State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

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RECORDS AND REPORTING

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

DATE: September 14, 2000

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

FROM: DIVISION OF ECONOMIC REGULATION (REVELL, D. DRAPER, C. ROMIG)
DIVISION OF LEGAL SERVICES (HART) DDH RVE

JS OM ALM

RE: DOCKET NO. 001147-EI - INVESTIGATION INTO 1999 EARNINGS OF FLORIDA PUBLIC UTILITIES COMPANY - FERNANDINA BEACH DIVISION.

AGENDA: 08/29/00 - REGULAR AGENDA - PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\001147.RCM
ATTACHMENTS 1 & 2 ARE NOT AVAILABLE
R:\FPU_FB99.WK4 - ATTACHMENTS 3, 4, & 5

CASE BACKGROUND

Due to the Commission's continuing earnings surveillance program, Staff noted that the 1999 earnings of the Florida Public Utilities Company - Fernandina Beach Division (FPUC-FB or the Company) were in excess of the maximum authorized return on equity (ROE) of 12.60%. By letter dated February 17, 2000, the Company agreed to cap its 1999 earnings at a 12.60% ROE. The Commission was to use its discretion to dispose of any excess earnings. The Company, however, did reserve the right to request alternative disposition such as additional contributions to its Storm Damage Reserve or the reduction of any depreciation reserve deficiencies. (Attachment 1) Staff issued an audit report for the 1999 calendar year on June 19, 2000.

On July 20, 2000, the Company submitted a letter requesting that the 1999 overearnings be applied to the Fernandina Beach Storm Damage Reserve. (Attachment 2)

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FPSC-RECORDS/REPORTING

At the end of 1999, Florida Public Utilities-Fernandina Beach Division served approximately 12,800 customers on Amelia Island in Nassau County. This included approximately 11,445 residential, 1,340 commercial accounts, and two industrial accounts.

Jurisdiction over the subject matter of this docket is vested in the Commission pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: What is the appropriate amount of rate base for Florida Public Utilities Company-Fernandina Beach Division for determining the amount of excess earnings for 1999?

RECOMMENDATION: The appropriate rate base for FPUC-FB for determining the amount of excess earnings for 1999 is $16,170,276. (Attachment 3) (REVELL)

STAFF ANALYSIS: In its 1999 Earnings Surveillance Report (ESR) the Company reported a total "FPSC Adjusted" rate base of $16,132,575. Based on the adjustments discussed below, Staff recommends that the appropriate rate base is $16,170,276.

Adjustment 1: Common Plant Allocations - According to Audit Exception 1, the Company used amounts determined in 1998 to allocate common plant between the electric and water divisions. However, these amounts should have been updated to reflect the current amounts as of December 31, 1999. Based on a recalculation using the updated amounts, the following increases to FPUC-FB should be made: $99,661 to Plant in Service and $20,786 to Accumulated Depreciation; and a decrease of $1,720 to Depreciation Expense.

Adjustment 2: Application of 1998 Overearnings to the Storm Damage Reserve - Included in working capital is $94,800 on a 13-month average basis related to the 1998 excess earnings of $139,228. In the review of 1998 earnings, in Order No. PSC-99-2119-PAA-EI, issued October 25, 1999, the Commission stated, "...the 1998 excess earnings [$139,228] of FPUC-FB shall be applied to the FPUC-FB's Storm Damage Reserve." effective January 1, 1999. Based on the Order, the Storm Damage Reserve should be increased by $44,428 ($139,228-$94,800). Because this account is a working capital liability, the change reduces working capital. Therefore, Staff recommends that working capital be reduced by $44,428.

Adjustment 3: Working Capital - Allocation of Accounts Payable - In computing the allowance for working capital, the Company used 1998 base revenue allocation factors of 18.5% instead of 1999 factors of 18.1% to allocate other accounts payable (accounts payable not directly associated with a specific division) to the Fernandina Beach Electric Division. The application of the updated allocation factors decreases FPUC-FB's accounts payable and thereby increases its working capital by $3,254.

ISSUE 2: What is the appropriate overall rate of return for Florida Public Utilities Company-Fernandina Beach Division for 1999?

