 4 Revised 8/2/99 (Revision to Volume 1) - A page has been revised to correct the rate period shown on the originally filed schedule. It now corresponds to the periods reflected in the billing analysis. **09432-99**
4. Twenty copies of Schedule H-2 Revision 7/29/99 (Revision to Volume 1) - Provides additional backup and justification for the CPI and Average Water Customers. **09433-99**

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Ms. Blanca Bayo
August 6, 1999
Page 2

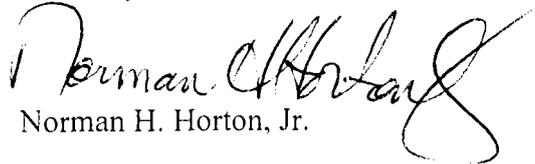
5. Maps for Additional Engineering Information (Supplement to Volume 2) -maps show required additional details. **forwarded to WAW*

This additional information should correct the deficiencies listed in the letter from Mr. Hoppe. If you should require additional information, please contact me.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,

A handwritten signature in cursive script, appearing to read "Norman H. Horton, Jr.", written in dark ink.

Norman H. Horton, Jr.

NHH/amb
Enclosures
cc: Mr. Dan Hoppe