000814-EI

COMPANY: FPUC - ELECTRIC
FERNANDINA AND MARIANNA
TITLE: REVIEW OF D&T WORKPAPERS
PERIOD: YEAR END 12/31/99
DATE: MAY 18, 2000
AUDITOR: RKY

WP NO. 9

Analytical Procedures

No risks identified in the analytical review procedures.

Income Statement - Income Taxes increased 15.5% - Tickmark J
Explanation is that the increase is directly affected by net income. Income increased among other reasons (1) increase in Flo-Gas Customer Base, increase in Area Expansion Program interest, and increased in environmental fund interest.

Cash and Cash Equivalents increased 50.4% - Tickmark f
Increase is due to timing issues of cash flows. D&T noted no stock issuances nor sales of property during current year.

Allowance for Doubtful accounts increased 14.9%-tickmark g
Mainly attributable to allowance for bad debt for one specific customer (Lehigh). Marianna

Management Letter

Company will adopt SFAS 133, Accounting for Derivative Instruments and Hedging Activities for the first quarter fye2001.

Requested copy of FPUC management rep letter to D&T. 9-WPS-10

Computer Processing Environment - General Computer Controls appear to have operated effectively throughout the intended period of reliance and therefore support reliable processing of financial information within related business cycles.

Testing of Cash

Bank Confirmations show no discrepancies.

Testing of Receivables

Confirmations to customers show no discrepancies.

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DECLASSIFIED 10.30.02

(x-ref 07438-00)
DOCUMENT NUMBER-DATE
08120 JUL-3 8
FPSC-RECORDS/REPORTING

Testing of Billing System - There were no changes to the billing system in 1999.

Inventory Adjustment - Affects Working Capital
D&T journal entry for Expected Loss

Account	No.		
Loss	160.3	74,344	
Inv.	114.1540.1		33,349
Inv.	115.1540.1		15,750
Inv.	121.1540.1		(233)
Inv.	123.1540.1		19,870
In.	126.1540.1		5,608

Company journal entry no. 31. Period 12.

Prepaid Expenses - Affects Working Capital

Obtain copy of D&T wp 5510 and 5570 which is an analysis of prepaid accounts to use for working capital analysis.
Staff analyzed WC accounts without use of D&T - arrived after staff completed work on WC

Unbilled Revenues - D&T tested unbilled revenues. D&T determined that there was no change in FPUC's method of calculating unbilled revenues in 1999 and that the billing cycle had not changed in 1999. Also, the method of billing the customers did not change. Based on the above, D&T tested unbilled revenues analytically. Comparison of 1999 with 1998 appears to be reasonable.

PGA INFORMATION

Over/Underrecoveries are booked (credited/debited to 1860.21, Misc Def-Dr. Underrec Gas" and 401.8041 Under Recovery Purchased Gas. The over/under of purchased gas costs is refunded or collected in the subsequent period. However, unlike electric which uses the actual true up provision for the 12 month period and collect or refund that amount in the next 12 month period, gas will refund or collect in the next one ear period based on a factor which uses two months actual and 4 months estimated (1st half of pervious year) plus two months actual and 4 months estimated (2nd half of year. The over/under recoveries are no longer kept in distinct separate periods for the purpose of collecting or refunding.

PROPERTY - ADDITIONS, RETIREMENTS AND DEPRECIATION

D&T performed substantive testing of plant additions and retirements and concluded that there were no discrepancies for additions or retirements.

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DEPRECIATION - D&T performed detail testing of both Marianna and Fernandina. Obtain work paper 5690. D&T determined that analytical testing would be the method of choice. Rate was determined by dividing prior year's actual depreciation expense by the prior year's average property balance. Rate appears reasonable and no adjustments to depreciation rates in the current year were made except for Fernandina Beach. Fernanadina Electric had a depreciation rate change effective January 1, 1999. D&T says the rate did not change their testing. We need to determine whether the new rates were in effect and haphazardly check months for recalculation. See Depr Expense WP

LIABILITIES -
Affecting Working capital

Payroll payable - D&T performed an analytical review of the liability and determined that the accrual was within their threshold of expectancy.

Accounts Payable - D&T examined subsequent payments through the last day of fieldwork to determine if payments were properly included or excluded form the 12/31/99 accounts payable detail. They determined that there were not items that did not belong to 1999.

Customer Deposits
In order to test for potential understatement, D&T performed substantive analytic procedures to test fluctuations in customer deposits. An expectation of customer deposits at 12/31/99 was developed based on the average deposit per customer noted in the prior years and applied to total customers at year end. Balance was within D&T expectations.

Accrued Taxes - Substantive analytical procedures were performed.

