

State of Florida



ORIGINAL

Public Service Commission

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

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

DATE: October 14, 2004
TO: Blanca S. Bayó, Commission Clerk and Administrative Services Director
FROM: Timothy J. Devlin, Director, Division of Economic Regulation
RE: Item 13 - October 19, 2004 Agenda Conference - Docket No. 040216-GU -
Application for rate increase by Florida Public Utilities Company

Approved
WMB
10/15/04

Pursuant to Section 2.11.B.3.C, Administrative Procedures Manual, attached are changes and revised issues for Item 13 on the October 19, 2004 Agenda Conference - Docket No. 040216-GU - Application for rate increase by Florida Public Utilities Company. Deferral of this item is prevented due to statutory deadlines contained in Section 366.06, Florida Statutes.

After numerous discussions with the utility, several factual errors were discovered, by both staff and the utility. Staff made several requests for the utility to consider waiving the statutory timeframe; however, the utility refused. Therefore, revisions to this item is necessary to correct these factual errors. The overall effect of these changes results in an increase in revenue requirement of \$71,866 to a total revenue increase of \$5,865,903.

In accordance with 2.11.B.3.C, APM, staff is submitting the revised issues. Following are the listed changes to this item. Due to the fact that a previously filed issue has now extended from one page to two, the page numbers in the original item will change. Therefore, staff is submitting the following revised issues:

Issues 4 and 5 – pages 9 & 10 – Staff’s originally recommended adjustments contained erroneous amounts. Therefore, these adjustment amounts have been revised to reflect the correct amount.

Issue 9 - page 16 - Contains a reference to staff’s recommended overall rate of return and resulting rates. The recommended rate of return and resulting rates have been revised; therefore, the references were revised. No change to staff’s recommendation, only the analysis.

Issue 17 - page 26 – Rate base calculation, this is a “fall out” amount based on staff’s revisions.

Issue 18 – page 27 and new page 28 – Staff revised its recommendation and analysis after numerous discussions and revised calculation with the utility. Upon discovery of utility errors in its filing, staff was required to recalculate the appropriate accumulated deferred income taxes in the capital structure.

DOCUMENT NUMBER-DATE

11121 OCT 15 04

FPSC-COMMISSION CLERK

Issue 21 – new page 32 – 34 – Overall rate of return calculation, this is a “fall out” amount based on staff’s revisions.

Issue 41 – new page 54 – Taxes other than income calculations, these are “fall out” amounts based on staff’s revisions.

Issue 42 – new page 55 - Income tax calculation, this is a “fall out” amount based on staff’s revisions.

Issue 43 – new page 56 – Net Operating Income calculation, this is a “fall out” amount based on staff’s revisions.

Issue 45 – new page 58 – Annual revenue increase calculation, this is a “fall out” amount based on staff’s revisions.

Issue 50 – new page 64 & 65 – There was an error made in staff’s recommended charge for Electronic Bill Payment Charge based upon an erroneous tariff sheet submitted by the utility. The recommended charge has been revised from 3.5% to \$3.50 per transaction.

All Schedules and Attachments have also been revised. This includes staff’s recommended rates contained in Attachment 6.

Staff is submitting the original and 25 3-hole-punched copies for distribution to Commissioners, Executive Director, other recipients, and the docket file in accordance with 2.11.B.3.C, Administrative Procedures Manual.

Cc: Mary Andrews Bane, Executive Director
Charles H. Hill, Deputy Executive Director
Manual Arisso, Assistant to Chairman Baez
Cayce Hinton, Assistant to Commissioner Deason
JoAnn Chase, Assistant to Commissioner Jaber
Larry Harris, Assistant to Commissioner Bradley
Katrina Tew, Assistant to Commissioner Davidson
Division of Economic Regulation (Willis, Kummer, Rendell)
Office of the General Counsel (Melton, Helton, Jaeger)
Office of Public Counsel (Mann, Poucher)
Betty Ashby
Diane Lee

Issue 4: Should an adjustment be made to Account 389, Land and Land Rights, and Account 390, Structures and Improvements, to account for the vacant Sanford office building?

Recommendation: Yes. The Sanford office building was vacated in 2002 and is no longer used and useful. Therefore, Account 390 should be reduced by ~~\$97,768, \$104,123, and \$2,542~~ \$293,304, \$6,355, and \$7,626 for plant-in-service, accumulated depreciation, and depreciation expense, respectively. Also, Account 389 should be reduced by ~~\$8,436~~ \$25,308 for plant-in-service. (Rendell, Gardner, Revell)

Staff Analysis: In November, 2002, the company vacated the Sanford office building, due to the Environmental Protection Agency (EPA) finding that the soil at this location is contaminated. FPUC states that they are awaiting mediation with the EPA. There has been no set schedule as to when the mediation process will begin with the EPA.

The utility states that the Central Florida operation was moved from the Sanford location to a new larger facility located in DeBary late in 2002. Further, the utility states that the Sanford location is currently not marketable pending remediation. FPUC further states that the property should continue to be included in rate base since the property has been included in rate base prior to being vacated, and the eventual sale will benefit ratepayers.

Section 366.06(1), F.S., states “[T]he commission shall investigate and determine the actual legitimate costs of property of each utility company, actually used and useful in the public service....” Staff believes that this building and property should be removed from rate base for ratemaking purposes in this case. Staff believes that once the utility has determined the environmental costs, the cost to remove the building, as well as, the gain on sale of the property, the utility can seek rate recovery. These factors should be analyzed in a future proceeding. The utility contends that if the Commission deems it not appropriate to include this property in rate base, that the return should be provided for through the environmental reserve. At a minimum, the building and related accumulated depreciation should be removed. This would be considered a retirement, due to the fact the building is no longer used. This building will not be used to provide any future service to the ratepayers, and in fact, must be destroyed to remediate the property underneath. The amount of the land in rate base and related return is then minimal.

Upon the company’s completion of the mediation process with the EPA, FPUC should request inclusion of the loss on the office building, mitigation expenses, and associated land in a separate proceeding before the Commission. Staff further believes that during this future proceeding addressing the environmental costs, that the cost of removal, potential gain on sale; rate of return on the land, and related property tax not included in rates should be addressed. At that time, staff can further analyze any sharing of the gain on sale, due to the lost return and related property tax during the period of time the land was not included in rate base.

Therefore, staff believes that the vacant office building and land are not used and useful at this time and should be removed from plant in service. For the projected test year, it was determined that for Account 390, Structures and Improvements, plant-in-service, accumulated depreciation, and depreciation expense should be reduced by ~~\$97,768, \$104,123, and \$2,542~~ \$293,304, \$6,355, and \$7,626 respectively. Also, Account 389, Land and Land Rights, should be reduced by ~~\$8,436~~ \$25,308 for plant-in-service. The net adjustment to plant-in-service is a reduction of ~~\$106,204~~ \$318,612.

Issue 5: Should an adjustment be made to FPUC's proposed level of plant additions for the projected test year?

Recommendation: Yes. Plant-in-service, accumulated depreciation, and depreciation expense should be reduced by a total of \$1,076,150, \$28,202, and \$26,846, ~~\$1,560,850, \$38,915, \$53,694~~, respectively, for the projected test year to reflect changes in the 2004 and 2005 plant additions. (Gardner)

Staff Analysis: During the staff engineer's review and evaluation it was discovered that the construction budget was overstated in the amount of \$1,182,900 for the year ending December 31, 2004. To correct the 2004 overstatement, a reduction should be made to plant-in-service, accumulated depreciation, and depreciation expense of \$1,182,900, \$29,559, and \$29,559 ~~\$1,774,350, \$44,339, and \$59,119~~, respectively, for the projected test year.

For the projected test year, 2005, FPUC understated its construction budget by \$213,500. To correct the understatement of the construction budget an increase should be made to plant-in-service, accumulated depreciation, and depreciation expense, of \$106,750, \$1,357, and \$2,713 ~~\$213,500, \$5,424, and \$5,424~~, respectively, for the projected test year.

For the 2005 projected test year, the net effect of these two adjustments is a decrease of \$1,076,150, \$28,202, and \$26,846 ~~\$1,560,850, \$38,915, and \$53,694~~ to plant, accumulated depreciation, and depreciation expense, respectively.

Issue 9: Is the acquisition adjustment, accumulated amortization and related amortization expense of \$3,300,000, \$49,863, and \$99,726, respectively, for the SFNG acquisition appropriate for the projected test year?

Recommendation: No. The proper totals for the acquisition adjustment, accumulated amortization of the acquisition adjustment, and the related amortization expense for the projected test year should be \$960,376, \$128,052, and \$32,013, respectively. The proper amortization period should be 30 years; however, because the assets of South Florida Natural Gas (SFNG) were acquired on December 14, 2001, staff believes that the amortization period should have begun January 1, 2002, reducing the remaining amortization period at the end of the projected test year to 26 years. The resulting reductions to utility plant and amortization expense are \$2,339,624 and \$67,713, respectively. The resulting increase to accumulated amortization of acquisition adjustment is \$78,189. Staff also recommends that the permanence of these cost savings be reviewed in FPUC's next rate case. If it is determined at that time that the cost savings no longer exist, the acquisition adjustment should be partially or totally removed from rate base. (Revell)

Staff Analysis: The utility has five approved acquisition adjustments in rate base, two of which are fully amortized. On December 14, 2001, FPUC acquired the assets of SFNG for a purchase price of \$9,917,000. Part of the purchase price was for SFNG's propane operations. SFNG had approximately 4,300 residential, 360 commercial, and 1,000 propane customers. The utility believes that its request for inclusion of its proposed acquisition adjustment is justified for the following reasons.

The utility states that there were approximately \$138,000 in operational savings as a result of the acquisition. The utility imputed that these savings translated into a justifiable rate base increase of approximately \$1,801,000. This calculation assumes that it would take \$1,801,000 in rate base to produce an additional revenue requirement of \$138,000 based on its December 31, 2001 rate of return of 7.68%. Using the same methodology, the utility calculated that the rate of return differential between SFNG and FPUC at December 31, 2001 would equate to \$816,000 in additional justifiable rate base. The utility also calculated the fuel cost differential between the two utilities and, again applying FPUC's allowable rate of return, imputed that an additional \$4,018,000 in rate base was justified. In this filing, FPUC stated that its justifiable increase to rate base as a result of this purchase was \$6,637,112; however, FPUC is seeking approval for total goodwill of \$3,300,000 to be included in rate base as a positive acquisition adjustment.

The utility indicated that \$960,376 of the total amount of \$3,300,000 represented the fair market value over the book value of the acquired assets. Section 366.06(1), F.S., states that, "... the commission shall investigate and determine the actual legitimate costs of the property of each utility company, actually used and useful in the public service, and shall keep a current record of the net investment of each public utility company in such property which value, as determined by the commission, shall be used for ratemaking purposes and shall be the money honestly and prudently invested by the public utility company in such property used and useful in serving the public, less accrued depreciation, and shall not include any goodwill or going-concern value or franchise value in excess of payment made therefor." (emphasis added) According to Title 18 of The Code of Federal Regulations (18 CFR), revised as of April 1, 2004, p. 580, an acquisition

adjustment "... shall include the difference between (a) the cost to the accounting utility ..., and (b) the original cost, estimated if not known..." The utility stated that its request for the inclusion of an additional \$3,300,000 as an acquisition adjustment in rate base meets this standard.

However, staff believes the difference is goodwill. In its exhibit, the utility stated, "The total goodwill inclusive of intangible assets for the SFNG portion of the acquisition amounted to \$3.3 million. Included in the total goodwill is the difference between the fair market value and book value (historical cost) of the plant acquired, amounting to \$960,376." As discussed above, 18 CFR, p.580, defines an acquisition adjustment as the cost to the utility over the original cost. In this case, this amounts to the \$960,376 that staff is recommending for inclusion in rate base. The remaining \$2,339,624 is goodwill and should not be included in rate base.

In order to properly evaluate the utility's request, it is necessary to use objective standards to develop quantitative benefits to the former customers of SFNG and the pre-acquisition customers of FPUC. By Order No. 23858, issued December 11, 1990, in Docket No. 891353-GU, In re: Application of Peoples Gas Systems, Inc. for a rate increase, the Commission examined a number of potential benefits to the existing customers of the acquired Southern Gas Company. The Order stated, "It is our policy to disallow positive acquisition adjustments unless extraordinary circumstances can be proven". The Commission ultimately approved a positive acquisition adjustment of \$2,351,756 amortized over 30 years. In this case, staff also examined the potential benefits to analyze the effects of FPUC's acquisition of SFNG. The benefits are listed below with staff's analysis.

Increased Quality of Service

South Florida Natural Gas's (SFNG) last full year of operations prior to its acquisition was 2001. For that year, there were a total of nine complaints filed with the Division of Regulatory Compliance and Consumer Assistance. SFNG had approximately 4,300 residential and 360 commercial customers. This translates into a complaint ratio of 1.93 complaints per 1000 customers for the 2001 calendar year. FPUC has approximately 49,200 gas customers, and as discussed in Issue 2, there were 27 complaints filed with the PSC for the period of August 2003 to early August 2004. FPUC's complaint ratio is approximately .55 per 1000 customers; a ratio approximately three-and one-half times lower than SFNG.

The staff engineer assigned to the present case indicated that portions of the existing SFNG plant were old, and were not maintained to the standards of FPUC. In particular, pressure regulators and gate stations will need to be upgraded to meet the present standards of FPUC. This is a reliability issue not a safety issue. Many parts in use are no longer made due to their age. The staff engineer stated that expenses for the needed repairs and upgrades to the former SFNG plant are included in this case.

A Lower Overall Cost of Capital

SFNG's last Rate of Return Report for June 2001 filed with the Commission on September 17, 2001, prior to the acquisition, indicated that SFNG had a 10.28% allowable rate of return, and an average achieved rate of return of 5.47%, which was below the required rate of

return of 9.47%. In this case, staff is recommending a cost of equity of 11.25% and an overall rate of return of 7.62% ~~7.69%~~.

Lowered Operating Costs

In the past, the Commission has looked at cost savings to support any request to include acquisition adjustments in rate base. See Order No. 18716, issued January 26, 1988, in Docket No. 870118-GU, Petition of Central Florida Gas Company to increase its rates and charges. Also see Order No. 24013, issued January 23, 1991, in Docket No. 891175-GU, Petition of City Gas Company Inc. for a rate increase. In the present case, the utility provided an exhibit that indicated that there are measurable cost savings of at least \$138,000 of net cost reductions that resulted from synergies realized from the merger. While certain expenses, such as additional printing and mailing costs do increase, it is more than offset by a reduction in expenses by eliminating duplicative staff and facilities, and the costs for SFNG's billing subcontractor. Staff has reviewed FPUC's documentation and the stated savings appear reasonable. Additionally, there does not appear to be any adverse financial consequences to the existing rate payers. These cost savings benefit not only the former SFNG customers, but FPUC's pre-acquisition or existing customers as well; moreover, even after the inclusion of the acquisition adjustment in rate base, there appear to be net savings of approximately \$65,000.

Additionally, the purchase of SFNG allows FPUC to reduce allocated costs to the pre-acquisition customers of FPUC. FPUC allocates plant and a number of expenses to both regulated and non-regulated operations based on such factors as percentage of customers, utility plant, or payroll. Adding additional non-regulated propane and additional natural gas customers has the effect of reducing the percentage allocated to the existing pre-acquisition regulated customers.

Also, while fuel costs are removed in determining final base rates in a rate case, fuel costs impact the total amount of a customer's bill. To properly evaluate the total impact on customers, fuel charges as well as base rates must be considered. FPUC provided documentation indicating that its fuel charge per therm for 2001 was 15.5% less than the per therm cost for SFNG. This would translate into potentially yearly cost savings of over \$300,000 for the former SFNG customers, based on rates in effect prior to the acquisition. As a result, if the staff recommended rates are approved, the average bill reduction for a former SFNG residential customer using 22 therms monthly is a decrease of 2.4% ~~2.5%~~, or \$0.83 ~~\$0.87~~ per month. reduction compared to the average residential bill for SFNG customers approved by the Commission in Order No. 24608, issued June 3, 1991, in Docket No. 900623-GU, In re: Petition for general rate Relief by South Florida Natural Gas Company.

