REBUTTAL TESTIMONY OF

JAMES V. MESITE, JR.

before the

FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070304-EI

FLORIDA PUBLIC UTILITIES COMPANY

INTRODUCTION:

Q. PLEASE STATE YOUR NAME, AFFILIATION, BUSINESS ADDRESS AND SUMMARIZE YOUR ACADEMIC BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. My name is James V. Mesite, Jr. I am the Senior Project Accountant in the Corporate Accounting department at Florida Public Utilities Company (FPUC), 401 South Dixie Highway, West Palm Beach, Florida 33401.

On an ongoing basis, I am responsible for all preparation, filing, reconciliation and audit of documents as directed under PGA Docket No. NN0003-GU. Using various company systems and computer application, I prepare several periodic accounting analysis reports. In the past I was responsible for converting the Company's manual CPR records to a computerized system. I am responsible for the review and evaluation of fixed asset issues involving acquisitions, dispositions, retirements, capital versus expense, and chart of accounts. I am responsible for the filing of FPSC depreciation studies for the regulated electric and natural gas divisions. Additionally I am involved with various internal control and review projects as circumstances dictate.

I joined FPUC in 1995 as a Special Project Accountant and was promoted to my current position in March 2002. I graduated from Northeastern University in 1976 with a BS degree in Business Administration, major in Accounting.

I have been a witness in two rate relief proceedings before the FPSC: Docket Numbers 030438-EI for electric and 040216-GU for natural gas.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My testimony is rebuttal to the Office of Public Counsel (OPC) direct testimony of Hugh Larkin, Jr. and Patricia W. Merchant of December 27, 2007, in these dockets.

Q. IS ADDITIONAL REBUTTAL TESTIMONY BEING PRESENTED BY FPUC?

A. Yes. Additional rebuttal testimony is being presented by FPUC employees and representatives in their respective areas of expertise.

Q. WHAT WILL BE THE MAJOR AREAS OF YOUR TESTIMONY?

A. I will present testimony primarily associated with the Schedules B, as presented in the MFR. This would include rate base, working capital, plant, and balance sheet, including associated depreciation and amortization expenses.

Q. IS THE DATA CONTAINED IN FPUC'S MFR COMPLETE AND ACCURATE?

A. Subject to various fall-out adjustments and other agreed upon adjustment, that are usual and expected elements of the rate relief process, MFR data is presented in an accurate and fair manner.

Q. HOW WILL YOUR TESTIMONY BE STRUCTURED?

A. I will offer rebuttal testimony to specific items of Mr. Larkin's and Ms. Merchant's testimony, since we feel that wholesale adjustments to the MFR are not required. We believe that the decisions of the Commission will be on individual item adjustments to the MFR, and not major revisions to areas of the filing.

WORKING CAPITAL

Other Property And Investments:

Q. DO YOU AGREE WITH MR. LARKIN'S PROPOSED TREATMENT OF THE $3,100 "OTHER SPECIAL FUNDS' UNDER THE HEADING "OTHER PROPERTY AND INVESTMENTS"?

A. No, I do not. The inclusion the $3,100 in 2008 consolidated electric working capital as shown in the MFR is accurate.

The $3,100 in question represents 31% allocated to electric of a $10,000 deposit that is held in escrow covering FPUC's auto and general liability claims. The 31% allocation is based on the consolidated electric share of adjusted gross profit.

Mr. Larkin testified that [1] the heading is clearly non-regulated, [2] that FPUC has failed to show that the other special funds is related to utility operations, and [3] should be eliminated from working capital requirements: all three points are incorrect. This issue was raised during the OPC's Telephonic Panel Disposition of Cheryl Martin, Mehrdad Khojasteh, and Jim Mesite, on December 11, 2007. In response, FPUC filed with the OPC, Late File Exhibit 1. Attached is a copy of the exhibit as: Exhibit JM R-1. The exhibit was generated by the insurance representative, and details the several questions raised during the deposition including the content of the coverage and amount of coverage.

Cash:

Q. DO YOU AGREE WITH MR. LARKIN'S PROPOSED ADJUSTMENT FOR THE 13-MONTH AVERAGE BALANCE FOR CASH?

A. No, I do not. The 13-month average cash balance of $70,678 presented in the MFR is accurate and should remain unchanged.