Medical Insurance testing-

Medical Health Insurance Reserve. D&T expectation is based on a months average costs over the past three years. Three months represents industry average of claims outstanding at any point in time. Approach consistent with prior year. Recorded Medical Self Insurance Accrual 242,812. D&T notes. Per discussion with Jack Brown, D&T changed its health insurance policy during FYE 1998. The new policy BC/BS costs more than the previous policy. The client has conservatively accrued an extra amount to cover the increased costs of the new policy. D&T says the account does not appear to c understated.

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Accrued Insurance -

Accrued Liability for self insurance is determined by D&T Actuary as of 12/31/99. In addition updated loss schedules through 12/31/99 are provided to the actuary during final fieldwork. D&T evaluation is as follows:

Reasonable range for the coverage reviewed is between 4435,000 and $869,000. The company tentative held reserve as of September 30, 1999 is 966,766. In Dec 98 FPUC's reserve was 149,00 above the high end of D&T estimated range. In Dec99, FPUC's reserve is 87,000 above the high end.

Storm Damage Reserve- Storm damage reserve account is reasonable compared to the prior three year per D&T. Used analytical procedures to determine this.

No post retirement life benefits are accrued at 12/31/99. D&T performed procedures to satisfy themselves that none are necessary.

Accrued Environmental Costs

Accrued Environmental Costs at 12/31/99 are $5,004,067. The following is an explanation by D&T. This represents the sum of previous accruals plus insurance proceeds that have been received, less expenditures previously incurred. Due to the uncertainty of future costs and the fact that any excess accrual after clean-up is completed would likely be refunded to customers by the FPSC, it appears that the client should not write down this account balance as any excess is essentially a probable regulatory liability.

Revenue Testing - D&T tested revenues for understatement by performing analytical procedures. The electric, gas, and water divisions were tested separately. An average was determined by dividing the prior year base revenue by the prior year units sold. The prior year average per unit was then multiplied by the number of units sold through 9/30/99 to determine expected revenue. There was a difference for the large manufacturing customers for Marianna.

According to Michelle Napier, Accounting Manager, this was a refund to customers of $70,000 in June and $15,000 in December. Look into this refund. WP 41 M

Expense Testing - D&T analytical review showed that the cost of fuel of Fernandina electric was lower than expected for 1999 and

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that the cost of purchased gas was higher than expected for 1999. Test of electric invoices for 12 months for Fernandina Electric agrees with the cost for 1999 actually incurred on the books.

D&T performed detailed testing of the gas invoices. Request spreadsheet and included with PGA audit. 9-2
Board of Directors Minutes included with D&T work papers.

<u>March 2, 1999 - Audit Committee</u>
The selection of an audit firm for the 1999 audit tabled until the June 1 meeting.

<u>March 2, 1999 - Special Directors Meeting</u>
.Common and Preferred Stock Dividends Declared to holders as of March 12, to be paid April 1.

.Candidates for the board of directors were approved. D&T report for 1998 was reviewed. D&T arrangement with FPUC is now completed. Decided to get bids from two other companies for next year.

.It was decided to no longer add the interest income on environmental fund assets to that account and that commencing Jan 1 such income should be included in the company's interest income account.

<u>June 1, 1999- Special Directors Meeting</u>
.Board of Directors elected, audit committee appointed.
.Common and Preferred Stock Dividends Declared to holders as of June 18 to be paid July 1.

.D&T were approved as outside auditors for the year end 1999.
.Amended by laws to increase the amount where only one signature on a check was necessary form 1,000 to 2,000.

<u>August 31, 1999 - Special Directors Meeting</u>
.Common and Preferred Dividend declared to holders as of Sept 10, paid on October 1, 1999.
.Discussion on changing the by laws to provide that the President or VP may be designated the Chief Operating Officer. No resolution.
.Mid-Fl two district offices consolidated to one location I Debary.
.Each officer is authorized to have a Visa Card.

<u>November 30, 1999 - Special Board of Directors Meeting</u>
.Common and Preferred Stock Dividends Declared to holders of

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December 10, 1999, paid January 3, 2000.

.The 2000 Operating and Capital budgets were discussed. Approved capital budget of $9,202,000.

.Directors annual retainer fees of 200 shares of company stock increased to 300 in the year 2000.

.Certain officers salaries were increase for a total of $27,490 per annum.

.Company's Registrar was changed from Bank of New York to the American Stock Transfer & Trust Company.

.Action of Executive Committee dated October 15, 1999 authorizing the assignment between the Southern Company and FPUC is approved. This transfers to FPUC the original letter of Agreement, dated August 31, 198 between Southern Company and Chesapeake Utilities for the purchasing of 218,464 shares of FPUC common stock at $16.50 per share.