Conclusion

Staff believes that FPUC has properly met its burden to justify the inclusion of an acquisition adjustment of \$960,376 in rate base. The acquisition of the SFNG system has benefited the former customers of SFNG through expense reductions and reduced fuel prices, and a higher level of customer service. The existing rate payers benefit from the acquisition because there is a net savings of approximately \$65,000 even after the inclusion of this acquisition adjustment in rate base and a larger base to allocate common costs, and the average

former SFNG customer will have a monthly bill reduction of 2.5%. FPUC's larger size after the acquisition should allow FPUC to more easily attract capital at a lower cost rate, which will benefit all of its customers. Staff also believes that the acquisition adjustment should be amortized over 30 years. The utility has indicated that it believes this amortization period reasonably reflects the useful remaining life of the SFNG plant. Staff reviewed FPUC's recent depreciation study and agrees that a 30-year amortization period reasonably reflects the useful remaining life of the SFNG plant.

For these reasons, staff recommends that the proper totals for the acquisition adjustment, accumulated amortization of the acquisition adjustment and the related amortization expense for the projected test year should be \$960,376, \$128,052, and \$32,013, respectively. Since the assets of SFNG were acquired on December 14, 2001, the proper amortization period should be for a 30 year period beginning January 1, 2002, reducing the remaining amortization period at the end of the projected test year to 26 years. The resulting reductions to utility plant, and amortization expense are \$2,339,624 and \$67,713, respectively. The total accumulated amortization of acquisition should be increased by \$78,189.

Staff also recommends that the permanence of these cost savings be reviewed in FPUC's next rate case. If it is determined at that time that the cost savings no longer exist, the acquisition adjustment should be partially or totally removed from rate base.

Issue 17: Is FPUC's requested level of Rate Base in the amount of \$65,835,210 for the projected test year appropriate?

Recommendation: No, the appropriate rate base for the projected test year is \$59,171,674 ~~\$58,387,511~~, which includes the staff-recommended components shown below. (Revell, Gardner, Winters)

Staff Analysis: This is a calculation based upon decisions in preceding issues. Company and staff positions are reflected in the following table and are discussed in the appropriate issues.

COMPARATIVE RATE BASE			
Projected Test year Ending 12/31/05			
	<u>Company</u>	<u>Staff</u>	<u>Staff Revised</u>
Utility Plant in Service	\$89,939,143	\$85,389,231	<u>\$86,086,339</u>
Common Plant	3,429,181	3,429,181	3,429,181
Construction Work in Progress	194,004	235,540	235,540
Acquisition Adjustment	3,603,400	1,263,776	1,263,776
Total Deductions	(31,330,519)	(31,223,535)	<u>(31,136,480)</u>
Net Utility Plant	65,835,210	59,094,193	<u>59,878,356</u>
Working Capital	0	(706,682)	(706,682)
Total Rate Base	\$65,835,210	\$58,387,511	<u>\$59,171,674</u>

Rate Base is shown on Attachment 1.

COST OF CAPITAL

Issue 18: Should an adjustment be made to Accumulated Deferred Income Taxes in the capital structure?

Recommendation: Yes. An adjustment should be made to increase Accumulated Deferred Income Taxes in the capital structure by \$2,992,338 ~~\$2,397,521~~, to reflect a balance of \$9,245,613 ~~\$8,650,796~~. (Winters)

Staff Analysis: The company included accumulated deferred taxes of \$6,253,275 in its 2005 projected test year capital structure. The income statements for 2003 through 2005, filed in the MFRs, each showed deferred income tax expense. Staff's examination and comparison of the deferred income tax expense and balance sheet deferred taxes revealed that the increase in the credit balance of accumulated deferred income taxes in the balance sheet did not match the total of deferred income tax expense for the three years shown in the income statement. Staff made an adjustment to increase the accumulated deferred income tax balance by the deferred income tax expense amount shown in the 2003 through 2005 income statements. This results in a recommended increase of \$2,359,703 to the 13-month average accumulated deferred income taxes.

~~Additionally, staff made an adjustment to offset a decrease to accumulated deferred taxes the company had made.~~ in the company's testimony, Witness Khojasteh stated "there was also an offsetting decrease to projected deferred taxes in 2003-2005 to account for the basis reduction from plant investments associated with our recent water sale." This basis reduction treatment is allowed by the Internal Revenue Service when a sale is considered an involuntary conversion. As a result of discussions between company and staff, it was agreed that since the gain from the sale of the water division went below-the-line into stockholders equity, the tax effect should also be treated below-the-line, such that the tax effect follows the tax event that created it. The company provided an exhibit showing its calculation of the reduction in tax basis and tax depreciation for 2003 through 2005. This results in a recommended increase of \$37,818 to accumulated deferred income taxes to offset the company's reduction in tax basis and tax depreciation.

After numerous discussions between company and staff, the company provided revised schedules C-24 and G-2(C-24) showing recalculated deferred income tax expense, as well as revised balance sheet amounts for accumulated deferred taxes for years 2003, 2004, and 2005. The deferred income tax expense matched the increase in the credit balance of accumulated deferred income taxes in these revised schedules. However, the company agreed that errors had been made in the calculation of excess tax depreciation amounts related to bonus depreciation. For tax purposes, property placed in service after May 5, 2003 and before January 1, 2005 qualifies for a 50 percent first-year depreciation allowance. Bonus depreciation for 2003 and 2004 plant additions had only been included in deferred taxes at 20 percent, rather than at 50 percent. Additionally, the smaller percentage adjustments for 2003 and 2004 were reflected in the year subsequent to the actual year the plant additions were made.

Staff increased the excess tax depreciation related to the bonus depreciation by 30 percent (bringing the bonus from 20 percent to the allowed 50 percent) of the company's total 2003 and

2004 plant additions (provided by the company in an exhibit), and corrected the timing error. Staff then reduced the 2004 bonus depreciation amount by 50 percent of the additions that were disallowed by staff in Issue 5, as this adjustment related to 2004 additions. The company contends that a further adjustment is needed for 2003, due to the change in May 2003 from 30% to 50% bonus depreciation. Staff declined to make an adjustment based on the company's response to staff's 1st Set of Data Requests, wherein the company stated that "for purposes of this computation, we used 50% bonus although pre May 6, 2003 acquisitions are 30% bonus property because the majority of the property was acquired post May 6, 2003."

In summary, the net result of the above adjustments results in a recommended increase to the 13-month average balance of accumulated deferred income taxes of \$2,992,338 ~~\$2,397,521~~ for the projected 2005 test year. Therefore, staff recommends the appropriate amount of accumulated deferred income taxes to include in the capital structure is \$9,245,613 ~~\$8,650,796~~.

Issue 21: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?

Recommendation: The appropriate weighted average cost of capital is 7.62% ~~7.69%~~. (Lester, Winters)

Staff Analysis: For its projected test year capital structure, FPUC allocated investor capital amounts from its consolidated 13-month average capital structure to its gas division. FPUC specifically identified customer deposits, deferred taxes, and investment tax credits for the gas division in developing the capital structure. The resulting overall cost of capital is 8.66%, which is based in part on an equity ratio of 52.17% and a cost rate for common equity of 11.50%.

The five differences between FPUC's position on cost of capital and staff's recommendation are as follows:

- 1) The appropriate cost rate for common equity (discussed in Issue 20);
- 2) The appropriate balance for deferred taxes (discussed in Issue 18);
- 3) Whether the capital structure should be revised to reflect the postponement of the planned equity (common stock) offering;
- 4) The treatment of non-utility investment in reconciling rate base and capital structure; and
- 5) The appropriate cost rate for short-term debt.

Regarding the planned equity offering, FPUC's consolidated capital structures for 2004 and 2005 reflect net proceeds of \$14.1 million from an equity offering that was planned for June 2004. Based on the advice of its underwriters, FPUC delayed the equity offering at a board of directors meeting on July 16, 2004.

The company now plans an equity offering for June 2005 and has filed a capital structure reflecting this postponement. However, the company's position is that the capital structure as filed is appropriate for determining the cost of capital for this case. The company believes its capital structure as filed is appropriate because it is in the range of an optimal capital structure for a company of FPUC's size, it is consistent with the company's long term financial plans, and it avoids the financial risk of a more highly leveraged capital structure.

FPUC plans to meet any financing needs originally encompassed by the equity offering through short term debt, i.e., an extended line of credit. FPUC provided staff with a revised capital structure reflecting the postponement of the equity offering to June 2005. The equity ratio based on this revised capital structure is 45.96%, including the non-utility adjustment discussed below.

Staff recommends that the Commission use the revised capital structure in determining

the cost of capital. Staff notes the company should not earn a return on equity it has not issued. Further, the replacement interim financing for the equity offering is short term debt priced at reasonable rates, and an equity ratio of approximately 46% is reasonable for a relatively small gas distribution utility.

Regarding the non-utility issue, FPUC has an investment in a propane gas distribution business – Flo-Gas. The amount of this investment for the projected test year is \$2,248,022. In reconciling rate base and capital structure, the Commission’s practice regarding non-utility investment is stated below:

... we believe all non-utility investment should be removed directly from equity when reconciling the capital structure to rate base unless the utility can show, through competent evidence, that to do otherwise would result in a more equitable determination of the cost of capital for regulatory purposes. In the case of Gulf, we believe that the non-utility investment should be removed from equity. This will recognize that non-utility investments will almost certainly increase a utility’s cost of capital since there are very few investments that a utility can make that are of equal or lower risk. Removing non-utility investments directly from equity recognizes their higher risks, prevents cost of capital cross-subsidies, and sends a clear signal to utilities that ratepayers will not subsidize non-utility related costs.

(See Order No. 23573, p. 21, issued October 3, 1990, in Docket No. 891345-EI, In re: Petition of Gulf Power Company for an increase in its rates and charges.)

In FPUC’s filing, the company removed the investment in Flo-Gas on a pro-rata basis from investor sources of capital. FPUC noted that funds cannot be traced, i.e., assets cannot be identified with specific financing components. Also, FPUC argued that treating Flo-Gas as financed 100% by equity puts its propane business at a competitive disadvantage and that its capital structure, without removing the investment in Flo-Gas directly from equity, is reasonable.

Staff recommends that the Commission remove the investment in Flo-Gas directly from equity in reconciling capital structure and rate base. In response to FPUC’s tracing of funds and competitive disadvantage arguments, staff notes that removing non-utility investment from equity is a regulatory adjustment that prevents the relatively low risk utility from subsidizing a higher risk business. Staff believes that FPUC’s natural gas business faces significantly less competition, and, hence, risk, than its unregulated propane business. This adjustment is consistent with the Commission’s treatment of nonutility investment in Order No. PSC-04-0369-AS-EI, issued April 6, 2004, in Docket No. 030438-EI, In Re: Petition for Rate Increase by Florida Public Utilities Company.

Regarding the cost rate for short term debt, FPUC used 5.98%. The rate for FPUC’s short term debt is based on the 30-day London Interbank Offered Rate (LIBOR) plus 90 basis points. FPUC estimated the 5.98% by first estimating the Fed Funds rate and noting that the 30-

day LIBOR is historically 20 basis points above the Fed Funds rate. For 2005, FPUC estimated the Fed Funds at 4.88% based on the period 1993 through 1999. Thus, the short term debt cost rate is the 4.88% Fed Funds rate estimate plus 110 basis points.

Staff disagrees with the company's use of a 5.98% cost rate for short term debt. According to the September 1, 2004 Blue Chip Financial Forecast, the average Fed Funds rate for 2005 is projected to be 2.93%. Based on this forecast, the appropriate estimate for the cost rate of short term debt is 4.03%. Staff notes the Blue Chip forecast is a consensus forecast based on the forecasts of 46 business economists and encompasses the expectations for interest rates as well as the historical trend.

With these adjustments and cost rates, the appropriate weighted average cost of capital for the projected test year is 7.62% ~~7.69%~~. Staff presents its recommended cost of capital on Attachment 2.

Issue 41: Is FPUC's Taxes Other Than Income of \$4,464,719 for the projected test year appropriate?

Recommendation: No. The appropriate amount of Taxes Other Than Income (TOTI) is \$4,324,539, ~~\$4,310,816~~, a decrease of \$140,180 ~~\$153,903~~. (Kenny)

Staff Analysis: The company included \$4,464,719 of TOTI in its MFRs for the projected test year ending December 31, 2005. This amount includes \$1,402,286 of State Gross Receipts Tax and \$1,346,194 of Franchise Fees. The company has included the exact amounts as part of its 2005 revenue. Therefore no adjustment is necessary for these two components of TOTI.

Payroll Taxes

Staff has made adjustments to payroll expense in Issues 25 and 32 which amount to a net decrease of \$80,333. Staff has used a composite payroll tax rate of 8.37% to decrease the related payroll taxes associated with these adjustments. The result is a decrease to payroll taxes of \$6,724 ($\$80,333 \times 8.37\%$).

Regulatory Assessment Fees

In Issue 22, staff has increased revenues by \$3,600. As a result, Regulatory Assessment Fees (RAF) should be increased by \$18 ($\$3,600 \times .005$) to reflect the additional revenues. Also, in Audit Exception No. 10, staff has determined the revenue amount used for 2005 RAF calculation was understated. As a result, RAF should be increased by \$6,692. The net effect of these RAF adjustments is an increase of \$6,710.

Property Taxes

In Issues 3 – 7, staff made adjustments to decrease net plant by \$3,409,046 ~~\$4,193,209~~. This amount includes \$2,500,000 of land that has been determined to be non used and useful. The property taxes related to this amount have been specifically identified to be \$42,500. The remaining balance of net plant that was removed in other issues is \$909,046 ~~\$1,693,209~~. Staff has used the 2003 property tax rate of 1.75% (net plant/property tax expense) to calculate the decrease in property tax expense of \$15,908 ~~\$29,631~~ ($\$909,046$ ~~\$1,693,209~~ $\times 1.75\%$). In Issues 8 and 40, staff increased accumulated depreciation by \$171,530. As a result, property taxes should be increased by \$3,001 ($\$171,530 \times 1.75\%$). Additionally, in Issue 9, staff decreased the acquisition adjustment and related accumulated amortization which decreases net plant by \$2,417,813. Therefore, property taxes should be decreased by \$42,312 ($\$2,417,813 \times 1.75\%$). In addition, in Audit Exception No. 11 staff removed \$42,448 of property taxes related to common property that was removed but the related property taxes were not. Therefore, the net effect of these adjustments is a decrease in property taxes of \$140,166 ~~\$153,889~~ $\{(\$42,500) + (\$15,908$ ~~$\$29,631$~~) $+ \$3,001 + (\$42,312) + (\$42,448)\}$.

As a result of the above mentioned adjustments, the net effect is a decrease of \$140,180 ~~\$153,903~~ [$(\$6,724) + \$6,710 + (\$140,166$ ~~$\$153,889$~~)] to reflect a balance of \$4,324,539 ~~\$4,310,816~~ in TOTI.

Date: October 7, 2004

Issue 42: Is FPUC's Income Tax Expense of (\$1,093,873), which includes current and deferred income taxes, investment tax credit (ITC) amortization, and interest reconciliation for the projected test year, appropriate?