RECOMMENDATION: The appropriate overall rate of return is 8.96% based on the ROE cap of 12.60% and a 13-month average capital structure for the period ending December 31, 1999. (Attachment 4) (D. DRAPER)

STAFF ANALYSIS: Staff began with the 13-month average capital structure from the Company's earnings surveillance report (ESR) for the period ending December 31, 1999. In its ESR, the Company removed its investment in Flo-Gas entirely from common equity in a manner consistent with previous cases. The Company specifically identified deferred taxes, investment tax credits and customer deposits.

Staff made a specific adjustment in the amount of $101,467. This amount represents staff's calculation of the 13-month average balance of excess earnings for 1999. This amount was included as a separate line item in the capital structure and was assigned an effective cost rate of 5.06%. The cost rate on excess earnings is based on a 12-month average of the 30-day commercial paper rate. The 30-day commercial paper rate is applied as per Rule 25-6.109, Florida Administrative Code. The treatment of excess earnings as an item in the capital structure is consistent with the treatment of excess earnings in the previous earnings review of FPUC-FB (see Order No. PSC-99-2119-PAA-EI, issued October 25, 1999).

Staff made a specific adjustment to reduce customer deposits by $132,186. The customer deposit account in the Fernandina Beach Division includes both water and electric customers. The amount included in the cost of capital schedule is allocated to the electric division based on a revenue factor. The factor of 94.7% is the factor used in the 1995 Fernandina Beach Water rate case to separate water and electric customer deposits.

In the 1999 Fernandina Beach Water rate case for the historical test year ended December 31, 1998, the Company used a revenue factor of 24.5% for the water customers. Conversely, the factor for the electric customers should be 75.5%. Staff believes that the customer deposits should be allocated using the factor from the most recent Fernandina Beach Water rate case. Staff calculations comparing the 94.7% and the 75.5% show that customer deposits should be reduced by $132,186.

The Company calculated an effective customer deposit cost rate of 6.57%, by using interest expense for 1999, which included an estimated interest expense for the month of May, and a 13-month average balance of customer deposits. Using actual interest expenses for the year and the 13-month average balance of customer deposits, staff calculated an effective cost rate of 6.35% for customer deposits. Staff believes that using actual interest expenses in determining the cost rate is appropriate.

Staff reconciled the adjustments to rate base on a pro rata basis over investor-supplied sources of capital. The Commission established the return on common equity for FPUC-FB as 11.60% with a range from 10.60% to 12.60% (see Order No. PSC-94-0983-FOF-EI, issued August 12, 1994) Using the top of the range of 12.60%, staff calculated the weighted average cost of capital as 8.96%.

ISSUE 3: What is the appropriate net operating income (NOI) for Florida Public Utilities Company-Fernandina Beach Division for determining the amount of excess earnings for 1999?

RECOMMENDATION: The appropriate NOI for FPUC-FB for determining excess earnings for 1999 is $1,573,213. (Attachment 3) (C. ROMIG, REVELL)

STAFF ANALYSIS: Per the December 1999 Earnings Surveillance Report, the Company reported an "FPSC Adjusted" net operating income of $1,565,836. Based on the adjustments discussed below, Staff recommends that the appropriate net operating income is $1,573,213.

Adjustment 4: Out of Period Expenses - The Company included an adjustment increasing operation and maintenance expenses that were incurred in December 1999 but not accrued until January 2000. However, these expenses in the amount of $6,575 were already in the December 1999 general ledger. Therefore, an adjustment of $6,575 should be made to remove the duplicate expenses from 1999 expenses.

Adjustment 5: Charitable Contributions and Institutional/Goodwill Advertising - The Company recorded expenses for charitable contributions, which the Commission has a general policy of disallowing. In addition, one of these expenses was recorded twice. Therefore, an adjustment of $3,403 should be made to remove these expenses from NOI. Also, the Company included advertising expenses in the amount of $597 in Account 115.4010.9301, Institutional/Goodwill Advertising. These ads were Thanksgiving and Christmas greetings from the Company and did not promote either safety or conservation related themes. Therefore an adjustment of $597 to reduce 1999 expenses should be made, resulting in a total decrease of $4,000 to Operation & Maintenance Expenses - Other.

Adjustment 6: Tax Effect of Other Adjustments - The tax effect of Staff's adjustments to NOI results in a $4,918 increase in income taxes.

Adjustment 7: Interest Reconciliation and ITC Interest Synchronization - This adjustment is based on the reconciliation of the rate base and the capital structure due to Staff adjustments to rate base. In this instance, income taxes should be increased by $292.

ISSUE 4: What is the amount of excess earnings for Florida Public Utilities Company-Fernandina Beach Division for 1999?