Mr. Larkin's testimony, that the cash balance for consolidated electric be held at $10,000, is arbitrary and illogical in the context of a viable and on-going business operation. His testimony of FPUC's cash balances of $247,509 in 2006, and $210,108 in 2007, indicates that our 2008 projected consolidate electric cash balance of $70,678 is less than what might be expected based on historical review alone.

A cash balance must cover several factors including payment of current accounts payable; employee net payroll; and various corporate, withheld payroll, and collected taxes. When considering these amounts as detailed on Schedule B-3 (2008), Mr. Larkin's recommended cash balance of $10,000 is not viable. Consideration must also be given to outstanding checks and non-recurring immediate cash needs.

FPUC has procedures and process in place for the purpose of maintaining efficient cash balances. However, it is not conceivable that it could be cost effective to activate and maintain a cash management system that could achieve Mr. Larkin's $10,000 proposed target.

<u>Special Deposit-Electric:</u>

Q. DO YOU AGREE WITH MR. LARKIN'S RECOMMENDATION FOR THE REMOVAL OF $317,836 FOR ACCOUNT 1340 - SPECIAL DEPOSIT-ELECTRIC FROM WORKING CAPITAL?

A. No, I do not agree. The inclusion of this deposit was rightfully included in working capital and should not be adjusted.

This amount is comprised of two deposits imposed by Jacksonville Electric Association and Gulf Power during the negotiation of new fuel contracts with these vendors. According to Mr. Mark Cutshaw's rebuttal testimony, a portion of the deposit will be returned during 2008 and the balance in 2009. It is FPUC's opinion that these amounts should be included in the 2008 working capital. As monies are refunded, the funds will continue to be applied in a manner consistent with working capital treatment.

Mr. Larkin has testified that since the deposits generate interest to the company, the deposits should be excluded from working capital. The fact is the interest is to be returned to the ratepayer as a reduction in fuel costs through inclusion in the electric fuel docket monthly filing.

<u>Accounts Receivable:</u>

Q. IS MR. LARKIN ACCURATE IN HIS PRESENTATION OF ACCOUNTS RECEIVABLE TESTIMONY?

A. No, he is not. Throughout his testimony, Mr. Larkin makes references to "accounts receivable" and "customer accounts receivable" interchangeably. Within the MFR, our presentation included various categories of accounts receivable included in the Schedules-B as the single line item, "accounts receivable".

Questions of "accounts receivable" and "customer accounts receivable" arose during our Telephonic Panel Deposition by the OPC. In response we filed Late File Exhibit No. 16.1, 16.2, and 16.3. Attached is a copy of the exhibit as: <u>Exhibit JM R-2, pages 1through 3</u>. These exhibits detail the accounts that are rightfully classified as accounts receivable.

Throughout his testimony, Mr. Larkin made no reference to this late filed data or other information contained in these exhibits.

Q. SHOULD THE AMOUNT INCLUDED IN THE MFR RELATING TO CUSTOMER ACCOUNTS RECEIVABLE BE MODIFIED?

A. At the time the MFRs were prepared, the consolidated electric divisions were in the process of negotiating new contracts for the purchased power for both operating locations. It was obvious that costs would increase significantly from 2006 costs. The amounts shown for customer accounts receivable for 2007 and 2008 were based on our estimation of the forthcoming increases in the purchased power costs and the increase in base rates resulting from this rate proceeding.

The exhibits detail what we currently project to be 2007 and 2008 customer accounts receivable. Our computations used actual and estimated typical bill changes from December 2006 through May 2008 resulting from purchased power filings, mid-course correction filing, interim rate relief, the anticipated rate increase resulting from this rate proceeding, and a customer growth factor. The increases were applied on a month-by-month basis for 2007 and 2008 to arrive at a 2008 13-month average customer accounts receivable of $4,906,472.

Q. DO YOU AGREE WITH MR. LARKIN'S RECOMMENDATION FOR PROJECTING CUSTOMER ACCOUNTS RECEIVABLE?

A. No, I do not. He exhibited 10-years of data comparing customer accounts receivables to operating revenues, and simply proceeded to arbitrarily base his recommendation on the lowest percentage.

