

State of Florida



Public Service Commission

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

RECEIVED-FPSC

JUN 23 AM 10:44

COMMISSION
CLERK

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

DATE: June 23, 2005

TO: Director, Division of the Commission Clerk & Administrative Services (Bayó)

FROM: Division of Economic Regulation (Slemkewicz, Maurey) *JS*
Office of the General Counsel (Jaeger) *Walt*

ALM

RE: Docket No. 050224-GU – Investigation into 2002 earnings of the gas division of Florida Public Utilities Company.

AGENDA: 07/05/05 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\050224.RCM.DOC

Case Background

Through the Commission's continuing earnings surveillance program, staff noted that the Gas Division of Florida Public Utilities Company (FPUC) had reported an achieved return on equity (ROE) of 12.75% on the December 31, 2002 Earnings Surveillance Report (ESR). This reported ROE exceeded the 12.40% maximum authorized ROE by 35 basis points. Staff requested an audit of FPUC's December 2002 ESR to verify the amount of any overearnings.

On March 7, 2003, FPUC submitted a letter to the staff of the Florida Public Service Commission in which it agreed to cap the earnings of the Gas Division at a 12.40% ROE for calendar year 2002. The disposition of any excess earnings was left to the discretion of the Commission. However, FPUC did reserve the right to request alternative treatments of the

DOCUMENT NUMBER-DATE

05977 JUN 23 '05

Docket No. 050224-GU

Date: June 23, 2005

disposition of any excess earnings. Subsequently in Proposed Agency Action Order No. PSC-05-0490-PAA-GU, issued May 5, 2005 in Docket No. 050109-GU, In re: Petition for disposition of final true-up Non-Monitored Transportation Administrative Charge (NTAC) and Transportation Cost Recovery (TCR) factors, by Florida Public Utilities Company (PAA Order), the Commission ordered that the final true-up under-recovery of \$25,190 be netted against the still-to-be determined amount of excess earnings for 2002. That PAA Order was consummated by Order No. PSC-05-0597-CO-GU, issued May 27, 2005. The Company has also indicated that an acceptable disposition of any remaining 2002 excess earnings could be to offset storm damage costs that are being sought in Docket No. 041441-GU, In Re: Petition for approval of storm cost recovery clause to recover storm damage costs in excess of existing storm damage reserve by Florida Public Utilities Company. The staff recommendation in the storm cost docket is currently scheduled to be issued on August 18, 2005.

The Gas Division of Florida Public Utilities Company is engaged in business as a natural gas utility company providing distribution and gas transportation service to over 48,000 customers located in Palm Beach, Broward, Seminole and Volusia Counties.

Jurisdiction over this matter is vested in the Commission by several provisions of Chapter 366, including Sections 366.04, 366.05 and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: What is the appropriate amount of rate base for the Gas Division of Florida Public Utilities Company for determining the amount of excess earnings for 2002?

Recommendation: The appropriate rate base for the Gas Division for 2002 is \$48,803,860. (Slemkewicz)

Staff Analysis: Per the December 2002 ESR, the Company reported a total "FPSC Adjusted" rate base of \$48,896,764. Based on the adjustments discussed below, staff recommends that the appropriate rate base for 2002 is \$48,803,860. (Attachment A)

Non-Utility Plant and Accumulated Depreciation (Audit Exception 1): During the audit, the Company recalculated the non-utility plant and accumulated depreciation adjustments using 2002 balances. This recalculation resulted in \$175,995 more plant, and \$83,030 more accumulated depreciation, being allocated to non-utility than was reported in the ESR. This adjustment has the net effect of reducing rate base by \$92,965. The related depreciation expense adjustment is addressed in Issue 3.

Vending Machine Liability Fund (Audit Exception 3): The audit review of the working capital allowance revealed that a credit of \$787 related to the Vending Machine Liability Fund was incorrectly allocated to the Gas Division rather than to the Marianna Electric Division. Since this entry was made in December 2002, the 13-month average amount is \$61. Because the credit is a reduction of working capital, the \$61 adjustment to eliminate it increases working capital.