Recommendation: No. The appropriate income tax expense, including current taxes, deferred income taxes, ITC amortization, and interest reconciliation is (\$811,143) ~~(\$791,055)~~. (Winters)

Staff Analysis: The company proposed to include (\$1,093,873) of income tax expense for its 2005 projected test year. However, staff's adjustments to revenues and expenses increase tax expense by \$196,541 ~~\$213,721~~. Staff made an adjustment to increase the company's income tax expense by \$3,358. This adjustment represents the income tax on permanent differences (nondeductible meals of \$8,924). Staff's adjustment to the company's capital structure and rate base results in an increase of \$82,832 ~~\$85,739~~ for interest reconciliation. The net result of these adjustments is an increase of \$282,730 ~~\$302,818~~ to income tax expense. Therefore, the appropriate amount of income tax expense, including current income taxes, deferred income taxes, ITC amortization, and interest reconciliation is (\$811,143) ~~(\$791,055)~~.

Issue 43: Is FPUC’s Net Operating Income of \$641,221 for the projected test year appropriate?

Recommendation: No. For the projected test year, the appropriate Net Operating Income is \$880,787 ~~\$906,355~~, which includes the staff-recommended components shown below. (Merta)

Staff Analysis: This is a calculation based upon the decisions in preceding issues. The company and staff positions are reflected in the following table and are discussed in the appropriate issues.

COMPARATIVE NET OPERATING INCOME			
Projected Test year Ending 12/31/05			
	<u>Company</u>	<u>Staff</u>	<u>Staff Revised</u>
Operating Revenues	\$22,568,224	\$22,571,824	\$22,571,824
Operating Expenses			
O&M	14,795,629	14,178,039	14,178,039
Depreciation & Amortization	3,760,529	3,967,669	<u>3,999,601</u>
Taxes Other Than Income	4,464,719	4,310,816	<u>4,324,539</u>
Income Taxes	(1,093,873)	(791,055)	<u>(811,143)</u>
Total Operating Expenses	21,927,005	21,665,469	<u>21,691,037</u>
Net Operating Income	\$641,219	\$906,355	<u>\$880,787</u>

Net Operating Income is shown on Attachment 3.

Issue 45: Is FPUC's requested annual operating revenue increase of \$8,186,989 for the projected test year appropriate?

Recommendation: No. The appropriate annual operating revenue increase for the projected test year is ~~\$5,865,903~~ \$5,794,037. (Merta)

Staff Analysis: This is a calculation based upon the decisions in preceding issues. The revenue requirement is shown on Attachment 5.

Issue 50: Are FPUC's Miscellaneous Service Charges appropriate?

Recommendation: Yes. (Baxter)

Staff Analysis: Staff's recommended miscellaneous service charges are shown in the table below:

Type of Charge	Time of Service	Present Charges				Staff Recommended		
		Deland, Sanford, Palm Beach		New Smyrna Beach		RS	GS & GSTS	LVS, LVTS, IS, & ITS
		LVS & LVTS	All Other	Residential	Commercial			
Establishment of Service								
	Regularly Scheduled	\$57.00	\$25.00	\$20.00	\$30.00	\$42.00	\$60.00	\$90.00
	Outside Normal Business Hours	NA	NA	NA	NA	\$56.00	\$79.00	\$119.00
Change of Acct. – Meter Read Only								
	Regularly Scheduled	\$12.00 all classes		\$10.00 all classes		\$19.00 all classes		
	Outside Normal Business Hours	NA	NA	NA	NA	\$24.00 all classes		
Reconnection after Disconnection		\$48.00	\$21.00	\$20.00	\$30.00	This charge has been merged with the Establishment of Service Charge (see above)		
Reconnection after Disconnection for Non-Pay								
	Regularly Scheduled	\$58.00	\$31.00	\$20.00	\$30.00	\$60.00	\$78.00	\$108.00
	Outside Normal Business Hours	NA	NA	NA	NA	\$74.00	\$97.00	\$137.00

Bill Collection in Lieu of Disconnection for Non-Pay		\$9.00 all classes		\$10.00 all classes		\$16.00 all classes
Failed Trip Charge						
	Regularly Scheduled	NA	NA	NA	NA	\$19.00 all classes
	Outside Normal Business Hours	NA	NA	NA	NA	\$24.00 all classes
Electronic Bill Payment Charge		NA	NA	NA	NA	<u>\$3.50 per transaction</u> 3.5% of transaction amount for all classes
Worthless Check Charge		In accordance with Section 68.065, F.S.				In accordance with Section 68.065, F.S.
Late Payment Charge		Greater of 1.5% of Past Due Amount or \$5.00				Greater of 1.5% of Past Due Amount or \$5.00

Miscellaneous service charges are designed to recover the costs of initial connection of service, reconnection after a customer's service has been disconnected for non-payment and similar activities. FPUC has proposed two new charges in this case.

The first new charge is a failed trip charge that is designed to recover the costs incurred by the company when a customer fails to keep a scheduled appointment and FPUC is not able to perform the requested activity. The proposed charge is \$19.00.

The second new charge is an electronic bill payment charge that is designed to recover the bank and overhead costs incurred by the company in accepting payment by credit card, debit card or electronic check. The proposed charge is equal to 3.5% of the transaction amount. Currently, the company does not accept payment by these methods. Staff believes that the proposed charge is appropriate because it recovers these additional costs from those customers who opt to pay by credit card, debit card or electronic check.

Staff has reviewed the cost support initially filed by FPUC for its proposed miscellaneous charges, and has requested additional information supporting those charges. Based upon its review of this cost support, staff believes that FPUC's proposed charges are reasonable, and recommends that they be approved.

COMPARATIVE AVERAGE RATE BASES

FLORIDA PUBLIC UTILITIES COMPANY
PTY 12/31/05

ATTACHMENT I

ISSUE NO.	TOTAL PER BOOKS	COMPANY		STAFF	
		COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	93,956,032				
		(1,920,851)			
		(1,900,000)			
		(188,772)			
		(7,266)			
3				(2,500,000)	
3				(26,340)	
4				(106,204)	
5				(1,076,150)	
6				(30,112)	
7				(113,998)	
	93,956,032	(4,016,889)	89,939,143	(3,852,804)	86,086,339
	3,429,181				
	3,429,181	0	3,429,181	0	3,429,181
	1,816,579				
		3,300,000			
		(1,513,179)			
9				(2,339,624)	
	1,816,579	1,786,821	3,603,400	(2,339,624)	1,263,776
	190,577				
10				41,536	
	3,427				
	194,004	0	194,004	41,536	235,540
	99,395,796	(2,230,068)	97,165,728	(6,150,892)	91,014,836
	29,479,477				
		(536,639)			
		(6,132)			
		(1,134)			
3				(198)	
4				(104,123)	
5				(28,202)	
6				(32,557)	
7				(278,678)	
8				94,385	
40				77,145	
	29,479,477	(543,905)	28,935,572	(272,228)	28,663,344
	1,039,014				0
	1,039,014	0	1,039,014	0	1,039,014
	308,262				
		49,866			
9				78,189	
	308,262	49,866	358,128	78,189	436,317
	997,805				
	997,805	0	997,805	0	997,805
	31,824,558	(494,039)	31,330,519	(194,039)	31,136,480
	67,571,238	(1,736,029)	65,835,209	(5,956,853)	59,878,356
	(7,966,722)	7,966,722	0	(706,682)	(706,682)
	59,604,516	6,230,693	65,835,209	(6,663,535)	59,171,674

		WORKING CAPITAL			ATTACHMENT 1A	
FLORIDA PUBLIC UTILITIES COMPANY DOCKET NO. 040216-GU PTY 12/31/05		COMPANY AS FILED				
ISSUE NO.		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
ASSETS						
	Other Funds	6,100		6,100		6,100
12	Cash	1,079,871	(635,573)	444,298	(155,648)	288,650
	Insurance Proceeds Environmental Cleanup	3,135,957	(3,135,957)	0		0
	Cash-Other	9,400		9,400		9,400
	Accounts Receivable-Customer	4,775,265		4,775,265		4,775,265
	Accounts Receivable-Other	269,087		269,087		269,087
29	Allowance for Uncollectables	(150,256)		(150,256)	17,205	(133,051)
13	Materials & Supplies	473,077		473,077	(42,577)	430,500
	Stores Expense	19,318		19,318		19,318
11	Prepaid Insurance	335,835		335,835	(74,383)	261,452
11 & 15	Prepaid Pensions	74,493		74,493	6,525	81,018
	Prepaid Other	72,008		72,008		72,008
	Unbilled Revenues	824,126		824,126		824,126
38	Other Deferred Debits-Rate Case Exp.	513,890		513,890	(329,826)	184,064
	Other Deferred Debits-Allocated	3,877		3,877		3,877
	Other Deferred Debits-Direct	23,647		23,647		23,647
	Other Deferred Debits-AEP	4,067,137	(4,067,137)	0		0
	Underrecoveries-PGA & Conserv.	183,039		183,039		183,039
	Deferred Piping & Conversion	1,428,964		1,428,964		1,428,964
	Misc. Deferred Debits	19,603		19,603		19,603
	Misc. Deferred Debits	(29)		(29)		(29)
	TOTAL ASSETS	17,164,409	(7,838,667)	9,325,742	(578,704)	8,747,038
LIABILITIES						
	Misc. Non-Current Liab-Insurance	59,070		59,070		59,070
14	Misc. Non-Current Liab-Insurance	1,379,753		1,379,753	(10,781)	1,368,972
	Provision for Rate Refund	267,483		267,483		267,483
11	Accounts Payable-Operating	3,642,270		3,642,270	(686,631)	2,955,639
	Accounts Payable-Other	465,113		465,113		465,113
	Taxes Payable-Gross receipts	115,433		115,433		115,433
	Taxes Payable-FPSC Assessment	68,220		68,220		68,220
11	Taxes Payable-Income Taxes	1,769,203		1,769,203	(211,555)	1,557,648
	Taxes Payable-Ad Valorem	356,034		356,034		356,034
	Taxes Payable-Other	4,879		4,879		4,879
11	Interest Accrued-Debt	639,545		639,545	(77,243)	562,302
	Interest Accrued-Customer Deposits	114,589		114,589		114,589
	Dividends Payable-Preferred Stock	1,672		1,672		1,672
11	Taxes Payable-Employee & Sales	66,476		66,476	7,188	73,664
	Taxes Payable-Franchise	759,548		759,548		759,548
	Taxes Payable-Municipal	174,147		174,147		174,147
	Accrued Liability-Vacation Payroll	705,722		705,722	(566,309)	139,413
11	Accrued Liability-Misc.	88,725		88,725		88,725
	Misc. Deferred Liab-Misc.	388		388		388
	Misc Deferred Liab-Unamort. Gains	221,283	(221,283)	0		0
	Overrecoveries-PGA & Conserv.	594,244		594,244		594,244
	Overrecoveries-Unbundle	0		0		0
	Environmental Liability Insurance Proceeds	5,027,989	(5,027,989)	0		0
	Environmental Liability Pending Rate Recovery	8,882,808	(8,882,808)	0		0
	Environ Costs Net of Customer Proceeds	(273,463)		(273,463)		(273,463)
16	Adjustment for Negative Working Capital		(1,673,309)	(1,673,309)	1,673,309	0
	TOTAL LIABILITIES	25,131,131	(15,805,389)	9,325,742	127,978	9,453,720
	TOTAL WORKING CAPITAL ALLOWANCE	(7,966,722)	7,966,722	0	(706,682)	(706,682)

FLORIDA PUBLIC UTILITIES COMPANY
PTY 12/31/05
13 Month Average

ATTACHMENT 2

COMPANY POSITION

	FPUC PER BOOKS	PRO RATA	FPUC ADJUSTED	RATIO	COST RATE	WEIGHTED COST
LONG TERM DEBT	50,346,860	(24,654,534)	25,692,326	39.03%	8.04%	3.14%
SHORT TERM DEBT	796,154	(389,871)	406,283	0.62%	5.98%	0.04%
PREFERRED STOCK	600,000	(293,816)	306,184	0.47%	4.75%	0.02%
COMMON EQUITY	56,448,772	(27,642,601)	28,806,171	43.75%	11.50%	5.03%
CUSTOMER DEPOSITS	4,094,408		4,094,408	6.22%	6.28%	0.39%
DEFERRED TAXES	6,253,275		6,253,275	9.50%	0.00%	0.00%
TAX CREDIT - ZERO COST	0		0	0.00%	0.00%	0.00%
TAX CREDIT - OVERALL	276,563		276,563	0.42%	9.81%	0.04%
TOTAL	\$118,816,032	(\$52,980,822)	\$65,835,210	100.00%		<u>8.66%</u>

STAFF POSITION

	CONSOLIDATED TOTAL COMPANY	FLO GAS	ADJUSTED PER BOOKS	STAFF SPECIFIC	PRO RATA	STAFF ADJUSTED	RATIO	COST RATE	WEIGHTED COST
LONG TERM DEBT	50,346,860		50,346,860		(28,476,024)	21,870,836	36.96%	8.04%	2.97%
SHORT TERM DEBT	5,720,154		5,720,154		(3,235,301)	2,484,853	4.20%	4.03%	0.17%
PREFERRED STOCK	600,000		600,000		(339,358)	260,642	0.44%	4.75%	0.02%
COMMON EQUITY	50,449,234	(2,248,022)	48,201,212		(27,262,453)	20,938,759	35.39%	11.25%	3.98%
CUSTOMER DEPOSITS	4,094,408		4,094,408			4,094,408	6.92%	6.28%	0.43%
DEFERRED TAXES	6,253,275		6,253,275	2,992,338		9,245,613	15.63%	0.00%	0.00%
TAX CREDIT - ZERO COST	0		0			0	0.00%	0.00%	0.00%
TAX CREDIT - OVERALL	276,563		276,563			276,563	0.47%	9.28%	0.04%
TOTAL	\$117,740,494	(\$2,248,022)	\$115,492,472	\$2,992,338	(\$59,313,136)	\$59,171,674	100%		<u>7.62%</u>

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU
PTY 12/31/05

COMPARATIVE NET OPERATING INCOME

ATTACHMENT 3
Page 1 of 2

ISSUE NO.	COMPANY			STAFF	
	TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
OPERATING REVENUES					
	17,717,851				
Base Revenues					
Fuel	36,236,758	(36,236,758)			
Conservation	2,136,828	(2,136,828)			
Unbundling	0				
Gross Receipts Tax	1,402,286				
Franchise Tax	1,346,194				
Other Operating Revenues	2,674,539				
Area Expansion Program		(572,646)			
22 Add pool manager revenue				3,600	
TOTAL REVENUES	61,514,456	(38,946,232)	22,568,224	3,600	22,571,824
OPERATING EXPENSES:					
COST OF GAS					
	36,055,579	(36,055,579)			
CONSERVATION					
	2,126,144	(2,126,144)			
STORAGE & UNBUNDLING					
	15,930				
OPERATION & MAINTENANCE EXPENSE					
	14,779,699				
23 Decrease for overhead cost allocations (various)				(155,692)	
24 Remove nonrecurring expenses (877, 921, 923)				(78,127)	
25 Decrease for new positions (various)				(69,932)	
26 Decrease for Fleet Image Improvement Prog.(874)				(7,020)	
27 Decrease for meter change outs (878)				(47,531)	
28 Remove tax credits-company use gas (903, 905)				12,630	
29 Decrease bad debt expense (904)				(34,411)	
30 Decrease for nonutility advertising (912)				(1,335)	
31 Decrease cooperative & duplicative ads (913)				(91,357)	
32 Remove payroll increase (920)				(10,400)	
33 Decrease for relocation & temporary help (921)				(17,828)	
34 Decrease for duplicate fees & audit (923, 930)				(18,571)	
35 Decrease for allocation of Acct. 926				(14,626)	
36 Decrease OPEB (926)				(11,886)	
37 Decrease pension expense (926)				(26,645)	
38 Decrease for rate case expense (928)				(41,646)	
39 Decrease for membership dues (930)				(3,213)	
TOTAL O & M EXPENSE	52,977,352	(38,181,723)	14,795,629	(617,590)	14,178,039