March 7, 2000 - Special Directors Meeting

.Robert L Terry passed away.

.The number of Board of Directors was formally decreased from nine to eight.

.Common and Preferred Dividends declared to holders at March 10, to be paid April 3.

.Audit Committee recommended D&T as outside auditors for 2000. It was approved.

.It was resolved that 100,000 additional shares were authorized and made available for purchase through the Dividend Reinvestment Stock Purchase Plan.

.Detailed change to the pension plan was approved.

.Resolved to accept Darryl L. Troy's resignation and remove him from any check authorization effective March 24, 2000.

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Gail Rogers

List of Work Papers to be copied

2351 (M)

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Not Provided 2375.1 CR Attorney – The Company needs to get permission from the attorney to distribute this letter. D+T will not provide letter.

4540 Memo re payroll

4520 Memo re Billing System

5510

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5690 Detail Testing of Deprec Exp. for Marianna & Fernandina

6410 Income Tax Summary

8340 Only Support Schedule (Testing of Electric, Testing of Gas)

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Florida Public Utilities Company

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February 18, 2000

Deloitte & Touche LLP
1645 Palm Beach Lakes, Blvd. Suite 900
West Palm Beach, FL 33401

We are providing this letter in connection with your audits of the consolidated balance sheets and statements of capitalization of Florida Public Utilities Company and wholly owned subsidiary, Flo-Gas Corporation, ("the Company") as of December 31, 1999 and 1998, and the related consolidated statements of income, common shareholders' equity and cash flows for the three years then ended for the purpose of expressing an opinion as to whether the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the Company in conformity with generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the consolidated financial statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The financial statements referred to above are fairly presented in conformity with generally accepted accounting principles.

2. We believe the effects of any uncorrected financial statement misstatements aggregated by you during the current audit engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of such uncorrected misstatements has been attached as Appendix A.

3. The Company has made available to you all:

   a. Financial records and related data.

   b. Minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

4. There has been no fraud involving management or employees who have significant roles in internal control.

5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

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6. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.

7. We have completed implementation of our year 2000 remediation plan on a timely basis, and such remediation plan as implemented addresses all mission critical systems. We are not aware of any adverse effects of year 2000 issues on the Company, including its systems and operations. We have no information that indicates that a significant vendor may be unable to sell to the Company; a significant customer or client may be unable to purchase from the Company; or a significant service provider may be unable to provide services to the Company, in each case because of year 2000 compliance problems.

8. We have no intention of terminating any of our pension or 401(k) plans, withdrawing from the multi-employer plan, or taking any other action that could result in an effective termination or reportable event for any of the plans. We are not aware of any occurrences that could result in the termination of any of our pension or 401(k) or multi-employer plans to which we contribute. We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

9. The unaudited interim financial information accompanying the financial statements for the year then ended December 31, 1999 has been prepared and presented in conformity with generally accepted accounting principles applicable to interim financial information and with Item 302(a) of Regulation S-K. The accounting principles used to prepare the unaudited interim financial information are consistent with those used to prepare the audited financial statements.

10. We agree with the work of specialists in evaluating the pension and other postretirement benefits and have adequately considered the qualifications of the specialist in determining amounts and disclosures used in the financial statements and underlying accounting records. We did not give any, nor cause any, instructions to be given to specialists with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

Except where otherwise stated below, matters less than $25,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

11. The following have been properly recorded or disclosed in the financial statements:

a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral).

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b. Guarantees, whether written or oral, under which the Company is contingently liable.

c. The impact of year 2000 issues on the Company, including its systems and operations.

d. Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements.

e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

f. All off-balance sheet derivative financial instruments (e.g., futures, options, swaps), including outstanding commitments to purchase or sell securities under forward placement and standby commitments.

g. Financial instruments with significant individual or group concentration of credit risk.

h. Sales with recourse provisions.

i. All impaired loans receivable.

j. Loans that have been restructured to provide a reduction or deferral of interest or principal payments because of borrower financial difficulties.

k. Agreements to repurchase assets previously sold.

12. There has been no fraud involving employees (other than management or those who have significant roles in internal control considered in Item 4 above) that could have an effect on the financial statements.

13. The Company has no plans or intentions that may affect the carrying value or classification of assets and liabilities.

14. There are no:

a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 (including any liabilities or contingencies pertaining to year 2000 issues).

15. Except as listed in Appendix A, there are no transactions that have not been properly recorded in the accounting records underlying the financial statements.

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16. The Company has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral for first mortgage bonds outstanding.

17. In preparing the financial statements in conformity with generally accepted accounting principles, management uses estimates. The Company has disclosed in the financial statements all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

18. The Company has complied with all aspects of contractual agreements that would have an effect on the financial statements in the event of noncompliance.