Issue 2: What is the appropriate overall rate of return for the Gas Division of Florida Public Utilities Company for determining the amount of excess earnings for 2002?

Recommendation: The appropriate overall rate of return for purposes of determining the amount of excess earnings for 2002 is 7.27%. (Maurey)

Staff Analysis: Based on the proper components, amounts, and costs rates associated with the capital structure for the period ended December 31, 2002, staff recommends a weighted average cost of capital of 7.27% for purposes of determining the amount of excess earnings for 2002. Attachment B details staff's determination of its recommended overall rate of return.

Staff began with the 13-month average capital structure from the Company's ESR for the period ended December 31, 2002. In its ESR, the Company removed its investment in Flo-Gas entirely from common equity in a manner consistent with previous cases. In addition, the Company specifically identified the balances of deferred taxes, investment tax credits, and customer deposits.

Staff used the respective cost rates included in the Company's ESR with one exception. Per Audit Exception 4, staff determined that the Company had calculated the effective cost rate for customer deposits of 6.81% based on year-end 2000 data. Based on the auditor's recalculation of the cost rate using year-end 2002 data, the appropriate cost rate for customer deposits to be included in the 2002 average capital structure is 6.21%.

Staff also made a specific adjustment in the amount of \$68,354. This amount represents staff's calculation of the 13-month average balance of excess earnings for 2002. This amount was included as a separate line item in the capital structure and was assigned an effective cost rate of 1.69%. The cost rate on excess earnings is based on a 12-month average of the 30-day commercial paper rate. The 30-day commercial paper rate is applied pursuant to Rule 25-6.109, Florida Administrative Code. The treatment of excess earnings as a separate line item in the capital structure is consistent with the treatment of excess earnings in the 1999 earnings reviews of the Fernandina Beach Electric Division (Order No. PSC-00-1883-PAA-EI, issued October 16, 2000, in Docket No. 001147-EI, In Re: Investigation into 1999 Earnings of Florida Public Utilities Company – Fernandina Beach Division) and the Marianna Electric Division (Order No. PSC-00-1685-PAA-EI, issued September 20, 2000, in Docket No. 001146-EI, In Re: Investigation into 1999 Earnings of Florida Public Utilities Company – Marianna Division). Attachment C details staff's calculation of the amount of excess earnings for 2002.

Finally, staff reconciled the adjustments to rate base on a pro rata basis over investor-supplied sources of capital. The Commission established the return on common equity for the Gas Division of 11.40%, with a range from 10.40% to 12.40%, in Order No. PSC-95-0518-FOF-GU, issued April 26, 1995, in Docket No. 940620-GU, In Re: Application for a Rate Increase by Florida Public Utilities Company. Based upon the proper components, amounts, and cost rates associated with the capital structure for the period ended December 31, 2002, discussed above, and using the top of the authorized ROE range of 12.40%, the appropriate weighted average cost of capital for purposes of determining the amount of excess earnings for 2002 is 7.27%.

Issue 3: What is the appropriate net operating income for the Gas Division of Florida Public Utilities Company for determining the amount of excess earnings for 2002?

Recommendation: The appropriate net operating income for 2002 is \$3,632,014. (Slemkewicz)

Staff Analysis: Per the December 2002 ESR, the Company reported an "FPSC Adjusted" net operating income of \$3,619,530. Based on the adjustments discussed below, staff recommends that the appropriate net operating income for 2002 is \$3,632,014. (Attachment A)

Non-Utility Depreciation Expense (Audit Exception 2): When an audit request was issued for supporting documentation, the Company recalculated the non-utility depreciation expense. Based on this recalculation, an additional \$7,834 of depreciation expense should have been allocated to non-utility. As a result, depreciation expense should be decreased by \$7,843.

Actuarial Consultant Expenses (Audit Disclosure 4): A review of the outside auditor's working papers revealed that the Company did not accrue 2002 expenses in the amount of \$9,742 for its actuarial consultant, AON Consulting. The expense was not booked until January 2003. Since these charges were for services rendered in 2002, the Company should have included them in its expenses for 2002. Therefore, 2002 O&M expenses should be increased by \$9,742.