ISSUE NO.		COMPANY				
		TOTAL PER BOOKS	COMPANY ADJS.	COMPANY ADJUSTED	STAFF ADJS.	STAFF ADJUSTED
	DEPRECIATION	2,791,858				
	Include deferred gain		120,420			
	Remove bare steel depreciation		(5,449)			
	Remove non-regulated depreciation		(78,954)			
3	South Florida Operations Center (390)				(396)	
4	Sanford Office Building & Land				(2,542)	
5	Plant additions				(26,846)	
6	Plant retirements				(2,445)	
7	Inactive service lines				(4,045)	
40	Change in depreciation rates				154,289	
	AMORTIZATION	568,823				
8	Include bare steel amortization		377,538		188,770	
9	Include acquisition adj. amortization		99,726		(67,713)	
	Include environmental amortization		456,350			
	Remove AEP amortization		(569,783)			
	TOTAL DEPRECIATION & AMORTIZATION	3,360,681	399,848	3,760,529	239,072	3,999,601
	TAXES OTHER THAN INCOME					
41	Payroll taxes	545,736			(6,724)	
	Gross receipts, franchise fees	1,402,286				
	Franchise fees	1,346,194				
	Miscellaneous & emergency excise tax	(3,676)				
41	Property tax	1,068,026			(140,166)	
41	Regulatory Assessment Fee	300,880	(194,726)		6,710	
	TOTAL TAXES OTHER THAN INCOME	4,659,446	(194,726)	4,464,720	(140,180)	4,324,539
	INCOME TAX EXPENSE					
	Income taxes - current & deferred	(688,670)	(364,872)			
	Investment tax credit	(40,331)				
42	Tax effect of adjustments				196,541	
42	Interest Synch/Rec. Adj.				82,832	
42	Increase for permanent differences				3,358	
	TOTAL INCOME TAXES	(729,001)	(364,872)	(1,093,873)	282,730	(811,143)
	TOTAL OPERATING EXPENSES	60,268,478	(38,341,473)	21,927,005	(235,967)	21,691,037
	NET OPERATING INCOME	1,245,978	(604,759)	641,219	239,567	880,787

NET OPERATING INCOME MULTIPLIER

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU
 PTY 12/31/05

ATTACHMENT 4

DESCRIPTION	COMPANY PER FILING	STAFF
REVENUE REQUIREMENT	100.0000%	100.0000%
GROSS RECEIPTS TAX RATE	0.0000%	0.0000%
REGULATORY ASSESSMENT RATE	0.5000%	0.5000%
BAD DEBT RATE	0.4000%	0.3300%
NET BEFORE INCOME TAXES	<u>99.1000%</u>	<u>99.1700%</u>
STATE INCOME TAX RATE	5.5000%	5.5000%
STATE INCOME TAX	5.4505%	5.4544%
NET BEFORE FEDERAL INCOME TAXES	<u>93.6495%</u>	<u>93.7157%</u>
FEDERAL INCOME TAX RATE	34.0000%	34.0000%
FEDERAL INCOME TAX	31.8408%	31.8633%
REVENUE EXPANSION FACTOR	<u>61.8087%</u>	<u>61.8523%</u>
NET OPERATING INCOME MULTIPLIER	<u>1.6179</u>	<u>1.6168</u>

REVISED 10/18/04

COMPARATIVE REVENUE DEFICIENCY CALCULATIONS

FLORIDA PUBLIC UTILITIES COMPANY ATTACHMENT 5
 DOCKET NO. 040216-GU

	COMPANY ADJUSTED	STAFF
RATE BASE (AVERAGE)	\$65,835,209	\$59,171,674
RATE OF RETURN	X <u>8.66%</u>	X <u>7.62%</u>
REQUIRED NOI	<u>\$5,701,329</u>	<u>\$4,508,882</u>
Operating Revenues	\$22,568,224	\$22,571,824
Operating Expenses:		
Operation & Maintenance	14,795,629	14,178,039
Depreciation & Amortization	3,760,529	3,999,601
Amortization of Environ. Costs	0	0
Taxes Other than Income Taxes	4,464,720	4,324,539
Income Taxes	<u>(1,093,873)</u>	<u>(811,143)</u>
Total Operating Expenses	<u>21,927,005</u>	<u>21,691,037</u>
ACHIEVED NOI	<u>641,219</u>	<u>880,787</u>
NET REVENUE DEFICIENCY	5,060,256	3,628,094
REVENUE TAX FACTOR	1.6179	1.6168
TOTAL REVENUE DEFICIENCY	<u><u>\$8,186,989</u></u>	<u><u>\$5,865,903</u></u>

**COST OF SERVICE
 CLASSIFICATION OF RATE BASE**
 (Page 1 of 2: PLANT)

ATTACHMENT 6
 PAGE 1 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
302 FRANCHISES AND CONSENTS	0				
LOCAL STORAGE PLANT	0		0		100% capacity
INTANGIBLE PLANT:	213,641		213,641		100% capacity
PRODUCTION PLANT	0		0		100% capacity
<u>DISTRIBUTION PLANT:</u>					
374 Land and Land Rights	94,388		94,388		100% capacity
375 Structures and Improvements	433,809		433,809		100% capacity
376 Mains	47,374,119		47,374,119		100% capacity
377 Comp.Sta.Eq.	0				100% capacity
378 Meas. & Reg.Sta.Eq.-Gen	253,037		253,037		100% capacity
379 Meas. & Reg.Sta.Eq.-CG	2,406,874		2,406,874		100% capacity
380 Services	19,704,524	19,704,524			100% customer
381- 382 Meters	6,753,845	6,753,845			100% customer
383- 384 House Regulators	2,181,210	2,181,210			100% customer
385 Industrial Meas. & Reg.Eq.	101,276		101,276		100% capacity
386 Property on Customer Premises	0				ac 374-385
387 Other Equipment	453,374	163,732	289,642		ac 374-386
Total Distribution Plant	79,756,456	28,803,311	50,953,145	0	
GENERAL PLANT:	9,545,423	4,772,712	4,772,712	0	50% customer,50%, cap.
TOTAL DIST / INTANGIBLE / GENERAL	89,515,520	33,576,022	55,939,498	0	
PLANT ACQUISITIONS:	1,263,776		1,263,776	0	100% capacity
GAS PLANT FOR FUTURE USE:	0		0	0	100% capacity
CWIP:	235,540	85,063	150,477	0	dist.plant
TOTAL PLANT	<u>91,014,836</u>	<u>33,661,085</u>	<u>57,353,751</u>	0	

**COST OF SERVICE
 CLASSIFICATION OF RATE BASE
 (PAGE 2 OF 2: ACCUMULATED DEPRECIATION)**

ATTACHMENT 6
 PAGE 2 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
LOCAL STORAGE PLANT:	0				related plant
INTANGIBLE PLANT	85,292		85,292		"
DISTRIBUTION PLANT:					
374 Land and Land Rights	(7,539)		(7,539)		"
375 Structures and Improvements	265,052		265,052		"
376 Mains	18,006,393		18,006,393		"
377 Comp.Sta.Eq.	0				"
378 Meas.& Reg.Sta.Eq.-Gen	86,842		86,842		"
379 Meas.& Reg.Sta.Eq.-CG	407,861		407,861		"
380 Services	4,368,867	4,368,867			"
381- 382 Meters	2,276,928	2,276,928			"
383- 384 House Regulators	817,780	817,780			"
385 Industrial Meas.& Reg.Eq.	60,147		60,147		"
386 Property on Customer Premises	0				"
387 Other Equipment	83,488	23,709	59,779		"
Total Distribution Plant	<u>26,365,819</u>	<u>7,487,284</u>	<u>18,878,535</u>	<u>0</u>	
GENERAL PLANT:	3,251,247	1,625,624	1,625,624	0	general plant
AMORT. ACQ. ADJUSTMENT	436,317		436,317		plant acquisitions
RETIREMENT WORK IN PROGRESS:		0	0	0	distribution plant
CUST. ADVANCES FOR CONSTRUCTION	997,805	498,903	498,903		50% cust. 50% cap.
TOTAL ACCUMULATED DEPRECIATION	<u>31,136,480</u>	<u>9,611,810</u>	<u>21,524,670</u>	<u>0</u>	
NET PLANT (Plant less Accum. Dep.)	59,878,356	24,049,276	35,829,080	0	
less: CUSTOMER ADVANCES	0	0	0		50% cust. 50% cap.
plus: WORKING CAPITAL	(706,682)	(473,699)	(211,007)	(21,975)	oper. and maint. exp.
equals: TOTAL RATE BASE	<u>59,171,674</u>	<u>23,575,576</u>	<u>35,618,073</u>	<u>(21,975)</u>	

**COST OF SERVICE
 CLASSIFICATION OF EXPENSES
 (PAGE 1 OF 2)**

ATTACHMENT 6
 PAGE 3 OF 18

**FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU**

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	CLASSIFIER
<u>OPERATIONS AND MAINTENANCE EXPENSES</u>					
LOCAL STORAGE PLANT:	15,930		15,930		ac 301-320
813 Other Gas Supply Expense	140,482			140,482	100% commodity
<u>DISTRIBUTION:</u>					
870 Operation Supervision & Eng.	246,016	131,203	114,813	0	ac 871-879
871 Dist.Load Dispatch	16,795		16,795		100% capacity
872 Compr.Sta.Lab & Ex.			0		0 ac 377
873 Compr.Sta.Fuel & Power					0 100% commodity
874 Mains and Services	1,647,551	483,972	1,163,579		0 ac376+ac380
875 Meas.& Reg. Sta.Eq.-Gen	3,185	0	3,185		0 capacity
876 Meas.& Reg. Sta.Eq.-Ind.	15,594	0	15,594		0 capacity
877 Meas.& Reg. Sta.Eq.-CG	17,067	0	17,067		0 capacity
878 Meter and House Reg.	1,310,303	1,310,303	0		0 customer
879 Customer Instal.	266,398	96,207	170,191	0	ac 375-385
880 Other Expenses	702,383	253,659	448,724	0	ac 374-385
881 Rents	41,165		41,165		100% capacity
885 Maintenance Supervision	119,308	32,763	86,545	0	ac886-894
886 Maint. of Struct. and Improv.	92,589	0	92,589		0 capacity
887 Maintenance of Mains	611,753	0	611,753		0 capacity
888 Maint. of Comp.Sta.Eq.		0	0		0 capacity
889 Maint. of Meas. & Reg. Sta.Eq.-Gen	12,566	0	12,566		0 capacity
890 Maint. of Meas. & Reg. Sta.Eq.-Ind.	740	0	740		0 capacity
891 Maint. of Meas. & Reg.Sta.Eq.-CG	32,849	0	32,849		0 capacity
892 Maintenance of Services	172,430	172,430	0		0 customer
893 Maint. of Meters and House Reg.	109,653	109,653	0		0 customer
894 Maint. of Other Equipment	17,049	6,157	10,892	0	ac 374-385
Total Distribution Expenses	5,435,394	2,596,348	2,839,046	0	
<u>CUSTOMER ACCOUNTS:</u>					
901 Supervision	198,926	198,926			
902 Meter-Reading Expense	518,559	518,559			
903 Records and Collection Exp.	1,191,220	1,191,220			
904 Uncollectible Accounts	161,940			161,940	100% commodity
905 Misc. Expenses	69,726	69,726			
Total Customer Accounts	2,140,371	1,978,431	0	161,940	
(907-910) CUSTOMER SERV.& INFO. EXP.	0	0			
(911-916) SALES EXPENSE	1,895,335	1,895,335			100% customer
(935) MAINT. OF GEN. PLANT	97,763	48,882	48,882	0	
(920-931) ADMINISTRATION AND GENERAL	4,452,763	2,984,753	1,329,545	138,465	O&M excl. A&G
TOTAL O&M EXPENSE	14,178,038	9,503,748	4,233,402	440,887	

**COST OF SERVICE
 CLASSIFICATION OF EXPENSES**
 (Page 2 of 2)

ATTACHMENT 6
 PAGE 4 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	CLASSIFIER
DEPRECIATION AND AMORTIZATION EXPENSE:						
Depreciation & Amort Expense	2,945,890	1,183,174	1,762,716	0		Net plant
Amortization - other gas plant	566,308	227,449	338,859			Net plant
Amortization - of utility plant - acq. adj.	31,053	12,472	18,581			Net plant
Amortization - AEP - Excess MACC	456,350	183,286	273,064			Net plant
Total Deprec. and Amort. Expense	3,999,601	1,606,382	2,393,219	0	0	
TAXES OTHER THAN INCOME TAXES:						
Revenue Related	2,850,943				2,850,943	100% revenue
Other	1,473,596	591,849	881,747	0		Net plant
Total Taxes other than Income Taxes	4,324,539	591,849	881,747	0	2,850,943	
REV.CRDT TO COS (NEG.OF OTHR OPR.REV)	0	0				100% customer
RETURN (REQUIRED NOI)	4,508,882	1,796,459	2,714,097	(1,675)		Rate base
INCOME TAXES	(811,143)	(323,181)	(488,263)	301	0	Return (noi)
TOTAL OVERALL COST OF SERVICE	\$26,199,917	\$13,175,257	\$9,734,203	\$439,514	\$2,850,943	

FULLY ALLOCATED EMBEDDED COST
 OF SERVICE STUDY (SUMMARY)

ATTACHMENT 6
 PAGE 5 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

SUMMARY	TOTAL	CUSTOMER	CAPACITY	COMMODITY	REVENUE	LAKE WORTH
ATTRITION	0	0	0	0		
OPERATION AND MAINTENANCE EXPENSE	14,178,038	9,503,748	4,191,996	440,887		41,406
LESS O&M DIRECT ASSIGNMENTS	(3,868,024)	(2,076,358)	(1,767,999)	0		
NET O&M	10,292,275	7,427,390	2,423,998	440,887	0	
DEPRECIATION EXPENSE	2,945,890	1,183,174	1,622,864	0	0	139,852
Amortization - other gas plant	566,308	227,449	338,859	0	0	
Amortization - of utility plant - acq. adj.	31,053	12,472	18,581	0	0	
Amortization - AEP - Excess MACC	456,350	183,286	273,064	0	0	
	0	0	0	0	0	
	0	0	0	0	0	
TAXES OTHER THAN INCOME TAXES	4,324,539	591,849	744,034	0	2,850,943	137,713
RETURN	4,508,882	1,796,459	2,372,001	(1,675)	0	342,096
INCOME TAXES	(811,143)	(323,181)	(592,907)	0	0	104,644
REV.CRD. TO COS	0	0	0	0	0	
TOTAL COST OF SERVICE	26,199,917	13,175,257	8,968,492	439,514	2,850,943	765,711
RATE BASE	59,171,674	23,575,576	31,722,574	(21,975)	0	3,895,499
less: Rate Base direct assignments	(50,751,054)	(21,176,004)	(29,575,050)	0	0	0
NET RATE BASE	8,420,620	2,399,572	2,147,524	(21,975)	0	3,895,499
KNOWN DIRECT & SPECIAL ASSIGNMENTS:						
RATE BASE ITEMS (PLANT-ACC.DEP):						
381-382 METERS	4,476,917	4,476,917	0	0		
383-384 HOUSE REGULATORS	1,363,430	1,363,430	0	0		
385 INDUSTRIAL MEAS.& REG.EQ.	41,129	0	41,129	0		
376 MAINS	29,367,726	0	29,367,726	0		
380 SERVICES	15,335,657	15,335,657	0	0		
378 MEAS.& REG.STA.EQ.-GEN.	166,195	0	166,195	0		
Total Rate Base Direct Assignments	50,751,054	21,176,004	29,575,050	0		
O&M ITEMS						
892 Maint. of Services O&M ITEMS	172,430	172,430	0	0		
876 MEAS.& REG.STA.EQ.IND	15,594	0	15,594	0		
878 METER & HOUSE REG.	1,310,303	1,310,303	0	0		
890 MAINT.OF MEAS.& REG.STA.EQ.-IND.	740	0	740	0		
893 MAINT.OF METERS AND HOUSE REG.	109,653	109,653	0	0		
874 MAINS AND SERVICES	1,647,551	483,972	1,152,538	0		11,041
887 MAINT. OF MAINS	611,753	0	599,127	0		12,626
Total O&M Direct Assignments	3,868,024	2,076,358	1,767,999	0		23,667