The 10-year data that Mr. Larkin presented spans years that contained no purchased power increases and only one rate proceeding. An impartial review of the exhibits would have indicated little deviation in the ratio of customer accounts receivables to operating revenues over the years. Contrary to Mr. Larkin's testimony, we are not proposing changing the ratio between customer accounts receivable and operating revenues. Our computation mathematically adjusts customer accounts receivable by the same percentage change that we anticipate for operating revenues; primarily as a result of recent large fuel cost increases and this rate proceeding.

Q. DO YOU AGREE WITH MR. LARKIN'S PROPOSAL THAT ACCOUNT 1430.1, ACCOUNTS RECEIVABLE –EMPLOYEES BE EXCLUDED FROM WORKING CAPITAL?

A. No, we do not agree. This account is rightfully includable in working capital as ordinary and necessary in the normal course of business.

The amounts represented by this account are amounts due to the Company from retirees and employees owing to employment related transactions in the normal course of business. Such transactions may be the individual's share of Company paid medical, health and disability insurance, the individual's share of Company required uniforms and equipment; garnishment of wages as required by various governmental authorities; and prepaid expense advances to employees for business trips, etc. The reimbursement of these amounts to the Company is from direct repayment by employees, or by payroll deduction.

The 13-month average for 2007 and 2008 for this account are detailed in <u>Exhibit JM R-2.</u>

Q. DO YOU AGREE WITH MR. LARKIN'S PROPOSAL THAT ACCOUNT 1430.2, ACCOUNTS RECEIVABLE –ELECTRIC-OTHER BE EXCLUDED FROM WORKING CAPITAL?

A. No, we do not agree. This account is rightfully includable in working capital as ordinary and necessary in the normal course of business.

The account represents reimbursable costs incurred by the Company for damages to Company's electric facilities by others, or for other special services performed on our electric facilities at the request of customers, municipalities, or other entities. These items may include damages by contractors or homeowners to distribution facilities, damages caused by traffic accidents, temporary relocation of electric facilities as directed by municipalities, etc. within our electric service areas.

The 13-month average for 2007 and 2008 for this account are detailed in Exhibit JM R-2.

Prepaid Insurance:

Q. DO YOU AGREE WITH METHODOLOGY EMPLOYED BY MR. LARKIN FOR ALLOCATING PREPAID INSURANCE?

A. No, we do not. Allocating prepaid insurance based on adjusted gross profit, as used in our MFR, is the correct method and the account requires no adjustment.

Mr. Larkin contends that using payroll as the basis for allocation is the preferable method since prepaid insurance is predominately payroll driven. Such is not the case, as detailed in our Late Exhibit 8.1 filed in conjunction with our Telephonic Panel Deposition by the OPC. A copy of this exhibit is attached as Exhibit JM R-3. As indicated in the exhibit, only 18.3% ($34,748 / $195,194) relates to workmen's compensation and could be considered payroll related. The remaining majority of 81.7% relates to the overall operational aspects of the business.

The allocation factor that would best represent the overall performance of an operating segment of FPUC would be adjusted gross profit. Adjusted gross profit would therefore be the acceptable method for allocating the combined prepaid insurance accounts to be allocated to consolidated electric.

Unbilled Revenue:

Q. SHOULD UNBILLED REVENUE BE REDUCED AS RECOMMENDED IN MR. LARKIN'S TESTIMONY?

A. No, a reduction to unbilled revenue is not necessary. Unbilled revenue should remain as shown in the MFR.

In our response to OPC's Interrogatory No. 9, the explanation of our computation for the 2008 13-month average was incomplete. The narrative should have also indicated that to project 2008, the 2007 amount was increased by an additional 20% to represent anticipated increased in base revenue as a result of this rate proceeding. The 20% in addition to the 3.5% projection factor would produce the appropriate 23.5 % increase for 2008 that Mr. Larkin alluded to in his testimony.

Regulatory Asset – Retirement Plan:

Q. MR. LARKIN RECOMMENDS CHANGING THE ALLOCATION PERCENTAGE FOR THE REGULATORY ASSET-RETIREMENT PLAN ACCOUNT, AND A RESULTING REDUCTION IN WORKING CAPITAL. DO YOU AGREE WITH THE ALLOCATION CHANGE AND THE ASSOCIATED DECREASE IN WORKING CAPITAL?

A. No, we do not agree with Mr. Larkin's recommendation for a change in the allocation percentage or for an adjustment to working capital for this account.