19. No events (including the effects of year 2000 issues) have occurred subsequent to December 31, 1999 that require consideration as adjustments to, or disclosures in, the financial statements.

20. The Company is responsible for determining and maintaining the adequacy of the allowance for doubtful notes, loans, and accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balance.

21. We believe that all expenditures that have been deferred to future periods are recoverable.

22. Provision has been made for any loss to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.

23. Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.

24. In estimating fair values of certain assets and liabilities, we believe that the market assumptions used were the most appropriate in the circumstances.

25. The Company, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment long-lived assets and certain identifiable intangibles to be held and used whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable.

26. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value. All inventories are the property of the Company and do not include any items consigned to it, any items billed to customers, or any items for which the liability has not been recorded.

27. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:

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a. The concentration exists at the date of the financial statements.

b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact.

c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

28. The Company has appropriately identified and disclosed all operating segments in accordance with Statement of Financial Accounting Standards No. 131, *Disclosures About Segments of an Enterprise and Related Information*.

29. All charges to the Company's property accounts consist of replacements or additions for the purpose of increasing capacity, extending facilities, reducing operating costs, or meeting changed operating conditions.

30. There were no items of physical property contained in the property accounts of the Company that were either (1) abandoned or (2) out of service and not regarded as either (a) standby property or equipment or (b) property held for use only temporarily out of service, as that term is commonly understood in the public utility business.

31. The Company's accumulated provision for depreciation has been determined in accordance with the orders of and the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and the Florida Public Service Commission. Based on the present operating conditions and probable useful lives of the properties, we believe that the provisions being made by use of the depreciation rates in effect will be adequate to depreciate the properties over their respective useful lives.

32. The Company continues to meet the criteria for application of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*.

33. All regulatory assets are probable of recovery in accordance with the provisions of Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*.

34. The Contingencies note to the consolidated financial statement discloses all of the known facts concerning the Company's potential losses related to environmental matters. The Company believes that the consolidated financial statements reflect management's best estimate of any losses that will be incurred for environmental remediation. All such losses have been appropriately accrued and/or disclosed in the consolidated financial statements. The Company has been granted rate relief for contamination assessment costs and interim anticipated remediation costs incurred and expected to be incurred. In the event such rate relief is not sufficient, the Company represents that it will be able to recover a material portion of such costs, as well as future compliance costs, through additional rate relief as well as insurance proceeds received. In the event such rate relief is more than sufficient, the Company represents

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that it could be subject to the following alternatives: a refund to customers, additional contributions to storm damage reserves or the reduction of a depreciation reserve deficiency, if any. Management believes that any future contamination assessment and remedial costs arising as a result of these claims will not be material to the Company's operating results or liquidity.

35. The Company's accrual for general liability, auto, casualty, and medical self-insurance is based upon management's best estimate of future liabilities using reasonable and supportable assumptions and projections.

36. The Company's has a $15,000,000 line of credit which matures on April 30, 2000. The Company expects to renew the line of credit for approximately $20,000,000 at the same terms and conditions.

37. The Company is unaware of any risks or uncertainties that would meet the disclosure criteria of SOP 94-6.

John T. English, President,
Chief Executive Officer and Chief
Operating Officer

Jack Brown, Treasurer and Secretary

George Bachman, Controller

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Memo RE: Payroll 4540: 1/2

The following memo documents our understanding of internal controls related to the payroll application system. This memo was carried forward from prior year and updated based on discussion with Cheryl Martin, Manager of Corporate Accounting, George Bachman, Director of Accounting and John Reinhartsen, Manager – Human Resources.

Time Reporting by Account and Division:

- Service personnel submit daily time sheets which details the hours worked by account. Daily time sheets are reviewed by job foreman, approved and submitted to field office. Daily time sheets are entered into on-line payroll/transportation system at the division level. A bi-weekly summary is prepared for each employee which must be authorized by the division manager. Subsequent to review by division manager, bi-weekly time reports (showing hours only) are electronically submitted to corporate office via the electronic Payroll/Transportation system. Physical time cards are sent by courier to the corporate office the day after the payroll hours transmission.

- (CONTROL ACTIVITY PR128) Dina Bellechases, Human Resources, receives the total hours by division and checks the time sheets for employee and supervisor signatures. The total hours by division is documented on a time sheet control report. Mrs. Bellechases reviews the time sheet control report for reasonableness by randomly selecting employee data to verify the correctness of the data. D&T haphazardly selected various employees based on professional judgement to verify the accuracy of the employee information (e.g. employee name, amount paid and payroll period) within the client's database.