**COST OF SERVICE
DEVELOPMENT OF ALLOCATION FACTORS**

ATTACHMENT 6
PAGE 6 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
<u>CUSTOMER COSTS</u>										
No. of Customers	49,207	40,221	3,155	1,137	14	43	4,279	358		49,207
Weighting	N/A	1.00000	4.67237	24.12231	15.08853	0.53568	1.00000	4.67237		
Weighted No. of Customers	88,585	40,221	14,741	27,437	211	23	4,279	1,673		
Allocation Factors	100.00%	45.40%	16.64%	30.97%	0.24%	0.03%	4.83%	1.89%		
No. of Customers: Total Annual Bills	590,487	482,650	37,860	13,649	168	516	51,348	4,296		
<u>CAPACITY COSTS</u>										
Peak & Avg. Month Sales Vol. (therms)	5,992,874	1,317,485	1,204,385	2,596,788	508,063	32,827	143,158	190,167		5,992,874
Allocation Factors	100.00%	21.9842%	20.0970%	43.3313%	8.4778%	0.5478%	2.3888%	3.1732%		
<u>COMMODITY COSTS</u>										
Annual Sales Vol.(therms)	60,917,496	10,845,772	11,852,482	29,534,569	5,622,569	393,924	978,690	1,689,490		60,917,496
Allocation Factors	100.00%	17.80%	19.46%	48.48%	9.23%	0.65%	1.61%	2.77%		
<u>REVENUE-RELATED COSTS</u>										
	0.01625 =FACTOR									
Tax on Cust., Cap. & Commod.	366,978	130,519	66,307	132,924	13,525	900	13,938	8,865	12,443	379,421
Allocation Factors	100.00%	34.40%	17.48%	35.03%	3.56%	0.24%	3.67%	2.34%	3.28%	
Allocation Factor w/o Lake Worth	100.00%	35.57%	18.07%	36.22%	3.69%	0.25%	3.80%	2.42%		

**COST OF SERVICE
 ALLOCATION OF RATE BASE TO CUSTOMER CLASSES**

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
RATE BASE BY CUSTOMER CLASS										
DIRECT AND SPECIAL ASSIGNMENTS:										
Customer										
Meters	4,476,917	2,032,683	745,004	1,386,602	10,676	1,164	216,252	84,535		4,476,917
House Regulators	1,363,430	619,047	226,888	422,285	3,251	355	65,859	25,745		1,363,430
Services	15,335,657	6,962,946	2,552,007	4,749,799	36,569	3,988	740,772	289,576		15,335,657
General Plant	3,147,088	1,428,892	523,707	974,724	7,505	818	152,017	59,425		3,147,088
All Other	(747,516)	(339,399)	(124,394)	(231,522)	(1,783)	(194)	(36,108)	(14,115)		(747,516)
Total Customer	23,575,576	10,704,169	3,923,212	7,301,888	56,218	6,130	1,138,792	445,166		23,575,576
Capacity										
Industrial Meas. & Reg. Sta. Eq.	41,129	9,042	8,266	17,822	3,487	225	982	1,305		
Meas. & Reg. Sta. Eq.-Gen.	166,195	36,537	33,400	72,014	14,090	910	3,970	5,274		
Mains	29,367,726	6,456,260	5,902,020	12,725,405	2,489,734	160,867	701,537	931,903		
General Plant	3,147,088	691,862	632,469	1,363,673	266,804	17,239	75,178	99,864		
All Other	(999,564)	(219,746)	(200,882)	(433,124)	(84,741)	(5,475)	(23,878)	(31,718)		
Total Capacity	31,722,574	6,973,954	6,375,273	13,745,790	2,689,373	173,766	757,790	1,006,628	3,895,499	35,618,073
Commodity										
Account #	0	0	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0	0	0
Account #	0	0	0	0	0	0	0	0	0	0
All Other	(21,975)	(3,912)	(4,276)	(10,654)	(2,028)	(142)	(353)	(609)	0	(21,975)
Total Commodity	(21,975)	(3,912)	(4,276)	(10,654)	(2,028)	(142)	(353)	(609)	0	(21,975)
TOTAL	55,276,175	17,674,211	10,294,209	21,037,024	2,743,563	179,754	1,896,229	1,451,185	3,895,499	59,171,674

**COST OF SERVICE
ALLOCATION OF EXPENSES TO CUSTOMER CLASSES**

ATTACHMENT 6
PAGE 8 OF 18

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CII/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
Customer	10,686,922	4,852,252	1,778,411	3,309,981	25,484	2,779	516,220	201,796	0	10,686,922
Capacity	5,814,860	1,278,351	1,168,610	2,519,652	492,972	31,852	138,906	184,518	0	5,814,860
Commodity	440,887	78,496	85,782	213,755	40,693	2,851	7,083	12,228	0	440,887
Revenue	0	0	0	0	0	0	0	0	0	0
Total	16,942,670	6,209,098	3,032,803	6,043,388	559,149	37,482	662,209	398,542	0	16,942,670
OPERATIONS AND MAINTENANCE EXPENSE:										
DIRECT AND SPECIAL ASSIGNMENTS:										
Customer										
878 Meters and House Regulators	1,310,303	594,925	218,048	405,830	3,125	341	63,293	24,742		1,310,303
893 Maint. of Meters & House Reg	109,653	49,786	18,247	33,962	261	29	5,297	2,071		109,653
874 Mains & Services	483,972	219,741	80,538	149,897	1,154	126	23,378	9,139		483,972
892 Maint. of Services	172,430	78,289	28,694	53,405	411	45	8,329	3,256		172,430
All Other	7,427,390	3,372,305	1,235,992	2,300,430	17,711	1,931	358,772	140,248		7,427,390
Total	9,503,748	4,315,047	1,581,519	2,943,525	22,663	2,471	459,068	179,455		9,503,748
Capacity										
876 Measuring & Reg. Sta. Eq. - I	15,594	3,428	3,134	6,757	1,322	85	373	495		15,594
890 Maint. of Meas. & Reg. Sta. Eq. - I	740	163	149	321	630	4	18	23		740
874 Mains and Services	1,152,538	253,376	231,625	499,409	97,710	6,313	27,532	36,573		1,152,538
887 Maint. of Mains	599,127	131,713	120,406	259,609	50,793	3,282	14,312	19,012		599,127
All Other	2,423,998	532,897	487,150	1,050,349	205,501	13,278	57,905	76,919		2,423,998
Total	4,191,996	921,577	842,464	1,816,445	355,389	22,962	100,139	133,021		4,191,996
Commodity										
Account #	0	0	0	0	0	0	0	0		
All Other	440,887	78,496	85,782	213,755	40,693	2,851	7,083	12,228		440,887
Total	440,887	78,496	85,782	213,755	40,693	2,851	7,083	12,228		440,887
TOTAL O&M	14,136,632	5,315,120	2,509,764	4,973,725	418,744	28,285	566,290	324,704	41,406	14,178,038
DEPRECIATION EXPENSE:										
Customer	1,183,174	537,204	196,892	366,456	2,821	308	57,152	22,341		1,183,174
Capacity	1,622,864	356,774	326,146	703,207	137,583	8,890	38,767	51,497		1,622,864
Total	2,806,038	893,978	523,038	1,069,663	140,404	9,197	95,919	73,838	139,852	2,945,890
AMORT. OF OTHER GAS PLANT										
Customer	227,449	103,270	37,850	70,446	542	59	10,987	4,295		227,449
Capacity	338,859	74,495	68,100	146,832	28,728	1,856	8,095	10,753		338,859
Total	566,308	177,766	105,950	217,278	29,270	1,915	19,081	15,048		566,308
AMORT. OF ACQUISITION ADJUSTMENT										
Customer	12,472	5,663	2,075	3,863	30	3	602	236		12,472
Capacity	18,581	4,085	3,734	8,051	1,575	102	444	590		18,581
Total	31,053	9,748	5,810	11,914	1,605	105	1,046	825		31,053
AMORT OF AEP - EXCESS MACC										
Customer	183,286	83,219	30,501	56,768	437	48	8,853	3,481		183,286
Capacity	273,064	60,031	54,877	118,322	23,150	1,496	6,523	8,665		273,064
Total	456,350	143,250	85,378	175,090	23,587	1,543	15,376	12,126		456,350

**COST OF SERVICE
 ALLOCATION OF EXPENSES TO CUSTOMER CLASSES**

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
<u>TAXES OTHER THAN INCOME TAXES:</u>										
Customer	591,849	268,721	98,490	183,309	1,411	154	28,589	11,176	0	591,849
Capacity	744,034	163,570	149,528	322,399	63,078	4,076	17,774	23,610	137,713	881,747
Subtotal	1,335,883	432,291	248,018	505,708	64,489	4,229	46,362	34,785	137,713	1,473,596
Revenue	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
Total	4,186,826	1,446,255	763,134	1,538,354	169,561	11,223	154,641	103,658	137,713	4,324,539
<u>RETURN (NOI)</u>										
Customer	1,796,459	815,658	298,949	556,404	4,284	467	86,776	33,922	0	1,796,459
Capacity	2,372,001	521,465	476,700	1,027,818	201,093	12,993	56,662	75,269	342,096	2,714,097
Commodity	(1,675)	(298)	(326)	(812)	(155)	(11)	(27)	(46)	0	(1,675)
Total	4,166,786	1,336,825	775,323	1,583,410	205,223	13,449	143,411	109,144	342,096	4,508,882
<u>INCOME TAXES</u>										
Customer	(323,181)	(146,736)	(53,781)	(100,096)	(771)	(84)	(15,611)	(6,102)	0	(323,181)
Capacity	(592,907)	(130,346)	(119,156)	(256,914)	(50,265)	(3,248)	(14,163)	(18,814)	0	(592,907)
Commodity	301	54	59	146	28	2	5	8	0	301
Total	(915,787)	(277,028)	(172,878)	(356,865)	(51,008)	(3,330)	(29,769)	(24,908)	104,644	(811,143)
<u>REVENUE CREDITED TO COS:</u>										
Customer	0	0	0	0	0	0	0	0	0	0
<u>TOTAL COST OF SERVICE:</u>										
Customer	13,175,257	5,982,046	2,192,495	4,080,674	31,418	3,426	636,416	248,782	0	13,175,257
Capacity	8,968,492	1,971,651	1,802,394	3,886,160	760,330	49,126	214,240	284,590	765,711	9,734,203
Commodity	439,514	78,251	85,515	213,089	40,566	2,842	7,061	12,190	0	439,514
Subtotal	22,583,263	8,031,948	4,080,403	8,179,924	832,314	55,394	857,717	545,562	765,711	23,348,974
Revenue	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
Total	25,434,206	9,045,913	4,595,519	9,212,569	937,386	62,388	965,996	614,434	765,711	26,199,917

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

SUMMARY	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
RATE BASE	55,276,175	17,674,211	10,294,209	21,037,024	2,743,563	179,754	1,896,229	1,451,185	3,895,499	59,171,674
ATTRITION	0	0	0	0	0	0	0	0	0	0
OPERATION AND MAINTENANCE	14,136,632	5,315,120	2,509,764	4,973,725	418,744	28,285	566,290	324,704	41,406	14,178,038
DEPRECIATION	2,806,038	893,978	523,038	1,069,663	140,404	9,197	95,919	73,838	139,852	2,945,890
AMORTIZATION EXPENSES	1,053,711	330,763	197,138	404,282	54,462	3,564	35,504	27,998	0	1,053,711
TAXES OTHER THAN INCOME TAX (SUB TOTAL)	1,335,883	432,291	248,018	505,708	64,489	4,229	46,362	34,785	137,713	1,473,596
TAXES OTHER THAN INCOME TAX (REVENUE)	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
INCOME TAX (TOTAL)	(915,787)	(277,028)	(172,878)	(356,865)	(51,008)	(3,330)	(29,769)	(24,908)	104,644	(811,143)
REVENUE CREDITED TO COST OF SERVICE	0	0	0	0	0	0	0	0	0	0
TOTAL COST OF SERVICE (CUSTOMER)	13,175,257	5,982,046	2,192,495	4,080,674	31,418	3,426	636,416	248,782	0	13,175,257
TOTAL COST OF SERVICE (CAPACITY)	8,968,492	1,971,651	1,802,394	3,886,160	760,330	49,126	214,240	284,590	765,711	9,734,203
TOTAL COST OF SERVICE (COMMODITY)	439,514	78,251	85,515	213,089	40,566	2,842	7,061	12,190	0	439,514
TOTAL COST OF SERVICE (REVENUE)	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
TOTAL COST OF SERVICE	25,434,206	9,045,913	4,595,519	9,212,569	937,386	62,388	965,996	614,434	765,711	26,199,917
NO. OF CUSTOMERS	49,207	40,221	3,155	1,137	14	43	4,279	358	0	49,207
PEAK AND AVERAGE MONTH SALES VOL.	5,992,874	1,317,485	1,204,385	2,596,788	508,063	32,827	143,158	190,167	0	5,992,874
ANNUAL SALES	60,917,496	10,845,772	11,852,482	29,534,569	5,622,569	393,924	978,690	1,689,490	0	60,917,496

**COST OF SERVICE
 DERIVATION OF REVENUE DEFICIENCY**

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**FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU**

<u>COST OF SERVICE BY CUSTOMER CLASS</u>	<u>TOTAL</u>	<u>RS</u>	<u>GS / GSTS</u>	<u>LV / LVTS</u>	<u>IS / ITS</u>	<u>LS</u>	<u>NSB-RS</u>	<u>NSB-CI/CITS</u>	<u>LAKE WORTH</u>	<u>TOTAL INCL LAKE WORTH</u>
CUSTOMER COSTS	13,175,257	5,982,046	2,192,495	4,080,674	31,418	3,426	636,416	248,782	0	13,175,257
CAPACITY COSTS	8,968,492	1,971,651	1,802,394	3,886,160	760,330	49,126	214,240	284,590	765,711	9,734,203
COMMODITY COSTS	439,514	78,251	85,515	213,089	40,566	2,842	7,061	12,190	0	439,514
REVENUE COSTS	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
TOTAL	25,434,206	9,045,913	4,595,519	9,212,569	937,386	62,388	965,996	614,434	765,711	26,199,917
less: REVENUE AT PRESENT RATES	21,806,111	9,445,638	3,856,491	6,250,402	480,601	106,302	1,119,170	547,507	765,712	22,571,823
equals: GAS SALES REVENUE DEFICIENCY	3,628,095	(399,725)	739,028	2,962,167	456,785	(43,914)	(153,174)	66,927	(1)	3,628,094
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
equals: TOTAL BASE-REVENUE DEFICIENCY	3,628,095	(399,725)	739,028	2,962,167	456,785	(43,914)	(153,174)	66,927	(1)	3,628,094
UNIT COSTS:										
Customer	\$22.31	\$12.39	\$57.91	\$298.98	\$187.01	\$6.64	\$12.39	\$57.91	N/A	
Capacity	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	N/A	
Commodity	\$0.00721	\$0.00721	\$0.00721	\$0.00721	\$0.00721	\$0.00721	\$0.00721	\$0.00721	N/A	