Non-Monitored Transportation Clause (Audit Disclosure 6): The audit of the non-monitored transportation recovery clause for 2002 disclosed that the Company included revenues and expenditures that were covered under its tariff. These items should not have been included in the non-monitored transportation recovery clause. Instead, they should have been included in revenue and expenses for earnings surveillance purposes for 2002. Therefore, revenues should be increased by \$30,446 and expenses should be increased by \$5,481.

Conservation Clause Expenses (Audit Disclosure 7): The audit of the 2002 conservation cost recovery clause revenues and expenses disclosed that there were expenses for office supplies that were not necessarily for conservation employees. The expense of \$1,458 was subsequently removed from conservation related expenses. As a result, 2002 O&M expenses should be increased by \$1,458 for these office supplies.

Charitable Contributions (Audit Disclosure 8): The audit revealed that the Company included \$4,968 in its advertising expense accounts that could be classified as charitable contributions. As expressed in Order No. 6465, issued January 17, 1975 in Docket No. 9046-EU, In re: General Investigation of Promotional Practices of Electric Utilities, the Commission generally does not include, for ratemaking purposes, the sponsorship of community activities and organizations that do not provide any tangible benefits to the ratepayers. See also, Southern Bell Telephone and Telegraph Company v. FPSC, 443 So. 2d 92, 96, 97 (Fla. 1983). It is the stockholders who should assume the burden of financing any advertising that is related to community affairs. The items included in the \$4,968 include t-shirts, banners, posters and employee registrations. 2002 O&M expenses should be reduced by \$4,968.

Advertising Expenses (Audit Disclosure 9): The audit disclosed that \$8,728 was included in advertising expenses that could be considered as image enhancing or community affairs orientated. In Order No. 6465, Docket No. 9046-EU, the Commission stated that the

sponsorship of community activities and organizations that do not provide any tangible benefits to the ratepayers should not be included in expenses for ratemaking purposes. It is the stockholders who should assume the burden of financing any advertising that is related to community affairs. The Commission also stated a similar position regarding advertising that was determined to be image enhancing in nature (institutional advertising). 2002 O&M expenses should be reduced by \$8,728.

Interest Synchronization: As a result of a change to the customer deposit cost rate and the adjusted amounts for long-term debt, short-term debt and 2002 excess earnings components in the capital structure, interest expense decreased by \$25,079. Since interest expense is a deduction in the calculation of income taxes for net operating income purposes, the decreased interest expense results in a higher income tax expense. Utilizing a 37.60% income tax rate, the increase in income tax expense for 2002 is \$9,437.

Income Taxes: This is a fallout calculation based on the above adjustments to net operating income. As a result, total income taxes should be increased by \$13,221 not including the specific \$9,437 income tax adjustment related to interest synchronization.

Docket No. 050224-GU

Date: June 23, 2005

Issue 4: What is the amount of excess earnings for the Gas Division of Florida Public Utilities Company for 2002?

Recommendation: The total amount of excess earnings for the Gas Division is \$136,709 plus interest of \$6,254 through May 31, 2005. Interest should continue to accrue until a final determination of the disposition of the excess earnings is made. (Slemkewicz)

Staff Analysis: Based on the recommendations discussed in the previous issues, staff has determined that the excess earnings for 2002 are \$136,709, plus interest of \$6,254 calculated through May 31, 2005. As of May 31, 2005, the total amount of the excess earnings, including interest, is \$142,963. (Attachment C and Attachment D) The excess earnings of \$136,709 represents an achieved 2002 ROE of 13.11% which exceeds the maximum authorized ROE of 12.40%.

Docket No. 050224-GU

Date: June 23, 2005

Issue 5: What is the appropriate disposition of the 2002 excess earnings for the Gas Division of Florida Public Utilities Company?