RECOMMENDATION: The amount of excess earnings for FPUC-FB for 1999 is $199,380 plus interest of $5,290, for a total of $204,670. (Attachment 5) (REVELL)

STAFF ANALYSIS: Based on the recommendations in the previous issues, Staff has determined that FPUC-FB's excess earnings for 1999 are $199,380 plus interest of $5,290, for a total of $204,670. This represents an achieved ROE of 14.73% which exceeds the maximum ROE of 12.60%.

ISSUE 5: What is the appropriate disposition of the 1999 excess earnings of Florida Public Utilities Company-Fernandina Beach Division?

RECOMMENDATION: The total amount of 1999 excess earnings of $199,380 plus interest of $5,290, should be applied to the FPUC-FB's Storm Damage Reserve. The effective date for booking the over earnings should be January 1, 2000, for rate making, earnings surveillance, and overearnings review purposes. (REVELL)

STAFF ANALYSIS: The Commission, by Order Nos. PSC-97-0135-FOF-EI, issued February 10, 1997, and PSC-97-1505-FOF-EI, issued November 25, 1997, found that FPUC-FB's excess earnings for 1995 and 1996 should be applied to the Storm Damage Reserve.

The Commission approved, by Order No. PSC-94-0170-FOF-EI, issued February 10, 1994, an annual accrual of $100,000 to establish a $1 million storm damage reserve over 10 years for the Marianna Division. The reserve balance at June 30, 2000, was $588,661 for the Marianna Division. For the Fernandina Beach Division, the Commission approved, by Order No. 22224, issued November 27, 1989, an annual accrual of $21,625; no target amount for the reserve was discussed in the order. The reserve balance at June 30, 2000, was $732,511 for the Fernandina Beach Division.

By letter dated July 20, 2000, the Company requested that the 1999 overearnings for FPUC-FB be applied to the Storm Damage Reserve. The Company believes that the reserve is deficient based on the greater potential for loss due to a larger gross plant investment for Fernandina Beach than Marianna and a more vulnerable coastal location. The gross plant investment in Fernandina Beach exceeds that of Marianna by approximately 24%. In the 1988 Fernandina Beach rate case, the Commission recognized the need for the accrual to be 25% greater than that of Marianna based on size and location.

Staff agrees with the Company's belief that there continues to be a deficiency in the Storm Damage Reserve for the Fernandina Beach Division even after contributing overearnings from prior years. Therefore, Staff recommends that the 1999 overearnings be applied to the reserve.

Since the excess earnings occurred during 1999 and interest has only been calculated for that year, Staff is also recommending that the increase to the reserve be made effective as of January 1, 2000, for all regulatory purposes. This eliminates the need for the calculation of any additional amounts of interest and includes the increased reserve in the determination of earnings for 2000. This treatment is consistent with Order Nos. PSC-97-0135-FOF-EI, PSC-97-1505-FOF-EI, PSC-99-0022-FOF-EI, and PSC-99-2119-PAA-EI in the prior FPUC-FB earnings dockets.

ISSUE 6: Should a ceiling of $1,500,000 be established for Florida Public Utilities-Fernandina Beach Division's Storm Damage Reserve?

RECOMMENDATION: Yes. The Storm Damage Reserve ceiling for FPUC-FB should be established at $1,500,000. (REVELL)

STAFF ANALYSIS: The first storm damage accrual for the FPUC-FB was authorized in 1989 in Docket 881056-EI, Order No. 22224, issued November 27,1989. It stated, "...we feel that it is appropriate to normalize expenses caused by unusual events, such as storms, and therefore will allow the utility to establish this account. However...we will allow an annual accrual of $21,625, which is 25% larger than that allowed in the Marianna rate case." Earlier in 1989, the Commission approved a Storm Damage accrual of $17,300 yearly for the Marianna Division.

After Hurricane Andrew did extensive damage to South Florida and Louisiana in 1992, the Company found it increasingly difficult to purchase storm-related insurance for either of its electric divisions. When the Company filed for a rate increase for the Marianna Division in 1993, it requested an increase in the Storm Damage Reserve from the original $17,300 per year approved in 1989, to an increase to $200,000 yearly until the requested ceiling of $1,000,000 was reached. The Commission approved the ceiling of $1,000,000, but felt that an annual accrual of $100,000 would result in lesser pressure on rates. The approved ceiling and annual accrual are still in effect for the Marianna Division.