**COST OF SERVICE
RATE OF RETURN BY CUSTOMER CLASS**
(PAGE 1 OF 2: PRESENT RATES)

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
PRESENT REVENUES: (projected test year)										
Gas Sales (due to growth)	17,717,849	7,495,850	3,117,728	5,238,517	418,564	84,469	913,902	448,819	765,712	18,483,561
Gross receipts and Franchise fees	2,748,481	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
Other Operating Revenue	1,339,781	1,095,105	85,903	30,968	381	1,171	116,506	9,747	0	1,339,781
Total	<u>21,806,111</u>	<u>9,445,638</u>	<u>3,856,491</u>	<u>6,250,402</u>	<u>480,601</u>	<u>106,302</u>	<u>1,119,170</u>	<u>547,507</u>	<u>765,712</u>	<u>22,571,823</u>
EXPENSES:										
Purchased Gas Cost	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
O&M Expenses	14,136,632	5,315,120	2,509,764	4,973,725	418,744	28,285	566,290	324,704	41,406	14,178,038
Depreciation Expenses	2,806,038	893,978	523,038	1,069,663	140,404	9,197	95,919	73,838	139,852	2,945,890
Amortization Expenses	1,053,711	330,763	197,138	404,282	54,462	3,564	35,504	27,998	0	1,053,711
Taxes Other Than Income--Fixed	1,335,883	432,291	248,018	505,708	64,489	4,229	46,362	34,785	137,713	1,473,596
Taxes Other Than Income--Revenue	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
Total Expes excl. Income Taxes	<u>22,183,207</u>	<u>7,986,116</u>	<u>3,993,074</u>	<u>7,986,024</u>	<u>783,172</u>	<u>52,268</u>	<u>852,354</u>	<u>530,199</u>	<u>318,971</u>	<u>22,502,178</u>
INCOME TAXES:	(915,787)	(277,028)	(172,878)	(356,865)	(51,008)	(3,330)	(29,769)	(24,908)	104,644	(811,143)
NET OPERATING INCOME:	<u>538,691</u>	<u>1,736,550</u>	<u>36,295</u>	<u>(1,378,757)</u>	<u>(251,563)</u>	<u>57,364</u>	<u>296,585</u>	<u>42,217</u>	<u>342,097</u>	<u>880,788</u>
RATE BASE:	55,276,175	17,674,211	10,294,209	21,037,024	2,743,563	179,754	1,896,229	1,451,185	3,895,499	59,171,674
RATE OF RETURN	0.97%	9.83%	0.35%	-6.55%	-9.17%	31.91%	15.64%	2.91%	8.78%	1.49%
REQUIRED RATE OF RETURN	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%
REQUIRED NOI	4,212,045	1,346,775	784,419	1,603,021	209,060	13,697	144,493	110,580	296,837	4,508,882
NOI DEFICIENCY	3,673,354	(389,775)	748,124	2,981,778	460,622	(43,667)	(152,093)	68,363	(45,260)	3,628,094
NOI Multiplier	1.6168	1.6168	1.6168	1.6168	1.6168	1.6168	1.6168	1.6168	1.6168	1.6168
Revenue Deficiency (Excess)	5,939,078	(630,189)	1,209,567	4,820,939	744,734	(70,600)	(245,903)	110,530	(73,176)	5,865,902
Proposed Increase in other operating rev.	376,575	295,494	9,368	29,297	8,029	(210)	31,437	3,160	0	376,575
Required increase in base revenues	5,562,503	(925,683)	1,200,199	4,791,642	736,705	(70,390)	(277,340)	107,370	(73,176)	5,489,327

COST OF SERVICE
RATE OF RETURN BY CUSTOMER CLASS
(Page 2 of 2: PROPOSED RATES)

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
REVENUES - EQUAL ROR										
REVENUES:										
Gas Sales	23,280,352	6,570,167	4,317,927	10,030,159	1,155,269	14,079	636,562	556,189	692,536	23,972,888
Gross receipts and Franchise fees	2,748,480	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
Other Operating Revenue	1,716,356	1,390,599	95,271	60,265	8,410	961	147,943	12,907	0	1,716,356
Total	27,745,188	8,815,449	5,066,058	11,071,341	1,225,335	35,702	873,267	658,037	692,536	28,437,725
EXPENSES:										
Purchased Gas Cost	0	0	0	0	0	0	0	0	0	0
O&M Expenses	14,136,632	5,315,120	2,509,764	4,973,725	418,744	28,285	566,290	324,704	41,406	14,178,038
Depreciation Expenses	2,806,038	893,978	523,038	1,069,663	140,404	9,197	95,919	73,838	139,852	2,945,890
Amortization Expenses	1,053,711	330,763	197,138	404,282	54,462	3,564	35,504	27,998	0	1,053,711
Taxes Other Than Income--Fixed	1,335,883	432,291	248,018	505,708	64,489	4,229	46,362	34,785	137,713	1,473,596
Taxes Other Than Income--Revenue	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
Total Expeses excl. Income Taxes	22,183,207	7,986,116	3,993,074	7,986,024	783,172	52,268	852,354	530,199	318,971	22,502,178
PRE TAX NOI:	5,561,981	829,333	1,072,983	3,085,318	442,163	(16,566)	20,912	127,838	373,565	5,935,547
INCOME TAXES:	1,349,937	(517,442)	288,564	1,482,296	233,104	(30,263)	(123,580)	17,258	76,728	1,426,665
NET OPERATING INCOME:	4,212,044	1,346,775	784,419	1,603,021	209,060	13,697	144,493	110,580	296,837	4,508,882
RATE BASE:	55,276,175	17,674,211	10,294,209	21,037,024	2,743,563	179,754	1,896,229	1,451,185	3,895,499	59,171,674
RATE OF RETURN	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%
\$ CHANGE IN BASE REVENUES	5,562,503	(925,683)	1,200,199	4,791,642	736,705	(70,390)	(277,340)	107,370	(73,176)	5,489,327
% CHANGE IN BASE REVENUES	31.39%	-12.35%	38.50%	91.47%	176.01%	-83.33%	-30.35%	23.92%	-9.56%	29.70%
REVENUES - STAFF RECOMMENDED RATES										
Gas Sales	23,214,944	8,943,357	4,369,464	7,572,082	604,745	69,682	1,044,516	611,097	757,944	23,972,888
Gross receipts and Franchise fees	2,748,480	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
Other Operating Revenue	1,716,356	1,390,599	95,271	60,265	8,410	961	147,943	12,907	0	1,716,356
Total	27,679,780	11,188,639	5,117,595	8,613,264	674,811	91,305	1,281,221	712,945	757,944	28,437,725
EXPENSES:										
Purchased Gas Cost	0	0	0	0	0	0	0	0	0	0
O&M Expenses	14,136,632	5,315,120	2,509,764	4,973,725	418,744	28,285	566,290	324,704	41,406	14,178,038
Depreciation Expenses	2,806,038	893,978	523,038	1,069,663	140,404	9,197	95,919	73,838	139,852	2,945,890
Amortization Expenses	1,053,711	330,763	197,138	404,282	54,462	3,564	35,504	27,998	0	1,053,711
Taxes Other Than Income--Fixed	1,335,883	432,291	248,018	505,708	64,489	4,229	46,362	34,785	137,713	1,473,596
Taxes Other Than Income--Revenue	2,850,943	1,013,965	515,116	1,032,645	105,072	6,993	108,279	68,872	0	2,850,943
Total Expeses excl. Income Taxes	22,183,207	7,986,116	3,993,074	7,986,024	783,172	52,268	852,354	530,199	318,971	22,502,178
PRE TAX NOI:	5,496,573	3,202,523	1,124,521	627,241	(108,361)	39,037	428,867	182,746	438,973	5,935,547
INCREASE NOI:	3,632,898	1,078,056	780,000	1,461,444	120,120	(9,275)	100,230	102,324	(4,804)	3,628,094
ORIGINAL NOI:	538,691	1,736,550	36,295	(1,378,757)	(251,563)	57,364	296,585	42,217	342,097	880,788
INCOME TAXES:	1,324,985	387,917	308,226	544,554	23,082	(9,051)	32,052	38,205	101,681	1,426,665
NET OPERATING INCOME:	4,171,589	2,814,606	816,295	82,687	(131,443)	48,088	396,815	144,541	337,293	4,508,882
RATE BASE:	55,276,175	17,674,211	10,294,209	21,037,024	2,743,563	179,754	1,896,229	1,451,185	3,895,499	59,171,674
RATE OF RETURN	7.55%	15.92%	7.93%	0.38%	-4.79%	26.75%	20.93%	9.96%	8.66%	7.62%
\$ CHANGE IN BASE REVENUES	5,497,095	1,447,507	1,251,736	2,333,565	186,181	(14,787)	130,614	162,278	(7,768)	5,489,327
% CHANGE IN BASE REVENUES	31.03%	19.31%	40.15%	44.55%	44.48%	-17.51%	14.29%	36.16%	-1.01%	29.70%

**COST OF SERVICE SUMMARY
 RECOMMENDED RATE DESIGN**
 COMBINE NEW SMYRNA BEACH CUSTOMERS WITH STANDARD CUSTOMERS
 FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

ATTACHMENT 6
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	CUST	THERMS	NSB CUST CHARGE	NSB ENERGY CHARGE	NSB CUST REVENUE	NSB ENERGY REVENUE	TOTAL NSB BASE REVENUE	% OF NSB	PROPOSED BASE REV	MOVE STANDARD	OTHER OP REVENUE
NSB-RS TO RS	4,279	978,690	\$7.00	56.654	359,436	554,467	913,903	100%		TO RS	147,943
NSB-CI/CITS TO GS	266	398,620	\$12.00	23.514	38,304	93,732	132,036	29%		TO GS	8,032
NSB-CI/CITS TO LV	82	1,184,090	\$12.00	23.514	11,808	278,427	290,235	65%		TO LV	
NSB-CI/CITS TO LVTS	10	106,780	\$12.00	23.514	1,440	25,108	26,548	6%		TO LVTS	4,875
TOTAL NSB-CI/CITS	358	1,689,490			51,552	397,267	448,819	100%			12,907

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
TOTAL CURRENT BASE REVENUES	17,717,849	8,409,753	3,249,764	5,555,300	418,564	84,469			765,712	18,483,562
TOTAL PROJECTED BASE REVENUES	23,214,944	9,987,873	4,549,240	8,003,404	604,745	69,682			757,944	23,972,888
CURRENT OTHER OPERATING REVENUE	1,339,781	1,231,715	77,495	29,440	276	855				1,339,781
PROPOSED OTHER OPERATING REVENUE	1,716,356	1,538,542	103,303	65,140	8,410	961				1,716,356
INCREASE OTHER OPERATING REVENUE	376,575	306,827	25,808	35,700	8,134	106				376,575
GR TAX REVENUES	1,402,286	481,349	344,974	533,964	31,457	10,542				1,402,286
FF REVENUES	1,346,195	462,095	331,175	512,606	30,199	10,120				1,346,195
TOTAL CURRENT REVENUES	21,806,111	10,584,912	4,003,408	6,631,310	480,496	105,986			765,712	22,571,824
TOTAL PROPOSED REVENUES	27,679,781	12,469,859	5,328,692	9,115,114	674,811	91,305			757,944	28,437,725

**COST OF SERVICE SUMMARY
RECOMMENDED RATE DESIGN**

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
I. PRESENT RATES (projected test year)										
GAS SALES (due to growth)	17,717,849	7,495,850	3,117,728	5,238,517	418,564	84,469	913,902	448,819	765,712	18,483,561
GROSS RECEIPTS AND FF	2,748,481	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
OTHER OPERATING REVENUE	1,339,781	1,095,105	85,903	30,968	381	1,171	116,506	9,747	0	1,339,781
TOTAL	21,806,111	9,445,638	3,856,491	6,250,402	480,601	106,302	1,119,170	547,507	765,712	22,571,823
ATTENDANT INCREASE IN TAXES	(915,787)	(277,028)	(172,878)	(356,865)	(51,008)	(3,330)	(29,769)	(24,908)	104,644	(811,143)
RESULTING NET OPERATING INCOME	538,691	1,736,550	36,295	(1,378,757)	(251,563)	57,364	296,585	42,217	342,097	880,788
RATE OF RETURN INDEX	0.97%	9.83%	0.35%	-6.55%	-9.17%	31.91%	15.64%	2.91%	8.78%	1.49%
		6.60	0.24	(4.40)	(6.16)	21.44	10.51	1.95	5.90	1.00
II. RATES - EQUAL RATES OF RETURN										
GAS SALES	23,280,352	6,570,167	4,317,927	10,030,159	1,155,269	14,079	636,562	556,189	692,536	23,972,888
GROSS RECEIPTS AND FF	2,748,480	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
OTHER OPERATING REVENUE	1,716,356	1,390,599	95,271	60,265	8,410	961	147,943	12,907	0	1,716,356
TOTAL	27,745,188	8,815,449	5,066,058	11,071,341	1,225,335	35,702	873,267	658,037	692,536	28,437,725
TOTAL REVENUE INCREASE	5,939,077	(630,189)	1,209,567	4,820,939	744,734	(70,600)	(245,903)	110,530	(73,176)	5,865,902
PERCENT INCREASE	33.52%	-8.41%	38.80%	92.03%	177.93%	-83.58%	-26.91%	24.63%	-9.56%	31.74%
RATE OF RETURN INDEX	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%	7.62%
	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
III. STAFF RECOMMENDED RATES										
GAS SALES	23,214,944	8,943,357	4,369,464	7,572,082	604,745	69,682	1,044,516	611,097	757,944	23,972,888
GROSS RECEIPTS AND FF	2,748,481	854,683	652,860	980,917	61,656	20,662	88,762	88,941	0	2,748,481
OTHER OPERATING REVENUE	1,716,356	1,390,599	95,271	60,265	8,410	961	147,943	12,907	0	1,716,356
TOTAL	27,679,781	11,188,639	5,117,595	8,613,264	674,811	91,305	1,281,221	712,945	757,944	28,437,725
TOTAL REVENUE INCREASE	5,873,670	1,743,001	1,261,104	2,362,862	194,210	(14,997)	162,051	165,438	(7,768)	5,865,902
PERCENT INCREASE	33.15%	23.25%	40.45%	45.11%	46.40%	-17.75%	17.73%	36.86%	-1.01%	31.74%
RATE OF RETURN	7.55%	15.92%	7.93%	0.39%	-4.79%	26.75%	20.93%	9.96%	8.66%	7.62%

**COST OF SERVICE SUMMARY
 CALCULATION OF STAFF RECOMMENDED COMBINED RATES**

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
PROPOSED TOTAL TARGET REVENUES	\$27,679,781	\$12,469,859	\$5,328,692	\$9,115,114	\$674,811	\$91,305			\$757,944	\$28,437,725
LESS: OTHER OPERATING REV., GRT & FF	\$4,464,837	\$2,481,986	\$779,452	\$1,111,710	\$70,066	\$21,623			\$0	\$4,464,837
NET TARGET REVENUE	\$23,214,944	\$9,987,873	\$4,549,240	\$8,003,404	\$604,745	\$69,682			\$757,944	\$23,972,888
LESS: CUSTOMER CHARGE REVENUES										
PROPOSED CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	\$0.00				
TIMES: NUMBER OF BILLS	590,494	533,998	41,052	14,760	168	516				
EQUALS: CUSTOMER CHARGE REVENUES	\$5,592,281	\$4,271,981	\$615,780	\$664,200	\$40,320	\$0			\$0	\$5,592,281
EQUALS: PER-THERM TARGET REVENUES	\$17,622,663	\$5,715,892	\$3,933,460	\$7,339,204	\$564,425	\$69,682			\$757,944	\$18,380,607
DIVIDED BY: NUMBER OF THERMS	60,917,500	11,824,460	12,251,102	30,825,445	5,622,570	393,923				60,917,500
EQUALS: PER-THERM RATES (UNROUNDED)		0.483395621	0.321069868	0.238089146	0.100385543	0.176893436			N/A	
PER-THERM RATES (ROUNDED)		\$0.48340	\$0.32107	\$0.23809	\$0.10039	\$0.17689				
PER-THERM-RATE REVENUES (ROUNDED RATES)	\$17,622,766	\$5,715,944	\$3,933,461	\$7,339,230	\$564,450	\$69,681				
SUMMARY: PROPOSED TARIFF RATES							NSB-RS	NSB-CI/CITS	NSB-CI/CITS	
							Migrated to RS	Migrated to GS	Migrated to	
CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	\$0.00	\$8.00	\$15.00	\$45.00	
NON-GAS ENERGY CHARGES (CENTS PER THERM)		48.340	32.107	23.809	10.039	17.689	48.340	32.107	23.809	
PURCHASED GAS ADJUSTMENT (CENTS PER THERM)		70.000	70.000	70.000	70.000	70.000	70.000	70.000	70.000	
TOTAL (INCLUDING PGA)		118.34	102.107	93.809	80.039	87.689	118.34	102.107	93.809	
SUMMARY: PRESENT TARIFF RATES										
CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	N/A	\$7.00	\$12.00	\$12.00	
NON-GAS ENERGY CHARGES (CENTS PER THERM)		33.512	21.513	15.474	6.612	N/A	56.654	23.514	23.514	
PURCHASED GAS ADJUSTMENT (CENTS PER THERM)		70.000	70.000	70.000	70.000	70.000	70.000	70.000	70.000	
TOTAL (INCLUDING PGA)		103.512	91.513	85.474	76.612	N/A	126.654	93.514	93.514	