Recommendation: The total excess earnings of \$142,963, including interest, should first be offset by the \$25,190 NTAC and TCR under-recovery true-up as authorized in Order No. PSC-05-0490-PAA-GU. The remaining \$117,773 of 2002 excess earnings should be considered as an offset to the amount of storm restoration costs that FPUC is seeking in Docket No. 041441-GU. (Slemkewicz)

Staff Analysis: Per Order No. PSC-05-0490-PAA-GU, issued May 5, 2005 in Docket No. 050109-GU, In re: Petition for disposition of final true-up Non-Monitored Transportation Administrative Charge (NTAC) and Transportation Cost Recovery (TCR) factors, by Florida Public Utilities Company, the Commission ordered that the final true-up under-recovery of \$25,190 be netted against the still-to-be determined amount of excess earnings for 2002. The Company has also indicated that an acceptable disposition of any remaining 2002 excess earnings could be to offset storm damage costs that are being sought in Docket No. 041441-GU, In Re: Petition for approval of storm cost recovery clause to recover storm damage costs in excess of existing storm damage reserve by Florida Public Utilities Company. In its original filing in Docket No. 041441-GU, FPUC's preliminary cost estimates show damages from the hurricanes in excess of \$600,000.

Docket No. 050224-GU

Date: June 23, 2005

Issue 6: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Jaeger)

Staff Analysis: At the conclusion of the protest period, if no protest is filed by a substantially affected person, this docket should be closed upon the issuance of a consummating order.

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
DOCKET NO. 050224-GU
REVIEW OF 2002 EARNINGS

ATTACHMENT A

	As Filed FPSC Adjusted Basis	Audit Exception 1 & 2 Non-utility Plant	Audit Exception 3 Vending Machine Credit	Audit Disclosure 4 2002 Expenses Not Accrued	Audit Disclosure 6 Non-Monitored Transportation	Audit Disclosure 7 Conservation Clause	Audit Disclosure 8 Charitable Contributions	Audit Disclosure 9 Advertising Expenses	Interest	Total Adjustments	Total Adjusted Rate Base
<u>RATE BASE</u>											
Plant in Service	67,552,283	(175,995)								(175,995)	67,376,288
Accumulated Depreciation	(25,997,321)	83,030								83,030	(25,914,291)
Net Plant in Service	41,554,962	(92,965)	0	0	0	0	0	0	0	(92,965)	41,461,997
Property Held for Future Use	0									0	0
Construction Work in Progress	4,818,655									0	4,818,655
Net Utility Plant	46,373,617	(92,965)	0	0	0	0	0	0	0	(92,965)	46,280,652
Working Capital	2,523,147		61							61	2,523,208
Total Rate Base	48,896,764	(92,965)	61	0	0	0	0	0	0	(92,904)	48,803,860
<u>INCOME STATEMENT</u>											
Operating Revenues	20,507,151				30,446					30,446	20,537,597
Operating Expenses:											
Operation & Maintenance - Fuel	0									0	0
Operation & Maintenance - Other	10,457,256			9,742	5,481	1,458	(4,968)	(8,728)		2,985	10,460,241
Depreciation & Amortization	2,264,889	(7,834)								(7,834)	2,257,055
Taxes Other Than Income	3,294,357				152					152	3,294,509
Income Taxes - Current	931,125			(3,666)	9,337	(549)	1,869	3,284	9,437	19,713	950,838
Deferred Income Taxes (Net)	(17,995)	2,945								2,945	(15,050)
Investment Tax Credit (Net)	(42,011)									0	(42,011)
(Gain)/Loss on Disposition	0									0	0
Total Operating Expenses	16,887,621	(4,889)	0	6,076	14,970	909	(3,099)	(5,444)	9,437	17,962	16,905,583
Net Operating Income	3,619,530	4,889	0	(6,076)	15,476	(909)	3,099	5,444	(9,437)	12,484	3,632,014
OVERALL RATE OF RETURN	7.40%									0.04%	7.44%
RETURN ON EQUITY	12.75%									0.36%	13.11%

FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED GAS DIVISION
 DOCKET NO. 050224-GU
 REVIEW OF 2002 EARNINGS

ATTACHMENT B

CAPITAL STRUCTURE

AS FILED - FPSC ADJUSTED	Amount	Ratio	Cost Rate	Weighted
Long Term Debt	\$21,249,903	43.46%	7.97%	3.46%
Short Term Debt	6,722,565	13.75%	2.05%	0.28%
Preferred Stock	253,454	0.52%	4.75%	0.02%
Customer Deposits	3,148,842	6.44%	6.81%	0.44%
Common Equity	12,004,868	24.55%	12.40%	3.04%
Deferred Revenues	0	0.00%	0.00%	0.00%
Deferred Income Taxes	5,117,031	10.46%	0.00%	0.00%
Tax Credits - Zero Cost	696	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	399,405	0.82%	8.28%	0.07%
Total	\$48,896,764	100.00%		7.31%

ADJUSTED	Amount	Adjustments Specific	Pro Rata	Adjusted Total	Ratio	Cost Rate	Weighted
Long Term Debt	\$21,249,903		(\$85,176)	\$21,164,727	43.37%	7.97%	3.46%
Short Term Debt	6,722,565		(26,946)	6,695,619	13.72%	2.05%	0.28%
Preferred Stock	253,454		(1,016)	252,438	0.52%	4.75%	0.02%
Customer Deposits	3,148,842			3,148,842	6.45%	6.21%	0.40%
Common Equity	12,004,868		(48,119)	11,956,749	24.50%	12.40%	3.04%
2002 Excess Earnings	0	68,354		68,354	0.14%	1.69%	0.00%
Deferred Income Taxes	5,117,031			5,117,031	10.48%	0.00%	0.00%
Tax Credits - Zero Cost	696			696	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	399,405			399,405	0.82%	8.28%	0.07%
Total	\$48,896,764	\$68,354	(\$161,258)	\$48,803,860	100.00%		7.27%

INTEREST SYNCHRONIZATION

	Adjustments	Cost Rate	Effect on Interest Exp	Tax Rate	Effect on Income Taxes
Long Term Debt	(\$85,176)	7.97%	(\$6,789)	37.630%	\$2,555
Short Term Debt	(26,946)	2.05%	(552)	37.630%	208
2002 Excess Earnings	68,354	1.69%	1,155	37.630%	(435)
Customer Deposits	0	6.21%	0	37.630%	0
Total	(\$43,769)		(\$6,186)		\$2,328

CHANGE IN COST RATE

	Cost Rate as Filed	Revised Cost Rate	Difference	\$ Amount	Effect on Interest Exp	Tax Rate	Effect on Income Taxes
Customer Deposits	6.81%	6.21%	-0.60%	3,148,842	(18,893)	37.63%	7,109

TOTAL EFFECT ON INCOME TAXES

Interest Synchronization	\$2,328
Change in Cost Rate	7,109
Total	\$9,437

ATTACHMENT C

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
DOCKET NO. 050224-GU
REVIEW OF 2002 EARNINGS

Adjusted Rate Base		\$48,803,860
Adjusted Required Rate of Return	x	<u>7.27%</u>
Required Net Operating Income		\$3,548,041
Adjusted Achieved Net Operating Income		<u>3,632,014</u>
Excess Net Operating Income		83,974
Revenue Expansion Factor	x	<u>1.628002</u>
Excess Revenues		<u><u>\$136,709</u></u>
Excess Earnings - 13 Month Average		<u><u>\$68,354</u></u>

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
DOCKET NO. 050224-GU
REVIEW OF 2002 EARNINGS

