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August 29, 2003

BY HAND DELIVERY

Ms. Blanca Bayó, 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. 030002-EG - Florida Public Utilities Company, Energy Conservation
Cost Recovery - Electric. Audit Control No. 03-042-4-2

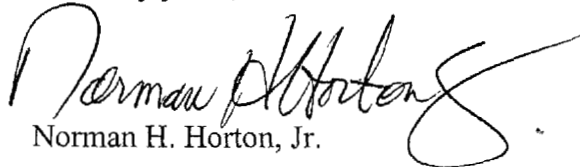
Dear Ms. Bayó:

Enclosed is an original and 15 copies of the response of Florida Public Utilities Company to the audit disclosures in the above referenced docket.

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 yours,


Norman H. Horton, Jr.

FRS/amb
Enclosures

DOCUMENT NUMBER DATE

08109 AUG 29 '03



FLORIDA PUBLIC UTILITIES COMPANY
2002 AUDIT DISCLOSURE RESPONSES - ELECTRIC

Electric

Audit Disclosure No. 1:

Response: In the list below are the names and collection efforts made by FPU to recover bad debt loans

1. \$12,334.48. Bill received from Gulf Power 7/06/01 the customer was contacted and an agreement was entered into with the customer to make monthly payments. After several months the customer had not made any payments so we filed a small claims case against him. On 4/05/02 we filed a lawsuit/Lien against his property. At this time the customer has not sold his property so we have not been able to recover any of this debt.
2. \$6,650.09. Bill was received from Gulf Power 7/08/02. On 7/01/02 the customer filed Chapter 13 bankruptcy. FPU filed proof of claim with US Bankruptcy court. At current time we have not received any payment from the courts.
3. \$3, 459.71. Bill was received from Gulf 11/28/02 we filed a small claims suit on 3/12/02 an agreement was made with the customer in April of 02 to make payments of \$55.00 per month until debt is paid in full. At this time the customer has made regular payments of \$60.00 per month starting 5/07/02. The customer has paid \$900.00 as of 7/02/03 that was credited to 114.1430.2(32852). The monthly payments were then transferred to account 114.4010.908 in each subsequent month.

Audit Disclosure No.2:

Response: All expenses charged to conservation programs, in the amounts of \$396.41-Marianna and \$440.75-Fernandina Beach, have been reversed to the appropriate accounts in 2003.

Audit Disclosure No. 3

Response: The Marianna Division has uniqueness to its customer base. When determining if we should participate in these types of advertising events we look at the target audience to determine which program we would most benefit and would it make a return on our investment. We feel all the programs or events we have selected to participate in have been beneficial and we have reached a wide variety of our adult audience.

The \$4,920.00 in question for our Marianna (Northwest) Division is composed of the 12 items listed below:

1. Jackson County Sheriff: \$20.00
This could be an incorrect entry for a check request for serving papers for a small claims court filing for a defaulted conservation loan.
2. Ussery and Bevis Racing: \$1,200
Our sponsorship of this type of advertising goes beyond the actual racetrack. Drivers are responsible to FPU for availability at local fund raising events



FLORIDA PUBLIC UTILITIES COMPANY
 2002 AUDIT DISCLOSURE RESPONSES - ELECTRIC (Cont'd)

and other community activities, such as the Jackson County Christmas Parade and the American Cancer Society Fund Raising event. Advertising trends have proven racecar advertising as the number one return on investment. We truly believe in our market particularly, it is the number one sport.

3. Marianna Pageant Committee: \$45.00

This represents an ad placed in the pageant brochure. We feel these brochures are kept as memory pieces by parents, grandparents and other relatives, which gives our ad a good shelf life for the investment.

4. MHS Baseball Booster, 2 years:	\$225.00
Marianna Optimist Club, 5 signs:	\$200.00
Marianna Quarterback Club:	\$150.00
Cottdale Athletic Booster:	\$ 75.00
Altha Baseball, 2 years:	\$150.00
Liberty County Bulldog Club:	\$145.00
Marianna High Golf Team:	\$ 25.00
<u>Marianna Boys Basketball:</u>	<u>\$ 75.00</u>
	\$1,045.00

Our Northwest Division has very unusual characteristics of being rural with a number of small schools. High School sporting activities are highly attended and supported by their community. We have undocumented feedback that proves our participation in these events increase questions and program results for our Conservation Department.

5. Liberty County Senior Citizens: \$100.00

This represents 12 monthly conservation ads place in their monthly newsletter.

6. Marianna Band Boosters: \$80.00

This represents a 1/2 page conservation ad in the football program that is distributed at all home games. Approximately 400 people attend home games.