The Fernandina Beach Division has not had a full rate case since the original establishment of its reserve in 1989, and in spite of the insurance difficulties caused by Hurricane Andrew, the Company has not requested an increase in its accrual or the establishment of a ceiling for the reserve. For several years, however, the FPUC-FB has experienced rapid growth due to Amelia Island's development as a resort area. This rapid growth resulted in several years of overearnings. The Commission, at the Company's request, has ordered these overearnings placed in the Storm Damage Reserve. As of June 30, 2000, the reserve amount is $732,511, or slightly less than half of the recommended ceiling.

Staff believes that a ceiling should be established because in Issue 7 we are recommending that the Commission grant the Company the flexibility to increase its annual accrual to the Reserve whenever it feels earnings will justify such increases. However, Staff believes that this flexibility should only be allowed until the Storm Damage Reserve reaches a reasonable limit or ceiling. Additionally, Staff believes the ceiling should be set higher than the ceiling set for Marianna since the Fernandina Beach Division has approximately 10% more in gross distribution plant. For these reasons, Staff recommends that a ceiling be established for the Storm Damage Reserve at $1,500,000.

ISSUE 7: Should Florida Public Utilities-Fernandina Beach Division be allowed the flexibility to increase its annual accrual above the present $21,625 yearly accrual until the accumulated provision account balance reaches $1,500,000?

RECOMMENDATION: Yes. Effective January 1, 2000, FPUC-FB should be allowed to increase its annual accrual above the present $21,625 yearly accrual until the accumulated provision account balance reaches $1,500,000. (REVELL)

STAFF ANALYSIS: As noted in the prior issue, the Fernandina Beach Division's Storm Damage Reserve account has a relatively low balance of $732,511 as of June 30, compared to the recommended target balance of $1,500,000. At the current accrual amount of $21,625 annually, it will take over 35 years to reach the target level, assuming no storm damage. The present amount of the storm damage reserve would be sufficient to replace only approximately 3 1/2% of gross distribution plant in the event of a major storm.

Staff recommends that the Company be given the flexibility to increase its annual accrual to the accumulated provision account, when the Company believes it is in a position from an earnings standpoint to do so, up to the ceiling of $1,500,000. This is similar flexibility that the Commission granted Gulf Power Company in Order No. PSC-96-0023-FOF-EI, issued January 19, 1996. Florida Public Utilities is still required to record an annual accrual to the Fernandina Beach Storm Damage Reserve of at least $21,625 until the Reserve reaches $1,500,000. Also, the Company shall provide a statement on its future earnings surveillance report when the adjustment is made to increase the amount charged to expense.

ISSUE 8: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose interests are substantially affected by the proposed action files a request for a Section 120.57(1), Florida Statutes, hearing within 21 days of the Order, the Order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed. (HART)

STAFF ANALYSIS: If no person whose interests are substantially affected by the proposed action files a request for a Section 120.57(1), Florida Statutes, hearing within 21 days of the Order, the Order will become final and effective upon the issuance of a consummating order. Because no further action will be required, this docket should be closed.

Florida Public Utilities Company

RECEIVED PUBLIC SERVICE COMMISSION
00 FEB 22 AM 9:52
AUDITING & FINANCIAL ANALYSIS DIV

P O Box 3395
West Palm Beach
FL 33402-3395

February 17, 2000

Mr Timothy J Devlin, Director
Division of Auditing and Financial Analysis
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd
Tallahassee FL 32399-0865

Dear Mr. Devlin:

Florida Public Utilities Company agrees to cap its earned return on equity (ROE) for calendar year 1999 at 12.60% for the Fernandina Beach Electric Division. This cap represents the maximum authorized ROE for this division. The return on equity was under the 12.60% cap until December 1999 when unusually cold weather caused us to be in an apparent overearnings situation. The revised plant depreciation rates increased depreciation expense by $76,700 in 1999.

The calculation of the earned ROE will be based on the "FPSC Adjusted Basis" in the Earnings Surveillance Reports for December 1999, using the same adjustments approved in our last FPSC Fernandina Beach rate case. All reasonable and prudent expenses and investment will be allowed in the calculation, but no annualized or pro forma adjustments will be allowed. The calculation is subject to fine-tuning by Florida Public Utilities Company and Commission audit.