During his testimony Mr. Larkin addressed several areas in his testimony concerning this account. One area concerned the allocation percentage that was applied when allocating this account to consolidated electric. Specifically, he did not understand why we used 34% as the payroll allocation percent for this account, and 25% as a payroll allocation percentage when allocating the pension liability account.

FPUC is comprised of regulated and non-regulated segments. As such, individual Company-wide accounts may be applicable to all segments, just regulated segments, or just non-regulated segments. In most instances, the allocation base is company-wide.

However, as is the case for the Regulatory Asset-Retirement Plan account, it is appropriately allocated using just regulated payroll since the account only pertains to regulated segments. The payroll allocation base contains: regulated electric payroll, plus regulated natural gas payroll, plus the regulated share of corporate payroll. To determine electric's allocation percentage, electric's payroll is divided by the total regulated payroll base. For 2007 and 2008 the electric allocation percentage is 34%.

The pension liability account is a company-wide account and is therefore allocated based on total payroll. In this instance electric's payroll is divided by total FPUC payroll. For 2007 and 2008 the electric allocation percentage is 25%.

Mehrdad Khojasteh will address other aspects of Mr. Larkin's testimony relating to the Regulatory Asset-Retirement Plan account.

<u>Over and Under Recovery of Fuel and Conservation:</u>

Q. SHOULD FUEL AND CONSERVATION OVER AND UNDER RECOVERY DATA CONTAINED IN THE MFR BE MODIFIED?

A. No, it should not. Over and under recovery data presented in the MFR is appropriate as filed.

Q. WHAT IS FPUC'S GENERAL POSITION CONCERNING THE ACCOUNTING

TREATMENT OF OVER AND UNDER RECOVER ACCOUNTS?

A. The accounting treatment for inclusion in working capital of the fuel and conservation accounts for over-recoveries and under-recoveries should be consistent. Other than a covert means to reduce working capital and therefore rate base, there is no rational justification for the current practice of only including over-recoveries in working capital.

Q. WHAT IS THE PROCEDURE FOR THE SETTING AND APPROVAL OF RECOVERY RATES FOR FUEL AND CONSERVATION?

A. The setting of recovery rates for fuel and conservation are conducted annually, each under a separate docket. During this process, the Company presents their estimations for sales and costs for the upcoming year. These estimations are reviewed for completeness and appropriateness by staff. If necessary the projections are modified by the Company until all parties feel that the projections are appropriate. The rates to be applied to the upcoming year are then approved by the Commission.

Q. WHAT MEANS CAN THE COMPANY EMPLOY TO BE SURE THAT PROJECTED SALES AND COST LEVELS ARE ACHIEVED ONCE THE RECOVERY RATES ARE SET?

A. Aside from prudent business and operational judgment, the Company has limited control over the actual achieved sales and costs levels. Much of the actual sales levels are determined by factors such as weather, customer demand, changes in the number of customer, etc. Actual costs for fuel and services are for the most part market driven.

Q. WHAT PROCEDURES ARE IN PLACE SHOULD THE PROJECTIONS PROVE TO BE INACCURATE OR TO PREVENT ABUSE OF THE RECOVERY

PROCESS?

A. Since the recovery rate is based on projections, over and under recoveries are inevitable. However, contained in the recovery process are mid-course correction procedures that allow for the rates to be reviewed by the Commission if the over or under recoveries exceed a predetermined percentage of annual projected costs.

Q. WHAT IS THE CURRENTLY ACCEPTED TREATMENT FOR OVER AND UNDER RECOVERIES?

A. If these projections result in an over-recovery situation, the over-recovery is included in working capital as a reduction to rate base. However, if these the same projections result in an under-recovery situation, the under-recovery is to be excluded from working capital and have no effect on rate base.

Q. ARE THE DIFFERING TREATMENTS FOR OVER-RECOVERIES AND UNDER-RECOVERIES REASONABLE AND JUSTIFIED?

A. No, they are not. It is not reasonable that the same projections, approved by the same Commission are treated in differing manners based simply on their affect on rate base.

Q. IS IT NECESSARY TO CONSIDER THE INTEREST ON THE OVER OR UNDER RECOVERIES IN THIS DISCUSSION?

A. No, it is not. When discussing the topic of interest, the OPC appears to be or is trying to cloud the issue on over and under recoveries, and only discusses the issue from a one-sided perspective.