7. Panhandle Seminole Boosters:	\$100.00
Jackson County Hospital Foundation:	\$500.00
<u>American Red Cross:</u>	<u>\$500.00</u>
	\$1,100.00

These costs represent our participation at different golf events in our service territory. Golf tournaments are the number one fund raising event in our area. These events allow us to reach a target audience of business owners, residential builders and commercial builders. We place a large banner at the golf course entrance and place our Good Cents sign at a hole on the course. In addition we have a grill with a conservation sign that is used at most events where food is served.

8. Marianna Recreational Department: \$100.00

This represents an ad in the State Baseball Tournament, which several teams in our territory was participating. This event was a week long, drawing large crowds daily.



FLORIDA PUBLIC UTILITIES COMPANY
2002 AUDIT DISCLOSURE RESPONSES - ELECTRIC (Cont'd)

9. American Cancer Society: \$750.00
During 2002 we increased our participation in events targeting the commercial sector. We felt this event, which had table signage, would allow this opportunity. It did in fact result in many questions, which eventually led into audits. As you have seen from our annual report we did exceed our commercial program goal.
10. Sheriff and Police Press: \$80.00
This represents a conservation ad placed on a calendar that was given to customers in our service territory.
11. Altha Heritage Festival: \$250.00
This was a three-day festival event where we had a large banner displaying a conservation message. This event allowed us the opportunity to gain recognition for our conservation programs where other media is not effective.
12. Jackson County NAACP: \$150.00
This represents a full-page program ad for a well-attended event.

The \$2,000.00 in question for our Fernandina Beach (Northeast) Division is composed of the 4 items listed below:

1. Fernandina Beach Middle School: \$100.00
This amount was used for conservation material and promotional items that was handed out at Career Day. All materials and promotional items related a message to our home energy survey program.
2. North Hampton: \$1500.00
This cost represents our participation in the Northeast Florida Home Builders Association golf tournament. The tournament participants are mainly builders in our service territory. This allowed us to reach a target audience of business owners, residential and commercial builders. At this event, we placed a large banner at the golf course entrance and placed a good cents sign at a golf hole. In addition we have a grill with a conservation sign, which was used to cook the food for this event.
3. Optimist club: \$400.00
This amount represents dues for Noah Kirkus for 2002. Membership of this club allowed FPU to make contacts through a different base of customers.

Audit Disclosure No. 4

Response: In 2002, there were numerous changes with management and supervision of the two noted employees.

These individuals are responsible for charging appropriately their expenses to payroll, transportation (leases, gas and automotive repairs) and cellular expenses. During 2002, only one individual had a vehicle assigned for daily use specifically for conservation. By company policy and procedures, this employee was prohibited from the use of the vehicle for non-conservation activities.

The \$15,999.10 in question for our Fernandina Beach (Northeast) Division is composed of the 3 items listed below:



FLORIDA PUBLIC UTILITIES COMPANY
2002 AUDIT DISCLOSURE RESPONSES - ELECTRIC (Cont'd)

1. Remove 60% of car lease- \$3081.18

After evaluating 2002 time records for Noah Kirkus, a total of 340 hours was charged to propane. This amount represents 16% of his yearly time.

2. Remove 60% of gasoline and car repairs- \$2303.95

After evaluating actual receipts, we agree to the \$2303.95.

3. Remove 60% of cell phone- \$907.10

Based on above evaluation, we feel that the 16% for Noah Kirkus is accurate.

4. Remove office lease and leasehold improvements except for 3%- \$9707.87

The total square footage of the office in question is 1800 square feet. The following is a breakdown of our justification in charging 16% to conservation:

- 84%- Noah Kirkus (conservation payroll)
- 32%- Karen Dicks (conservation payroll)
- 96.6 Square feet was allocated for Noah Kirkus- This is composed of 84% of 115 square feet of office space.
- 37.6 square feet was allocated for Karen Dicks- This is composed of 32% of 117.5 square feet of office space.
- 134.2 square feet of office space was allocated to conservation- this is the addition of 96.6 and 37.6 of office space used for conservation services.
- 89.3 square feet of the conference room (50% of 178.5 square feet) was allocated to conservation- the conference room was used from January 2002-October2002.
- 29 square feet of the bathroom was allocated to conservation (This was based on 4 people, 1 person allocated to conservation).
- 16 square feet of the showroom was allocated for conservation promotional items.
- 12 square feet was allocated to storage space.

A total of 280.5 square feet was charged to conservation, which equals 15.58%. (This was rounded to 16%).

We have diligently attempted to appropriately charge conservation expenses based on actual payroll allocations.

Audit Disclosure No. 5

Response: We agree with the auditor's findings.