**COST OF SERVICE SUMMARY
 CALCULATION OF RATES WITH NEW SMYRNA RATES SHOWN SEPARATELY**

ATTACHMENT 6
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FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU

	TOTAL	RS	GS / GSTS	LV / LVTS	IS / ITS	LS	NSB-RS	NSB-CI/CITS	LAKE WORTH	TOTAL INCL LAKE WORTH
PROPOSED TOTAL TARGET REVENUES	\$27,745,188	\$11,188,639	\$5,117,595	\$8,613,264	\$674,811	\$91,305	\$1,281,221	\$712,945	\$757,944	\$28,437,725
LESS: OTHER OPERATING REV., GRT & FF	\$4,464,837	\$2,245,282	\$748,131	\$1,041,182	\$70,066	\$21,623	\$236,705	\$101,848		\$4,464,837
NET TARGET REVENUE	\$23,280,351	\$8,943,357	\$4,369,464	\$7,572,082	\$604,745	\$69,682	\$1,044,516	\$611,097	\$757,944	\$23,972,888
LESS: CUSTOMER CHARGE REVENUES										
PROPOSED CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	\$0.00	\$8.00	\$15.00		
TIMES: NUMBER OF BILLS	590,487	482,650	37,860	13,649	168	516	51,348	4,296	0	
EQUALS: CUSTOMER CHARGE REVENUES	\$5,558,844	\$3,861,198	\$567,904	\$614,197	\$40,320	\$0	\$410,784	\$64,440	\$0	\$5,558,844
EQUALS: PER-THERM TARGET REVENUES	\$17,721,507	\$5,082,159	\$3,801,560	\$6,957,885	\$564,425	\$69,682	\$633,732	\$546,657	\$757,944	\$18,414,044
DIVIDED BY: NUMBER OF THERMS	60,917,496	10,845,772	11,852,482	29,534,569	5,622,569	393,924	978,690	1,689,490	0	\$60,917,496
EQUALS: PER-THERM RATES (UNROUNDED)		0.468584295	0.32073961	0.235584441	0.100385562	0.176892987	0.647531072	0.323563187	N/A	
PER-THERM RATES (ROUNDED)		0.46858	0.32074	0.23558	0.10039	0.17689	0.64753	0.32356		
PER-THERM-RATE REVENUES (ROUNDED RATES)		\$5,082,112	\$3,801,565	\$6,957,754	\$564,450	\$69,681	\$633,731	\$546,651		
<u>SUMMARY: PROPOSED TARIFF RATES</u>										
CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	\$0.00	\$8.00	\$15.00		
NON-GAS ENERGY CHARGES (CENTS PER THERM)		46.858	32.074	23.558	10.039	17.689	64.753	32.356		
PURCHASED GAS ADJUSTMENT (CENTS PER THERM)		70.000	70.000	70.000	70.000	70.000	70.000	70.000		
TOTAL (INCLUDING PGA)		116.858	102.074	93.558	80.039	87.689	134.753	102.356		
<u>SUMMARY: PRESENT TARIFF RATES</u>										
CUSTOMER CHARGES		\$8.00	\$15.00	\$45.00	\$240.00	N/A	\$7.00	\$12.00		
NON-GAS ENERGY CHARGES (CENTS PER THERM)		33.512	21.513	15.474	6.612	N/A	56.654	23.514		
PURCHASED GAS ADJUSTMENT (CENTS PER THERM)		70.000	70.000	70.000	70.000	70.000	70.000	70.000		
TOTAL (INCLUDING PGA)		103.512	91.513	85.474	76.612	N/A	126.654	93.514		

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU
 STAFF-RECOMMENDED ALLOCATION OF REVENUE INCREASE

ATTACHMENT 6
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)			
RATE	RATE BASE	PRESENT NOI	PRESENT ROR	PRESENT INDEX	INCREASE FROM SERVICE CHARGES	INCREASE FROM SALES OF GAS	TOTAL INCREASE IN REVENUE	REQUIRED NOI	RECOMMENDED ROR	RECOMMENDED INDEX	GAS SALES REVENUE PERCENTAGE INCREASE	TIMES SYSTEM AVERAGE
RS	\$17,674,211	\$1,736,550	9.83%	6.60	\$295,494	\$1,447,507	\$1,743,001	\$2,814,606	15.92%	2.09	19.31%	0.65
GS / GSTS	\$10,294,209	\$36,295	0.35%	0.24	\$9,368	\$1,251,736	\$1,261,104	\$816,295	7.93%	1.04	40.15%	1.35
LV / LVTS	\$21,037,024	(\$1,378,757)	-6.55%	(4.40)	\$29,297	\$2,333,565	\$2,362,862	\$82,687	0.39%	0.05	44.55%	1.50
IS / ITS	\$2,743,563	(\$251,563)	-9.17%	(6.16)	\$8,029	\$186,181	\$194,210	(\$131,443)	-4.79%	(0.63)	44.48%	1.50
GLS	\$179,754	\$57,364	31.91%	21.44	-\$210	(\$14,787)	(\$14,997)	\$48,088	26.75%	3.51	-17.51%	(0.59)
NSB / RS *	\$1,896,229	\$296,585	15.64%	10.51	\$31,437	\$130,614	\$162,051	\$396,815	20.93%	2.75	14.29%	0.48
NSB-CI / CITS **	\$1,451,185	\$42,217	2.91%	1.95	\$3,160	\$162,278	\$165,438	\$144,541	9.96%	1.31	36.16%	1.22
LAKE WORTH ***	\$3,895,499	\$342,097	8.78%	5.90	\$0	(\$7,768)	(\$7,768)	\$337,293	8.66%	1.14	-1.01%	(0.03)
TOTAL	<u>59,171,674</u>	<u>880,788</u>	<u>1.49%</u>	<u>1.00</u>	<u>\$376,575</u>	<u>\$5,489,327</u>	<u>\$5,865,902</u>	<u>\$4,508,882</u>	<u>7.62%</u>	<u>1.00</u>	<u>29.70%</u>	<u>1.00</u>

* New Smyrna Beach Residential (NSB-RS) rate class will be combined with the Residential Service (RS) rate class.
 ** New Smyrna Beach commercial/industrial (NSB-CI / CITS) rate class customers will be transferred to the appropriate GS/GSTS and LV/LVTS rate classes.
 *** Special Contract.

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU
PRESENT AND STAFF RECOMMENDED RATES

ATTACHMENT 7
 PAGE 1 OF 9

RATE SCHEDULE	PRESENT RATE	STAFF RECOMMENDED RATE
<u>RESIDENTIAL</u>		
CUSTOMER CHARGE	\$8.00	\$8.00
NON-FUEL ENERGY CHARGE (cents/therm)	33.512	48.340
<u>RESIDENTIAL - NEW SMYRNA BEACH *</u>		
CUSTOMER CHARGE	\$7.00	\$8.00
NON-FUEL ENERGY CHARGE (cents/therm)	56.654	48.340
<u>GENERAL SERVICE & GENERAL SERVICE TRANSPORTATION</u>		
CUSTOMER CHARGE	\$15.00	\$15.00
NON-FUEL ENERGY CHARGE (cents/therm)	21.513	32.107
<u>GENERAL SERVICE & GENERAL SERVICE TRANSPORTATION - NEW SMYRNA BEACH *</u>		
CUSTOMER CHARGE	\$12.00	\$15.00
NON-FUEL ENERGY CHARGE (cents/therm)	23.514	32.107
<u>LARGE VOLUME & LARGE VOLUME TRANSPORTATION</u>		
CUSTOMER CHARGE	\$45.00	\$45.00
NON-FUEL ENERGY CHARGE (cents/therm)	15.474	23.809
<u>LARGE VOLUME & LARGE VOLUME TRANSPORTATION - NEW SMYRNA BEACH *</u>		
CUSTOMER CHARGE	\$12.00	\$45.00
NON-FUEL ENERGY CHARGE (cents/therm)	23.514	23.809
<u>INTERRUPTIBLE SERVICE & INTERRUPTIBLE SERVICE TRANSPORTATION</u>		
CUSTOMER CHARGE	\$240.00	\$240.00
NON-FUEL ENERGY CHARGE (cents/therm)	6.612	10.039
<u>GAS LIGHTING SERVICE **</u>		
NON-FUEL ENERGY CHARGE (cents/therm)	N/A	17.689

* Present rates reflect base rates currently paid by New Smyrna Beach District customers. Staff recommended rates will apply uniformly to all FPUC customers.

** Gas Lighting is a new rate schedule. Customers currently pay for lighting under the otherwise applicable rate schedule.

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU
 BILL COMPARISONS - PRESENT VS. RECOMMENDED RATES

ATTACHMENT 7
 Page 2 of 9

RESIDENTIAL
 (Residential Usage)
 Average Usage: 22 therms per month

PRESENT RATES

Customer Charge
 \$8.00

Non-fuel
 Energy Charge
 (Cents
 per Therm)
 33.512

Gas Cost Cents/Therm: 70.000

**STAFF
 RECOMMENDED
 RATES**

Customer Charge
 \$8.00

Non-fuel
 Energy Charge
 (Cents
 per Therm)
 48.340

Therm Usage Increment: 2

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Recommended Monthly Bill w/o Gas Cost	Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
2	\$8.67	\$10.07	\$8.97	\$10.37	3.4%	2.9%	\$0.30
4	\$9.34	\$12.14	\$9.93	\$12.73	6.3%	4.9%	\$0.59
6	\$10.01	\$14.21	\$10.90	\$15.10	8.9%	6.3%	\$0.89
8	\$10.68	\$16.28	\$11.87	\$17.47	11.1%	7.3%	\$1.19
10	\$11.35	\$18.35	\$12.83	\$19.83	13.1%	8.1%	\$1.48
12	\$12.02	\$20.42	\$13.80	\$22.20	14.8%	8.7%	\$1.78
14	\$12.69	\$22.49	\$14.77	\$24.57	16.4%	9.2%	\$2.08
16	\$13.36	\$24.56	\$15.73	\$26.93	17.8%	9.7%	\$2.37
18	\$14.03	\$26.63	\$16.70	\$29.30	19.0%	10.0%	\$2.67
20	\$14.70	\$28.70	\$17.67	\$31.67	20.2%	10.3%	\$2.97
22	\$15.37	\$30.77	\$18.63	\$34.03	21.2%	10.6%	\$3.26
24	\$16.04	\$32.84	\$19.60	\$36.40	22.2%	10.8%	\$3.56
26	\$16.71	\$34.91	\$20.57	\$38.77	23.1%	11.0%	\$3.86
28	\$17.38	\$36.98	\$21.54	\$41.14	23.9%	11.2%	\$4.15
30	\$18.05	\$39.05	\$22.50	\$43.50	24.6%	11.4%	\$4.45
32	\$18.72	\$41.12	\$23.47	\$45.87	25.3%	11.5%	\$4.74
34	\$19.39	\$43.19	\$24.44	\$48.24	26.0%	11.7%	\$5.04
36	\$20.06	\$45.26	\$25.40	\$50.60	26.6%	11.8%	\$5.34
38	\$20.73	\$47.33	\$26.37	\$52.97	27.2%	11.9%	\$5.63
40	\$21.40	\$49.40	\$27.34	\$55.34	27.7%	12.0%	\$5.93

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes.

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU
 BILL COMPARISONS - PRESENT VS. RECOMMENDED RATES

ATTACHMENT 7
 Page 3 of 9

RESIDENTIAL - NEW SMYRNA BEACH DISTRICT
 (Residential Usage)

Average Usage: 22 therms per month

**STAFF
 RECOMMENDED
 RATES**

PRESENT RATES

Customer Charge
 \$7.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 56.654

Gas Cost Cents/Therm: 70.000

Customer Charge
 \$8.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 48.340

Therm Usage Increment: 2

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Recommended Monthly Bill w/o Gas Cost	Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
2	\$8.13	\$9.53	\$8.97	\$10.37	10.3%	8.7%	\$0.83
4	\$9.27	\$12.07	\$9.93	\$12.73	7.2%	5.5%	\$0.67
6	\$10.40	\$14.60	\$10.90	\$15.10	4.8%	3.4%	\$0.50
8	\$11.53	\$17.13	\$11.87	\$17.47	2.9%	2.0%	\$0.33
10	\$12.67	\$19.67	\$12.83	\$19.83	1.3%	0.9%	\$0.17
12	\$13.80	\$22.20	\$13.80	\$22.20	0.0%	0.0%	\$0.00
14	\$14.93	\$24.73	\$14.77	\$24.57	-1.1%	-0.7%	-\$0.16
16	\$16.06	\$27.26	\$15.73	\$26.93	-2.1%	-1.2%	-\$0.33
18	\$17.20	\$29.80	\$16.70	\$29.30	-2.9%	-1.7%	-\$0.50
20	\$18.33	\$32.33	\$17.67	\$31.67	-3.6%	-2.1%	-\$0.66
22	\$19.46	\$34.86	\$18.63	\$34.03	-4.3%	-2.4%	-\$0.83
24	\$20.60	\$37.40	\$19.60	\$36.40	-4.8%	-2.7%	-\$1.00
26	\$21.73	\$39.93	\$20.57	\$38.77	-5.3%	-2.9%	-\$1.16
28	\$22.86	\$42.46	\$21.54	\$41.14	-5.8%	-3.1%	-\$1.33
30	\$24.00	\$45.00	\$22.50	\$43.50	-6.2%	-3.3%	-\$1.49
32	\$25.13	\$47.53	\$23.47	\$45.87	-6.6%	-3.5%	-\$1.66
34	\$26.26	\$50.06	\$24.44	\$48.24	-7.0%	-3.6%	-\$1.83
36	\$27.40	\$52.60	\$25.40	\$50.60	-7.3%	-3.8%	-\$1.99
38	\$28.53	\$55.13	\$26.37	\$52.97	-7.6%	-3.9%	-\$2.16
40	\$29.66	\$57.66	\$27.34	\$55.34	-7.8%	-4.0%	-\$2.33

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 040216-GU
 BILL COMPARISONS - PRESENT VS. RECOMMENDED RATES

ATTACHMENT 7
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GENERAL SERVICE & GENERAL SERVICE TRANSPORTATION SERVICE
 Non-Residential Usage

<u>PRESENT RATES</u>	<u>STAFF RECOMMENDED RATES</u>
<u>Customer Charge</u> \$15.00	<u>Customer Charge</u> \$15.00
Non-fuel Energy Charge (Cents per Therm) 21.513	Non-fuel Energy Charge (Cents per Therm) 32.107
Gas Cost Cents/Therm: 70.000	Therm Usage Increment 2

Therm Usage	Present	Present	Recommended	Recommended	Percent	Percent	Dollar Increase
	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Increase w/o Gas Cost	Increase with Gas Cost	
2	\$15.43	\$16.83	\$15.64	\$17.04	1.4%	1.3%	\$0.21
4	\$15.86	\$18.66	\$16.28	\$19.08	2.7%	2.3%	\$0.42
6	\$16.29	\$20.49	\$16.93	\$21.13	3.9%	3.1%	\$0.64
8	\$16.72	\$22.32	\$17.57	\$23.17	5.1%	3.8%	\$0.85
10	\$17.15	\$24.15	\$18.21	\$25.21	6.2%	4.4%	\$1.06
12	\$17.58	\$25.98	\$18.85	\$27.25	7.2%	4.9%	\$1.27
14	\$18.01	\$27.81	\$19.49	\$29.29	8.2%	5.3%	\$1.48
16	\$18.44	\$29.64	\$20.14	\$31.34	9.2%	5.7%	\$1.70
18	\$18.87	\$31.47	\$20.78	\$33.38	10.1%	6.1%	\$1.91
20	\$19.30	\$33.30	\$21.42	\$35.42	11.0%	6.4%	\$2.12
22	\$19.73	\$35.13	\$22.06	\$37.46	11.8%	6.6%	\$2.33
24	\$20.16	\$36.96	\$22.71	\$39.51	12.6%	6.9%	\$2.54
26	\$20.59	\$38.79	\$23.35	\$41.55	13.4%	7.1%	\$2.75
28	\$21.02	\$40.62	\$23.99	\$43.59	14.1%	7.3%	\$2.97
30	\$21.45	\$42.45	\$24.63	\$45.63	14.8%	7.5%	\$3.18
32	\$21.88	\$44.28	\$25.27	\$47.67	15.5%	7.7%	\$3.39
34	\$22.31	\$46.11	\$25.92	\$49.72	16.1%	7.8%	\$3.60
36	\$22.74	\$47.94	\$26.56	\$51.76	16.8%	8.0%	\$3.81
38	\$23.17	\$49.77	\$27.20	\$53.80	17.4%	8.1%	\$4.03
40	\$23.61	\$51.61	\$27.84	\$55.84	18.0%	8.2%	\$4.24

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes.