Per the fuel clause, interest accumulates on both under and over recoveries. This interest appropriately is either returned to the customers for all over-recoveries, or remains with the Company for all under-recoveries. This interest process provides adequate returns for funds over or under collected. This is fair to both the customers and the Company.

In our last rate proceeding, the over recoveries were included in working capital, however this penalized the Company and provided in essence a double return to our customers for this over recovery.

Q. WHAT DOES FPUC PROPOSE FOR THE TREATMENT FOR OVER AND UNDER RECOVERIES?

A. In order to maintain neutrality and fairness between the ratepayers and the Company it is necessary that both over-recoveries and under-recoveries be treated in the same manner. There are two alternatives that could be adopted to achieve this goal. It is more appropriate to exclude both under and over recoveries from working capital for rate making purposes, since the fuel clause already provides for an adequate return to both customers and the Company.

In the alternative, both under and over recoveries would be allowed within working capital: including both would provide consistent, fair, and equal treatment for the ratepayer and the company.

Storm Reserve:

Q. DOES FPUC AGREE WITH MR. LARKIN'S TESTIMONY REGARDING RECOMMENDED CHANGES TO THE STORM RESERVE?

A. No, we do not. The information presented in the MFR is accurate and should remain unchanged. Mr. Mark Cutshaw has addressed the issues raised by Mr. Larkin's concerning the appropriateness of the account balance. I will testify regarding changes to working capital.

Q. SHOULD WORKING CAPITAL BE ADJUSTED FOR THE STORM RESERVE ACCOUNT AS SUGGESTED BY MR. LARKIN?

A. No, it should not be adjusted. Mr. Larkin recommendation was predicated on our change in the monthly accrual to the account, and on a $50,000 cost charged to the account in 2007. Mr. Cutshaw has addressed the issue of the monthly accrual.

The Company appropriately included projected charges totaling $50,000 for storm damage costs for September 2007: September being the mid-point of the hurricane season. Based on Mr. Larkin's exhibits, the 19-year average annual storm damage costs are $36,700 ($697,472 / 19 years = $36,709). Allowing for inflation and service area growth over the 19-year period, $50,000 as the estimation for annual costs is proper.

Interest Accrual – Customer Deposits:

Q. IS MR. LARKIN CORRECT IN HIS RECOMMENDATION THAT WORKING CAPITAL SHOULD BE ADJUSTED FOR THE INTEREST ACCRUAL-CUSTOMER DEPOSITS ACCOUNT?

A. No, he is not. The Company projected this account using appropriate methodology, and working capital for this account should not be adjusted.

Working Capital Adjustments:

Q. DOES FPUC AGREE WITH MR. LARKIN'S PROPOSED ADJUSTED WORKING CAPITAL BALANCE CONTAINED IN HIS TESTIMONY?

A. No, we do not agree. The working capital that should be included in determining the rate base is a fall-out amount: the 13-month average contained in the MFR is adjusted by items that are stipulated by all parties to the rate relief proceeding, and ultimately by the Commission for any outstanding issues. It is not appropriate at this point in the rate proceeding to presume that any working capital determination could possibly be the final working capital amount that would be used toward rate base in the final order.

Q. DOES FPUC RECOMMEND ANY ADDITIONAL WORKING CAPITAL ADJUSTMENTS?

A. Yes, we do. We propose that, if the final 2008 13-month working capital balance is negative, we should be allowed an adjustment to bring the balance to $0 (zero). This adjustment has been allowed by the Commission in past FPUC rate proceedings including Docket No. 940620-GU and Docket No. 900151-GU.

The Company agrees with these allowances since it is neither logical nor appropriate for adjusted working capital to reflect a negative balance. If allowed, a negative working capital balance would artificially reduce overall rate base simply due to Commission ordered adjustments to working capital. An adjustment for negative working capital is appropriate in situations where negative working capital exists due to the imposition of various adjustments by the Commission. The Commission and Staff have affirmed the appropriateness of such adjustments on numerous occasions in previous rate case proceedings. Water and Wastewater companies also normally adjust negative working capital to $0.