Payroll Processing:

(CONTROL ACTIVITY PR115) Payroll master file data is periodically reviewed for accuracy and ongoing pertinence. Per discussion with Dina Bellacheses, D&T noted that employee

- (to be parformed by ERS).
- Any errors are submitted to personnel for investigation.
- (CONTROL ACTIVITY PR116 & PR168) Payroll records are updated based on hours worked, pay rates and other tax/withhold date per personnel database. D&T reviewed the most recent report to verify that the control activity has been performed correctly.
- (CONTROL ACTIVITY PR141) A gross pay and net pay report is generated and reviewed by personnel (a copy of this report is forwarded to Dina Bellechases, Human Resources). D&T reviewed the most recent report to verify that the control activity has been performed correctly.
- (CONTROL ACTIVITY PR128) Human resources reviews the detail and reconciles the total number of hours. D&T reviewed the most recent reconciliation to verify that the reconciliation has been performed correctly. Once pay reports have been reconciled, checks are printed and forwarded to accounting for signature. D&T reviewed the most recent report to verify that the control activity has been performed correctly.

Signing of Checks:

- Accounting prepares checks for signing with the use of signature machine. Signature plate maintained by Kathy Guerrero, Administrative Assistant, who is present during check signing. Signed checks are forwarded to K. Guerrero who distributes to division managers.

Separate Payroll Account:

For info purposes Petito 43 Payroll 9-2p 11

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- Dina Bellechases, Human Resources, reviews gross pay report received from MIS department. D. Bellechases prepares wire advice for transfer of funds to separate payroll account maintained with bank. Mrs. Bellechases also accounts for taxes and other withholdings.

Posting Payroll to General Ledger:

- (CONTROL ACTIVITY PR144) Monthly payroll reports are generated by MIS department and reviewed by Michelle Napier, General Accounting Manager. Upon approval by Mrs. Napier, payroll system posts payroll entries directly to g/l. D&T reviewed the payroll accrual for FY 1999 to verify that the accrual was performed correctly.

Payroll Account Reconciliation:

- Corporate accounting receives payroll statement of account directly from bank. Corporate accounting performs monthly reconciliation of payroll account.

(CONTROL ACTIVITY PR135) Personnel Changes:

- Hiring, personnel information changes and termination information are entered on add/change sheets. Pay rate changes require approval of the supervisor. Additionally, all pay increases are approved by the Human Resources Department to assure the increased salaries are within the Company's established salary ranges. D&T examined a most recent add/change sheet provided by Dina Bellechases, HR, to verify approval of employee change information. Ms. Bellechases enters any changes into the system. A report is then printed in MIS Department detailing all such changes. Corporate accounting, receives the report, verifies the information and authorization, then initials the add/change sheet.

(CONTROL ACTIVITY PR 155) Employees sign for cash received; compliance is monitored by management. – Employees endorse checks upon cashing. This function acts as the equivalent of signing for checks. D&T tested this function in its cash section (5100 section of the workpapers.

(CONTROL ACTIVITY PR139) **All payroll queries are followed up by persons independent of the payroll preparation and disbursement process.** – D&T did not note any forwmal payroll queries per discussion with Dina Bellechases, HR However, employees can direct any potential queries to their supervisors who are independent of the payroll preparation and disbursement process.

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For Info Purposes 9-2-12

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Memo RE: Billing System 4520: 1/2

1999 Update - per discussion with George Bachman, Director of Accounting and Dave Little, Director of MIS, there have been no significant changes in the current year. However, the billing system underwent a complete revision which was completed in February 1997. The revision mainly involved changing the account numbers from 9 to 18 digits, while the methods to the system remained basically the same. The system was developed in-house.

The billing system involves two cycles: revenue and cash receipts. The revenue cycle is centered around meter reading, which is done daily on a twenty day cycle. The flow of information starts at the AS/400 which produces the routes and meters to be read. This is handed down to the PCs at the local offices and then transmitted to the hand held Itron meter reading system. The meter readers perform the readings and enter the data into the hand held units. At the end of the day the information is then transmitted from the hand held units back to the PCs and then to the AS/400. Based on the readings for each meter, the system will calculate a bill based on the current rates. The system then prepares a revenue report listing by class of customer and rate, the listing has the amount of the bill and the applicable taxes which will become liabilities. The customer bills are matched to the revenue report and sent to the customers.

The second phase of the system deals with cash receipts. Cash is received at each local office daily, the receipt is entered into the computer and maintained on-line in a pending cash transactions file. All other source documents are entered manually and are not maintained on-line. This file is not transferred to the main office until the end of the day. At the end of the day the cash is closed and counted. The physical count of cash received is matched against a print out of what was entered into the system upon receipt. This information is sent to the main office, which posts the cash and applies the receipts to the customers accounts. At the main office they run a batch balance listing for each office total to agree the amounts received. They also calculate the amount of cash received per route. A transaction listing print out is then given back to the local offices.