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 040216-GU
 BILL COMPARISONS - PRESENT VS. RECOMMENDED RATES

ATTACHMENT 7
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GENERAL SERVICE & GENERAL SERVICE TRANSPORTATION SERVICE - NEW SMYRNA BEACH
 Non-Residential Usage

PRESENT RATES

STAFF
 RECOMMENDED
 RATES

Customer Charge
 \$12.00

Customer Charge
 \$15.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 23.514

Non-fuel
 Energy Charge
 (Cents
per Therm)
 32.107

Gas Cost Cents/Therm: 70.000

Therm Usage Increment. 2

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Recommended Monthly Bill w/o Gas Cost	Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
2	\$12.47	\$13.87	\$15.64	\$17.04	25.4%	22.9%	\$3.17
4	\$12.94	\$15.74	\$16.28	\$19.08	25.8%	21.2%	\$3.34
6	\$13.41	\$17.61	\$16.93	\$21.13	26.2%	20.0%	\$3.52
8	\$13.88	\$19.48	\$17.57	\$23.17	26.6%	18.9%	\$3.69
10	\$14.35	\$21.35	\$18.21	\$25.21	26.9%	18.1%	\$3.86
12	\$14.82	\$23.22	\$18.85	\$27.25	27.2%	17.4%	\$4.03
14	\$15.29	\$25.09	\$19.49	\$29.29	27.5%	16.8%	\$4.20
16	\$15.76	\$26.96	\$20.14	\$31.34	27.8%	16.2%	\$4.37
18	\$16.23	\$28.83	\$20.78	\$33.38	28.0%	15.8%	\$4.55
20	\$16.70	\$30.70	\$21.42	\$35.42	28.3%	15.4%	\$4.72
22	\$17.17	\$32.57	\$22.06	\$37.46	28.5%	15.0%	\$4.89
24	\$17.64	\$34.44	\$22.71	\$39.51	28.7%	14.7%	\$5.06
26	\$18.11	\$36.31	\$23.35	\$41.55	28.9%	14.4%	\$5.23
28	\$18.58	\$38.18	\$23.99	\$43.59	29.1%	14.2%	\$5.41
30	\$19.05	\$40.05	\$24.63	\$45.63	29.3%	13.9%	\$5.58
32	\$19.52	\$41.92	\$25.27	\$47.67	29.4%	13.7%	\$5.75
34	\$19.99	\$43.79	\$25.92	\$49.72	29.6%	13.5%	\$5.92
36	\$20.47	\$45.67	\$26.56	\$51.76	29.8%	13.3%	\$6.09
38	\$20.94	\$47.54	\$27.20	\$53.80	29.9%	13.2%	\$6.27
40	\$21.41	\$49.41	\$27.84	\$55.84	30.1%	13.0%	\$6.44

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes.

FLORIDA PUBLIC UTILITIES COMPANY
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 BILL COMPARISONS - PRESENT VS. RECOMMENDED RATES

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LARGE VOLUME & LARGE VOLUME TRANSPORTATION SERVICE
 Non-Residential Usage - in excess of 500 therms per month

PRESENT RATES

Customer Charge
 \$45.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 15.474

Gas Cost Cents/Therm: 70.000

STAFF
 RECOMMENDED
 RATES

Customer Charge
 \$45.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 23.809

Therm Usage Increment: 500

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Recommended Monthly Bill w/o Gas Cost	Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
6,000	\$973.44	\$5,173.44	\$1,473.54	\$5,673.54	51.4%	9.7%	\$500.10
6,500	\$1,050.81	\$5,600.81	\$1,592.59	\$6,142.59	51.6%	9.7%	\$541.78
7,000	\$1,128.18	\$6,028.18	\$1,711.63	\$6,611.63	51.7%	9.7%	\$583.45
7,500	\$1,205.55	\$6,455.55	\$1,830.68	\$7,080.68	51.9%	9.7%	\$625.13
8,000	\$1,282.92	\$6,882.92	\$1,949.72	\$7,549.72	52.0%	9.7%	\$666.80
8,500	\$1,360.29	\$7,310.29	\$2,068.77	\$8,018.77	52.1%	9.7%	\$708.48
9,000	\$1,437.66	\$7,737.66	\$2,187.81	\$8,487.81	52.2%	9.7%	\$750.15
9,500	\$1,515.03	\$8,165.03	\$2,306.86	\$8,956.86	52.3%	9.7%	\$791.83
10,000	\$1,592.40	\$8,592.40	\$2,425.90	\$9,425.90	52.3%	9.7%	\$833.50
10,500	\$1,669.77	\$9,019.77	\$2,544.95	\$9,894.95	52.4%	9.7%	\$875.18
11,000	\$1,747.14	\$9,447.14	\$2,663.99	\$10,363.99	52.5%	9.7%	\$916.85
11,500	\$1,824.51	\$9,874.51	\$2,783.04	\$10,833.04	52.5%	9.7%	\$958.53
12,000	\$1,901.88	\$10,301.88	\$2,902.08	\$11,302.08	52.6%	9.7%	\$1,000.20
12,500	\$1,979.25	\$10,729.25	\$3,021.13	\$11,771.13	52.6%	9.7%	\$1,041.88
13,000	\$2,056.62	\$11,156.62	\$3,140.17	\$12,240.17	52.7%	9.7%	\$1,083.55
13,500	\$2,133.99	\$11,583.99	\$3,259.22	\$12,709.22	52.7%	9.7%	\$1,125.23
14,000	\$2,211.36	\$12,011.36	\$3,378.26	\$13,178.26	52.8%	9.7%	\$1,166.90
14,500	\$2,288.73	\$12,438.73	\$3,497.31	\$13,647.31	52.8%	9.7%	\$1,208.58
15,000	\$2,366.10	\$12,866.10	\$3,616.35	\$14,116.35	52.8%	9.7%	\$1,250.25
15,500	\$2,443.47	\$13,293.47	\$3,735.40	\$14,585.40	52.9%	9.7%	\$1,291.93

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LARGE VOLUME & LARGE VOLUME TRANSPORTATION SERVICE - NEW SMYRNA BEACH
 Non-Residential Usage - in excess of 500 therms per month

<u>PRESENT RATES</u>	<u>STAFF RECOMMENDED RATES</u>
<u>Customer Charge</u> \$12.00	<u>Customer Charge</u> \$45.00
Non-fuel Energy Charge (Cents <u>per Therm</u>) 23.514	Non-fuel Energy Charge (Cents <u>per Therm</u>) 23.809
Gas Cost Cents/Therm: 70.000	Therm Usage Increment: 500

Therm Usage	Present Monthly Bill w/o Gas Cost	Present Monthly Bill with Gas Cost	Recommended Monthly Bill w/o Gas Cost	Recommended Monthly Bill with Gas Cost	Percent Increase w/o Gas Cost	Percent Increase with Gas Cost	Dollar Increase
6,000	\$1,423	\$5,623	\$1,474	\$5,674	3.6%	0.9%	\$51
6,500	\$1,540	\$6,090	\$1,593	\$6,143	3.4%	0.9%	\$52
7,000	\$1,658	\$6,558	\$1,712	\$6,612	3.2%	0.8%	\$54
7,500	\$1,776	\$7,026	\$1,831	\$7,081	3.1%	0.8%	\$55
8,000	\$1,893	\$7,493	\$1,950	\$7,550	3.0%	0.8%	\$57
8,500	\$2,011	\$7,961	\$2,069	\$8,019	2.9%	0.7%	\$58
9,000	\$2,128	\$8,428	\$2,188	\$8,488	2.8%	0.7%	\$60
9,500	\$2,246	\$8,896	\$2,307	\$8,957	2.7%	0.7%	\$61
10,000	\$2,363	\$9,363	\$2,426	\$9,426	2.6%	0.7%	\$63
10,500	\$2,481	\$9,831	\$2,545	\$9,895	2.6%	0.7%	\$64
11,000	\$2,599	\$10,299	\$2,664	\$10,364	2.5%	0.6%	\$65
11,500	\$2,716	\$10,766	\$2,783	\$10,833	2.5%	0.6%	\$67
12,000	\$2,834	\$11,234	\$2,902	\$11,302	2.4%	0.6%	\$68
12,500	\$2,951	\$11,701	\$3,021	\$11,771	2.4%	0.6%	\$70
13,000	\$3,069	\$12,169	\$3,140	\$12,240	2.3%	0.6%	\$71
13,500	\$3,186	\$12,636	\$3,259	\$12,709	2.3%	0.6%	\$73
14,000	\$3,304	\$13,104	\$3,378	\$13,178	2.2%	0.6%	\$74
14,500	\$3,422	\$13,572	\$3,497	\$13,647	2.2%	0.6%	\$76
15,000	\$3,539	\$14,039	\$3,616	\$14,116	2.2%	0.6%	\$77
15,500	\$3,657	\$14,507	\$3,735	\$14,585	2.2%	0.5%	\$79

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes.

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INTERRUPTIBLE & INTERRUPTIBLE TRANSPORTATION SERVICE
 Non-Residential Usage - in excess of 3,650 therms per month

PRESENT RATES

Customer Charge
 \$240.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 6.612

Gas Cost Cents/Therm: 70.000

STAFF
 RECOMMENDED
 RATES

Customer Charge
 \$240.00

Non-fuel
 Energy Charge
 (Cents
per Therm)
 10.039

Therm Usage Increment: 500

Therm Usage	Present	Present	Recommended	Recommended	Percent	Percent	Dollar Increase
	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Increase w/o Gas Cost	Increase with Gas Cost	
43,800	\$3,136	\$33,796	\$4,637	\$35,297	47.9%	4.4%	\$1,501
44,300	\$3,169	\$34,179	\$4,687	\$35,697	47.9%	4.4%	\$1,518
44,800	\$3,202	\$34,562	\$4,737	\$36,097	47.9%	4.4%	\$1,535
45,300	\$3,235	\$34,945	\$4,788	\$36,498	48.0%	4.4%	\$1,552
45,800	\$3,268	\$35,328	\$4,838	\$36,898	48.0%	4.4%	\$1,570
46,300	\$3,301	\$35,711	\$4,888	\$37,298	48.1%	4.4%	\$1,587
46,800	\$3,334	\$36,094	\$4,938	\$37,698	48.1%	4.4%	\$1,604
47,300	\$3,367	\$36,477	\$4,988	\$38,098	48.1%	4.4%	\$1,621
47,800	\$3,401	\$36,861	\$5,039	\$38,499	48.2%	4.4%	\$1,638
48,300	\$3,434	\$37,244	\$5,089	\$38,899	48.2%	4.4%	\$1,655
48,800	\$3,467	\$37,627	\$5,139	\$39,299	48.2%	4.4%	\$1,672
49,300	\$3,500	\$38,010	\$5,189	\$39,699	48.3%	4.4%	\$1,690
49,800	\$3,533	\$38,393	\$5,239	\$40,099	48.3%	4.4%	\$1,707
50,300	\$3,566	\$38,776	\$5,290	\$40,500	48.3%	4.4%	\$1,724
50,800	\$3,599	\$39,159	\$5,340	\$40,900	48.4%	4.4%	\$1,741
51,300	\$3,632	\$39,542	\$5,390	\$41,300	48.4%	4.4%	\$1,758
51,800	\$3,665	\$39,925	\$5,440	\$41,700	48.4%	4.4%	\$1,775
52,300	\$3,698	\$40,308	\$5,490	\$42,100	48.5%	4.4%	\$1,792
52,800	\$3,731	\$40,691	\$5,541	\$42,501	48.5%	4.4%	\$1,809
53,300	\$3,764	\$41,074	\$5,591	\$42,901	48.5%	4.4%	\$1,827

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes.

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GAS LIGHTING SERVICE
 Service to a minimum of five gas lighting fixtures

PRESENT RATES

Non-fuel
 Energy Charge
 (Cents
per Therm)
 N/A

Gas Cost Cents/Therm. 70.000

STAFF
 RECOMMENDED
 RATES

Non-fuel
 Energy Charge
 (Cents
per Therm)
 17.689

Therm Usage Increment: 20

Therm Usage	Present	Present	Recommended	Recommended	Percent	Percent	Dollar Increase
	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Monthly Bill w/o Gas Cost	Monthly Bill with Gas Cost	Increase w/o Gas Cost	Increase with Gas Cost	
50	N/A	N/A	\$8.84	\$43.84	N/A	N/A	N/A
70	N/A	N/A	\$12.38	\$61.38	N/A	N/A	N/A
90	N/A	N/A	\$15.92	\$78.92	N/A	N/A	N/A
110	N/A	N/A	\$19.46	\$96.46	N/A	N/A	N/A
130	N/A	N/A	\$23.00	\$114.00	N/A	N/A	N/A
150	N/A	N/A	\$26.53	\$131.53	N/A	N/A	N/A
170	N/A	N/A	\$30.07	\$149.07	N/A	N/A	N/A
190	N/A	N/A	\$33.61	\$166.61	N/A	N/A	N/A
210	N/A	N/A	\$37.15	\$184.15	N/A	N/A	N/A
230	N/A	N/A	\$40.68	\$201.68	N/A	N/A	N/A
250	N/A	N/A	\$44.22	\$219.22	N/A	N/A	N/A
270	N/A	N/A	\$47.76	\$236.76	N/A	N/A	N/A
290	N/A	N/A	\$51.30	\$254.30	N/A	N/A	N/A
310	N/A	N/A	\$54.84	\$271.84	N/A	N/A	N/A
330	N/A	N/A	\$58.37	\$289.37	N/A	N/A	N/A
350	N/A	N/A	\$61.91	\$306.91	N/A	N/A	N/A
370	N/A	N/A	\$65.45	\$324.45	N/A	N/A	N/A
390	N/A	N/A	\$68.99	\$341.99	N/A	N/A	N/A
410	N/A	N/A	\$72.52	\$359.52	N/A	N/A	N/A
430	N/A	N/A	\$76.06	\$377.06	N/A	N/A	N/A

- Bills do not include conservation cost recovery charges, local taxes, franchise fees, or gross receipts taxes