ATTACHMENT D

Page 1 of 2

	2002											
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	0	11,401	22,818	34,253	45,704	57,172	68,657	80,157	91,672	103,206	114,753	126,293
Additions	11,392	11,392	11,392	11,392	11,392	11,392	11,392	11,392	11,392	11,392	11,392	11,392
Ending Balance	11,392	22,793	34,211	45,645	57,096	68,564	80,049	91,549	103,065	114,598	126,145	137,686
Average Balance	5,696	17,097	28,515	39,949	51,400	62,868	74,353	85,853	97,369	108,902	120,449	131,989
<u>Interest Rate</u>												
Beginning of Month	1.780%	1.770%	1.750%	1.770%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%
End of Month	1.770%	1.750%	1.800%	1.750%	1.770%	1.750%	1.730%	1.710%	1.760%	1.650%	1.300%	1.290%
Monthly Average	1.775%	1.760%	1.775%	1.760%	1.760%	1.760%	1.740%	1.720%	1.735%	1.705%	1.475%	1.295%
Interest	8	25	42	59	75	92	108	123	141	155	148	142
Ending Bal. w/ Interest	11,401	22,818	34,253	45,704	57,172	68,657	80,157	91,672	103,206	114,753	126,293	137,828
	2003											
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	137,828	137,975	138,120	138,260	138,396	138,535	138,662	138,781	138,903	139,025	139,148	139,267
Additions	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	137,828	137,975	138,120	138,260	138,396	138,535	138,662	138,781	138,903	139,025	139,148	139,267
Average Balance	137,828	137,975	138,120	138,260	138,396	138,535	138,662	138,781	138,903	139,025	139,148	139,267
<u>Interest Rate</u>												
Beginning of Month	1.290%	1.270%	1.250%	1.180%	1.190%	1.210%	1.000%	1.050%	1.060%	1.060%	1.050%	1.000%
End of Month	1.270%	1.250%	1.180%	1.190%	1.210%	1.000%	1.050%	1.060%	1.060%	1.050%	1.000%	1.060%
Monthly Average	1.280%	1.260%	1.215%	1.185%	1.200%	1.105%	1.025%	1.055%	1.060%	1.055%	1.025%	1.030%
Interest	147	145	140	137	138	128	118	122	123	122	119	120
Ending Bal. w/ Interest	137,975	138,120	138,260	138,396	138,535	138,662	138,781	138,903	139,025	139,148	139,267	139,386
	2004											
	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Beginning Balance	139,386	139,507	139,624	139,738	139,855	139,976	140,114	140,278	140,457	140,654	140,872	141,116
Additions	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance	139,386	139,507	139,624	139,738	139,855	139,976	140,114	140,278	140,457	140,654	140,872	141,116
Average Balance	139,386	139,507	139,624	139,738	139,855	139,976	140,114	140,278	140,457	140,654	140,872	141,116
<u>Interest Rate</u>												
Beginning of Month	1.060%	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%
End of Month	1.030%	0.980%	0.980%	1.030%	1.040%	1.330%	1.470%	1.600%	1.770%	1.940%	2.220%	2.340%
Monthly Average	1.045%	1.005%	0.980%	1.005%	1.035%	1.185%	1.400%	1.535%	1.685%	1.855%	2.080%	2.280%
Interest	121	117	114	117	121	138	163	179	197	217	244	268
Ending Bal. w/ Interest	139,507	139,624	139,738	139,855	139,976	140,114	140,278	140,457	140,654	140,872	141,116	141,384

FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED GAS DIVISION
DOCKET NO. 050224-GU
REVIEW OF 2002 EARNINGS

	2005 January	February	March	April	May	June	July	August	September	October	November	2005 December
Beginning Balance	141,384	141,669	141,973	142,294	142,636	117,773	117,773	117,773	117,773	117,773	117,773	117,773
Additions	0	0	0	0	(25,190)	0	0	0	0	0	0	0
Ending Balance	141,384	141,669	141,973	142,294	117,446	117,773	117,773	117,773	117,773	117,773	117,773	117,773
Average Balance	141,384	141,669	141,973	142,294	130,041	117,773	117,773	117,773	117,773	117,773	117,773	117,773
<u>Interest Rate</u>												
Beginning of Month	2.340%	2.500%	2.650%	2.780%	2.980%	3.060%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
End of Month	2.500%	2.650%	2.780%	2.980%	3.060%							
Monthly Average	2.420%	2.575%	2.715%	2.880%	3.020%	1.530%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
Interest	285	304	321	342	327	0	0	0	0	0	0	0
Ending Bal. w/ Interest	141,669	141,973	142,294	142,636	117,773	117,773	117,773	117,773	117,773	117,773	117,773	117,773
Total Interest												
01/01/02 - 05/31/05	6,254											