The disposition of any excess earnings shall be left to the discretion of the Commission. In addition to a direct cash refund, the Company may request consideration of other alternatives such as additional contributions to the storm damage reserve or the reduction of any depreciation reserve deficiencies. An analysis of the storm damage reserve for calendar year 1999 is shown below:

Beginning Balance	$633,120
Annual Accrual	21,624
Actual Damage Charges	(72,395)
1998 Excess Earnings Adj.	139,350
Ending Balance	$721,699

Sincerely,

Darryl L. Troy
Vice President

cc: Jack Shreve, Office of Public Counsel
D Mailhot, Chief, FPSC-Bureau of Revenue Requirements
J English, FPU
C Stein, FPU
J Brown, FPU
P Foster, FPU
G Bachman, FPU

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Florida Public Utilities Company

July 20, 2000

Mr Timothy J Devlin Director
Division of Auditing & Financial Analysis
FLORIDA PUBLIC SERVICE COMMISSION
2540 Shumard Oak Blvd
Tallahassee FL 32399-0865

Re: 1999 Over-earnings - Fernandina Beach Electric Operations

Dear Mr. Devlin:

The Company requests that the total over-earnings for 1999 in Fernandina Beach Electric Operations be contributed to the Storm Damage Reserve in Fernandina Beach. We believe the Storm Damage Reserve to be deficient due to the following reasons:

1. The Company's first attempt to establish a Storm Damage Reserve was in our Marianna Rate Case, Docket No. 880558-EI (1988) Although, the Company requested an annual allowance of $54,050 based on damages from Hurricane Kate, the Commission thought this was excessive and reduced the annual accrual to $17,300.

2. The Company again sought to establish a storm damage accrual in our Fernandina Beach Rate Case, Docket No. 881056-EI (1988). We again requested an annual accrual of $54,050 based on our argument in the previous Marianna case, the greater potential for loss due to a 25% larger gross plant investment and a more vulnerable coastal location. The final decision was to allow an annual accrual of $21,625 which was 25% larger than that allowed in the Marianna case.

3. In 1993, the Company again filed for rate relief in the Marianna division. In this Rate Case, Docket No. 930400-EI (1993), we requested the annual accrual be increased to $200,000 from the previous authorized level of $17,300. We also requested the Storm Damage Reserve be capped at $1 million. The reasons for this increase were the impact that Hurricane Andrew (1992) had on electric distribution property and on the insurance industry's coverage rates making it impossible to obtain coverage at a reasonable cost. The Final Order in Docket No. 930400-EI reads:

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"Accordingly, we shall establish a storm damage reserve of $1 million, with the accrual period for the reserve set at 10 years at $100,000 per year." (Order No. PSC-94-0170-FOF-EI, p.23)

4. The current accumulated Storm Damage Reserves as of June 30, 2000, in Marianna and Fernandina Beach are as follows:

	Accumulated Reserve	Annual Accrual
Marianna	$588,661	$100,000
Fernandina Beach	732,511	21,600

It is apparent from items (1) through (4) that there is a deficiency in the Fernandina Beach accumulated Storm Damage Reserve. We are therefore requesting the 1999 excess revenues and interest be transferred to the Fernandina Beach Storm Damage Reserve.

Sincerely,

Cheryl Martin

Cheryl Martin
Manager of Corporate Accounting

cc:
J. Shreve – Public Counsel
Norman Horton
J. English - FPUC
J. Brown - FPUC
G. Bachman - FPUC
Jay Revell - FPSC/fax (850) 413-6426
P. Foster
C. Stein - FPUC
SJ45-69 (1999)
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ATTACHMENT 3