Miscellaneous adjustments are made daily. These involve misread meters, transfers of balances due to customers moving, etc.

The application takes the customer's prior balance ,all adjustments and transactions during the billing cycle are applied, and a new prior balance is calculated. This information is included on the customer's bill along with the new charges.

Non-interruptible and interruptible utility customers are segregated into routes, which are further included in approx. 20 groups. Meter readings are performed on one group each day, which represents a billing cycle. (20 groups corresponds to approx. 20 working days in a month i.e. group 1 is read on the first day of the month, group 2 on the second day...and each is billed based on the timing of the meter read.)

Meter readings are transferred into the MIS billing system by use of a hand-held terminal (which electronically offloads the usage information directly into the system on a daily basis).

Based on the meter reading, the customer's account is updated and a billing register and invoice is generated as of the date of the reading.

For info purposes - reviews compiled 9-2 p 13 on WP 41

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Memo RE: Billing System 4520: 2/2

Final bills for customers disconnected by choice of the customer (moving from premises, etc.) are printed on a weekly basis. However, revenue for disconnected customers is not recorded until the next billing cycle date for that customer.

The MIS department processes month end revenue and tax liability reports which list revenues by route, class, or rate for the 20 day cycle (monthly).

Revenue is recorded via manual JE using MIS report BLR820, "Rate/Class Listing". The tax liability (i.e. taxes to be collected from customers and paid to various authorities) is also recorded using EDP Report BLR830, "Town/Rate/Class List".

The monthly cut-off for recording receivables and revenues is based upon the final meter read cycle of the month. That is, whatever cycle is read on the last day of the month, that billing cycle, even though actual billing may not take place until the following month, is included in that month's revenues and accounts receivables.

FPU does not specifically maintain an accounts receivable detail. Debits to accounts receivable result from the recording of revenue and tax liability for each billing cycle which occur 20 times a month. Credits to accounts receivable are made daily from cash receipts. Client does not run a month-end report detailing accounts receivable. Information on individual accounts are updated only when a billing register for a particular cycle is generated.

The client reconciles to accounts receivable monthly through report BLR850, "A/R Balance Statement". The reconciliation adds to the beginning of the month balance all the revenues and taxes from the month's billing runs, less all cash receipts during the month relating to receivables, plus or minus any other adjustments.

W/O of Accounts

FPU has 20 billing cycles (i.e., approximately one cycle is billed each business day). Each day Darryl Troy, Vice President, reviews the delinquency report generated by that day's billing run. Service is interupted for accounts greater than 60 days past due. J. Brown, Treasurer, approves all charge-offs of accounts approximately 90 days after the last charge to the customer.

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DETAIL TESTING OF DEPRECIATION: MARIANNA ELECTRIC UTILITY PROPERTY

GENERAL LEDGER ACCOUNT # 114.1010

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Closing Balance: Cost 12/31/98		21,745,379	(a)
Adjusted for Land Cost (not bearing any depreciation): G/L #114.1010.360		(7,941)	(a)
		21,737,437	
Closing Balance: Cost, 12/31/99		22,696,613	(a)
Adjusted for Land Cost (not bearing any depreciation): G/L #114.1010.360		(1,100)	(a)
		22,695,513	
Average Property Balance: (1998+1999)/2		22,216,475	
Average Rate	[A]	3.77%	(c)
Expected 12/31/99 depreciation expense		837,664	
Recorded 12/31/99 depreciaton expense		841,524	5680
Difference		(3,860)	[B]

Average Rate Calculation

12/31/98 Depreciation Expense	5680	808,319	
Divided by average property balance for FY98		21,438,167	(d)
Average Rate		3.77%	[A]

Refer to WP 51

Threshold:

The recorded depreciation expense for FPU & Flo-Gas is deemed to represent "More than 12 Disaggregated Parts."

The recorded balance is in excess of MP * 2.

Threshold		133,200	[B]
ABS of Difference as calculated above	[B]	3,860	
Threshold as calculated above	[C]	133,200	
WITHIN THRESHOLD?		YES	

As threshold is in excess of the calculated difference, the recorded amount of depreciation for this property does not appear to be overstated.

9-26-0

FY 1999
Period End: 12/31/1999

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DETAIL TESTING OF DEPRECIATION: FERNANDINA ELECTRIC UTILITY PROPERTY

GENERAL LEDGER ACCOUNT # 115.1010

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Closing Balance: Cost: 12/31/98		27,010,006 (a)
Adjusted for Land Cost (not bearing any depreciation): G/L # 115.1010.350		(17,629) (a)
		26,992,377
Closing Balance: Cost, 12/31/99		28,076,441 (a)
Adjusted for Land Cost (not bearing any depreciation): G/L # 115.1010.350		(17,629) (a)
		28,058,812
Average Property Balance: (1998+1999)/2		27,525,594
Average Rate	[A]	3.5% (c)
Expected 12/31/99 depreciation expense		961,572
Recorded 12/31/99 depreciaton expense		1,021,362 5680
Difference		(59,790) [B]

Average Rate Calculation

12/31/98 Depreciation Expense	5680	924,223
Divided by average property balance for FY98		26,456,476 (d)
Average Rate		3.5% [A]

Refer to wp (51)

Threshold:

The recorded depreciation expense for FPU & Flo-Gas is deemed to represent "More than 12 Disaggregated Parts."

The recorded balance is in excess of MP * 2.

Threshold		133,200 [C]
ABS of Difference as calculated above	[B]	59,790
Threshold as calculated above	[C]	133,200
WITHIN THRESHOLD?		YES

As threshold is in excess of the calculated difference, the recorded amount of depreciation for this property does not appear to be overstated.

9-2 p16

FY 1999
Period End: 12/31/1999

Expenses Testing

Elec. in Fern.

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8340: 1/1

JUN-30-00 FRI 04:46 PM FLORIDA PUBLIC UTILITIES FAX NO. 561 833 0151 P.27

OBJECTIVE: Perform detail tests to ascertain that operating expenses are not overstated.
DIRECTION OF TESTING: Perform detail testing from the accounting records to source documents.
APPROACH: A sample has been selected composed of all expense entries > J and additional selections based on the parameters below. The population of this sample is Cost of Fuel: Electric (in Fernandina). Each sample is tested individually based on the criteria detailed in the column headings. Any exceptions or notations were referenced via tickmarks in the last column of this worksheet.

Sample design:

Total Cost of Fuel	14,678,130	{a}
Under Recovery	(86,205)	<A>
Adjusted Cost of Fuel	14,591,925	

Sel #	Selection Amount	Vendor	Does Amt Tested Agree w/ Invoice?	Was Invoice Made out to FPU?	Is Invoice Dated in Current Fiscal Year?	Was the Expense Properly Recognized in FY 1999?	Was Payable Recog'd in FY 1999?	Invoice Number/ Date	Check #	t/m
	1,129,965	Jacksonville Electric	yes	yes	yes	yes	yes	Jan 1999	116287	{y}
	1,084,506	Jacksonville Electric	yes	yes	yes	yes	yes	Feb 1999	117207	{y}
	1,171,626	Jacksonville Electric	yes	yes	yes	yes	yes	Mar 1999	118541	{y}
	1,109,305	Jacksonville Electric	yes	yes	yes	yes	yes	Apr 1999	119454	{y}
	1,061,983	Jacksonville Electric	yes	yes	yes	yes	yes	May 1999	120296	{y}
	1,443,946	Jacksonville Electric	yes	yes	yes	yes	yes	June 1999	121484	{y}
	1,459,134	Jacksonville Electric	yes	yes	yes	yes	yes	July 1999	124081	{y}
	1,503,502	Jacksonville Electric	yes	yes	yes	yes	yes	Aug 1999	125238	{y}
	1,239,096	Jacksonville Electric	yes	yes	yes	yes	yes	Sept 1999	125958	{y}
	1,125,124	Jacksonville Electric	yes	yes	yes	yes	yes	Oct 1999	127390	{y}
	1,093,808	Jacksonville Electric	yes	yes	yes	yes	yes	Nov 1999	128089	{y}
	1,139,265	Jacksonville Electric	yes	yes	yes	yes	yes	Dec 1999	129205	{y}
	14,661,280 <B>									
1	4,156	Jefferson Smurfit Co.	NO	yes	yes	yes	yes	11/30/99	127995	{h}

9-2/17

FY 1999
Period End: 12/31/1999

Expense Testing

Testing - Gas

OBJECTIVE: Perform detail tests to ascertain that operating expenses are not overstated.

DIRECTION OF TESTING: Perform detail testing from the accounting records to source documents, invoices.

APPROACH: D&T agreed the population tested below ($14,544,140) to the "General Ledger Report" Cost of Gas accounts (xxx 4010.xxx) w/o/e. The detail for the Cost of Gas #4010 accounts indicate JE-13 as a link to the #1840 accounts. Gas is purchased and accumulated in the #1840 accounts and allocated to the respective division's Cost of Gas #4010 accounts on a monthly basis via JE-13. D&T obtained JE-13 and the "General Ledger Report" for the #1840 accounts and agreed the detail of the #4010 accounts to JE-13 and agreed JE-13 to the #1840 accounts. From the #1840 accounts, D&T was able to make selections of gas purchases.