FLORIDA PUBLIC UTILITIES COMPANY
FERNANDINA BEACH ELECTRIC DIVISION
DOCKET NO. 001147-EI
REVIEW OF 1999 EARNINGS

	As Filed FPSC Adjusted Basis	Common Plant Allocations	Application of 1998 Overearnings to Storm Damage Reserve	Working Capital Allocation of A/P	Out of Period Expenses	Charitable Contributions Advertising Expense	Interest Reconciliation/ ITC Synchronization	Total Adjustments	Total Adjusted Rate Base
RATE BASE									
Plant in Service	$27,588,524	$99,661						$99,661	$27,688,185
Accumulated Depreciation	10,718,104	20,786						20,786	10,738,890
Net Plant in Service	16,870,420	78,875						78,875	16,949,295
Property Held for Future Use	0							0	0
Construction Work in Progress	234,788	0						0	234,788
Net Utility Plant	17,105,208	78,875						78,875	17,184,083
Working Capital	(972,633)		(44,428)	3,254				(41,174)	(1,013,807)
Total Rate Base	$16,132,575	$78,875	($44,428)	$3,254				$37,701	$16,170,276
INCOME STATEMENT									
Operating Revenues	$6,457,339							$0	$6,457,339
Operating Expenses:									
Operation & Maintenance - Fuel	0							0	0
Operation & Maintenance - Othe	1,951,810				(6,575)	(4,000)		(10,575)	1,941,235
Depreciation & Amortization	1,026,552	(1,720)						(1,720)	1,024,832
Taxes Other Than Income	1,435,448							0	1,435,448
Income Taxes - Current	490,604	647			2,474	1,505	292	4,918	495,522
Deferred Income Taxes (Net)	24,116							0	24,116
Investment Tax Credit (Net)	(37,027)							0	(37,027)
(Gain)/Loss on Disposition	0							0	0
Total Operating Expenses	4,891,503	(1,073)			(4,101)	(2,495)	292	(7,377)	4,884,126
Net Operating Income	$1,565,836	$1,073	$0	$0	$4,101	$2,495	($292)	$7,377	$1,573,213
EQUITY RATIO	45.07%							0.00%	45.07%
OVERALL RATE OF RETURN	9.71%							0.02%	9.73%
RETURN ON EQUITY	14.68%							0.05%	14.73%

DOCKET NO. 00114[illegible]I
DATE: September 14, 2000

ATTACHMENT 3
PAGE 1 OF 1

ATTACHMENT 4

DOCKET NO. 001147-EI
DATE: September 14, 2000

FLORIDA PUBLIC UTILITIES COMPANY
FERNANDINA BEACH ELECTRIC DIVISION
DOCKET NO. 001147-EI
REVIEW OF 1999 EARNINGS

CAPITAL STRUCTURE AS FILED - FPSC ADJUSTED	Amount	Ratio	Cost Rate	Weighted Cost
Long Term Debt	$5,141,971	31.87%	9.93%	3.17%
Short Term Debt	1,930,043	11.96%	5.56%	0.67%
Preferred Stock	135,143	0.84%	4.75%	0.04%
Customer Deposits	651,980	4.04%	6.57%	0.27%
Common Equity	5,913,464	36.66%	12.60%	4.62%
Deferred Income Taxes	2,036,649	12.62%	0.00%	0.00%
Tax Credits - Zero Cost	1,719	0.01%	0.00%	0.00%
Tax Credits - Weighted Cost	321,606	1.99%	10.44%	0.21%
Total	$16,132,575	100.00%		8.96%

		Adjustments					
ADJUSTED	Amount	Specific	Pro Rata	Adjusted Total	Ratio	Cost Rate	Weighted Cost
Long Term Debt	$5,141,971		$26,814	$5,168,785	31.96%	9.93%	3.17%
Short Term Debt	1,930,043		10,065	1,940,108	12.00%	5.56%	0.67%
Preferred Stock	135,143		705	135,848	0.84%	4.75%	0.04%
Customers Deposits	651,980	(132,186)		519,794	3.21%	6.35%	0.20%
1999 Excess Earnings	0	101,467		101,467	0.63%	5.06%	0.03%
Common Equity	5,913,464		30,837	5,944,301	36.76%	12.60%	4.63%
Deferred Income Taxes	2,036,649			2,036,649	12.60%	0.00%	0.00%
Tax Credits - Zero Cost	1,719			1,719	0.01%	0.00%	0.00%
Tax Credits - Weighted Cost	321,606			321,606	1.99%	10.44%	0.21%
Total	$16,132,575	($30,719)	$68,420	$16,170,276	100.00%		8.96%

FLORIDA PUBLIC UTILITIES COMPANY **ATTACHMENT 5**
FERNANDINA BEACH ELECTRIC DIVISION
DOCKET NO. 001147-EI
REVIEW OF 1999 EARNINGS

Adjusted Rate Base		$16,170,276
ROR @ 12.60% ROE	X	8.96%
Maximum allowed Net Operating Income		1,448,857
Achieved Net Operating Income		1,573,213
Excess Net Operating Income		124,356
Revenue Expansion Factor	X	1.6033
Excess Revenues		199,380
Interest		5,290
TOTAL 1999 EXCESS REVENUE		$204,670