SAMPLE SELECTION: Per guidance set forth at AUD 19.74, D&T made selections using the Two-Strata Sample Selection Method as the population was deemed to be skewed per AUD 19.35.04a.

NOTE FOR T/M (X): For FPU's "Off-System" customers (i.e. Farmland Hydro and Lake Worth Utilities), FPU charges the respective #4010.xxx Cost of Gas accts. directly. As D&T agreed the detail of #4010 accts to the Leadsheet at (8110), differences noted below do not represent expenses not subjected to testing.

Two-Strata Calculation:

Adjusted Population	<A>	$ 14,049,058
		2
Adjusted Pop Times 2		28,098,115
Divide by # of Records		110
Top Strata Amount		255,437

Sel #	Sel Amt	Invoice Amount	Invoice #	Invoice Date	Vendor	Does Sel Amt = Invoice?	$ Diff	Valid Expense?	Strata	T/m
Amt >J	495,083	495,083	505083	12/2/99	Amoco Energy Trading	yes	-	yes		{y}
{W}										{y}
1	390,867	390,867	501200	2/2/99	Amoco Energy Trading	yes	-	yes	upper	{y}
2	314,041	314,700	27859	2/10/99	Florida Gas Transmission	NO	659	yes	upper	{x} {y}
3	98,188	98,188	SR99120519	1/10/00	Duke Energy Trading	yes	-	yes	lower	{c} {y}
4	323,046	348,319	SR99021077	3/10/99	Duke Energy Trading	NO	25,272	yes	upper	{x} {y}
5	265,086	265,798	29234	2/28/99	Florida Gas Transmission	NO	713	yes	upper	{x} {y}
6	115,821	115,821	SR99011240	2/10/99	Duke Energy Trading	yes	-	yes	lower	{y}
7	289,752	292,088	29233	4/30/99	Florida Gas Transmission	NO	2,334	yes	upper	{x} {y}
8	353,895	353,895	504281	10/4/99	Amoco Energy Trading	yes	-	yes	upper	{y}
9	244,580	247,039	29233	4/30/99	Florida Gas Transmission	NO	2,479	yes	lower	{x} {y}
10	288,834	288,834	288833.96	2/10/99	Florida Gas Transmission	yes	-	yes	upper	{y}
11	275,538	327,983	SR99081201	9/10/99	Duke Energy Trading	NO	52,447	yes	upper	{x} {y}
12	78,378	78,378	501485	2/2/99	Amoco Energy Trading	yes	-	yes	lower	{y}
13	312,721	312,721	503891	9/2/99	Amoco Energy Trading	yes	-	yes	upper	{y}
14	273,272	327,639	SR99031724	4/10/99	Duke Energy Trading	NO	54,367	yes	upper	{x} {y}
15	213,843	213,843	505334	12/2/99	Amoco Energy Trading	yes	-	yes	lower	{y}
16	265,450	347,385	SR99100876	11/10/99	Duke Energy Trading	NO	81,935	yes	upper	{x} {y}
17	325,322	325,322	501955	4/2/99	Amoco Energy Trading	yes	-	yes	upper	{y}
18	241,011	241,011	28224	2/28/99	Florida Gas Transmission	yes	-	yes	lower	{y}
19	313,104	348,936	SR99041070	5/10/99	Duke Energy Trading	NO	35,832	yes	upper	{x} {y}
20	279,280	320,280	SR99071203	8/10/99	Duke Energy Trading	NO	40,999	yes	upper	{x} {y}
21	148,285	148,285	502717	4/2/99	Amoco Energy Trading	yes	-	yes	lower	{y}
22	442,066	494,340	SR99110830	12/10/99	Duke Energy Trading	NO	52,274	yes	upper	{x} {y}
23	285,241	285,241	502330	5/4/99	Amoco Energy Trading	yes	-	yes	upper	{y}
24	255,274	255,274	28733	3/31/99	Florida Gas Transmission	yes	-	yes	lower	{y}
25	318,654	318,654	503494	8/3/99	Amoco Energy Trading	yes	-	yes	upper	{y}
26	358,753	358,753	502699	6/2/99	Amoco Energy Trading	yes	-	yes	upper	{y}
27	247,039	247,039	32985	11/30/99	Florida Gas Transmission	yes	-	yes	lower	{y}
28	352,208	352,208	504683	11/2/99	Amoco Energy Trading	yes	-	yes	upper	{y}
29	319,183	357,430	SR99051158	6/10/99	Duke Energy Trading	NO	38,247	yes	upper	{x} {y}
30	112,183	112,183	29731	5/31/99	Florida Gas Transmission	yes	-	yes	lower	{y}

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