Historically, the Commission has allowed an additional final adjustment to bring negative working capital to zero. In FPUC's 1990 Rate Case, Docket No. 900151-GU: Interim rates Order No. 23516 (9/19/90), Staff stated, "in accordance with past commission policy, has adjusted working capital to zero" and Commission approved this adjustment. Final rates, Order No. 24094 (2/12/91), the Staff and Commission agreed with the adjustment to bring negative working capital to $0 for the test year. In the Company's 1994 Rate Case Proceeding, Docket No. 940620-GU: Interim Rates, Order No. PSC-94-1519-FOF-GU (12/9/94) Staff's position was that it agreed with the adjustment for negative working capital to $0 and it was approved for interim rates. Final Rates and Order of this docket did not address the negative working capital issue since adjusted working capital was positive for the test year.

Company is not asking the Commission to grant an arbitrary increase in working capital, but rather grant a final adjustment to mitigate the effects of certain adjustments and return the Company to a minimum working capital level that would be expected of any viable and ongoing business concern. The negative working capital is a result of the required adjustments to rate base such as exclusion of interest bearing cash, and several adjustments and methods used for allocating corporate items.

Transmission Pole Replacement Recovery Program:

Q. DO YOU AGREE WITH MS. MERCHANT'S REPRESENTATION OF THE TRANSMISSION POLE REPLACEMENT RECOVERY PROGRAM AS PRESENTED IN HER TESTIMONY?

A. No, I do not. Ms. Merchant is not portraying an accurate picture concerning the mechanism that FPUC is proposing for the funding and installation of the transmissions poles.

The major area of confusion concerns Ms. Merchant's statement that, "the rate payers pre-pay for the full cost of the new poles before the Company even purchases or has the poles installed." This is not, nor has it ever been the methodology proposed by FPUC.

Our proposal is that, concurrent to our replacement of the transmission poles at the rate of 9 or 10 poles per year, the installation costs are recovered on an ongoing basis through amortization that has been approved and incorporated into base rates. There is no "pre-payment" or "advanced payment" by the ratepayers involved. As FPUC pays for the installation of poles, these costs are recovered, since they are already included in base rates. From another viewpoint, as the ratepayer pays the approved base rate, FPUC will be obligated to install the transmission poles.

Q. DO YOU AGREE WITH MS. MERCHANT'S TESTIMONY THAT FPUC WAS IN ERROR WHEN IT INCLUDED THE FUTURE COSTS OF INSTALLING POLES IN ITS COMPUTATIONS?

A. No, I do not agree. Our proposal is that base rates be set to include recovery for the installation of transmission poles over the next 20 years. In order to determine the total cost of this long-term project, it is necessary to include both the cost of the first pole to be installed in 2008 and the cost of the last pole to be installed in 2028. Our methods were designed to accomplish this goal and are appropriate.

Q. ARE ANY ADJUSTMENTS TO THE MFR REQUIRED DUE TO THE EFFECTS OF THE PROPOSED TRANSMISSION POLE REPLACEMENT PROGRAM?

A. No adjustments are necessary. Our proposal is rate base neutral. In the MFR, plant-in-service, plant reserve, and depreciation expense did not include any effects due to the recovery program, since they are not affected by the recovery program.

Q. WHAT ACCOUNTS IN THE MFR ARE IMPACTED BY THE TRANSMISSION POLE REPLACEMENT RECOVERY PROGRAM?

A. Only Amortization Expense is affected. The impact was included in the MFR on

Schedule C-19 (2008) [page 51, of the Schedule C section].

<u>Adjustment For 13-Month Average For Replacement 40 MVA Transformer:</u>

Q. IS MS. MERCHANT'S RECOMMENDATION APPROPRIATE THAT THE FULL YEAR 13-MONTH AVERAGE NOT BE ALLOWED IN RATE BASE?

A. No, her recommendation is not appropriate.

The Company has provided extensive testimony, interrogatory response, and documentation concerning this issue.

Q. DOES THE COMPANY BELIEVE THAT THE COMMISSION SHOULD ALLOW THE FULL 13-MONTH AVERAGE FOR THE TRANSFORMER BE INCLUDED IN RATE BASE?

A. Yes, they should. To allow the full 13-month average in rate base would be appropriate and justified.

The company has made every attempt to purchase and install this replacement transformer since the original transformer ceased functioning late in 2006. The old transformer required testing and other evaluation in order to determine the feasibility of having it rebuilt. Ultimately, it was determined that it could not be rebuilt. Bids were then solicited, an order was placed, and contracts were signed. New transformers are custom built out of the country, and a final delivery timeline is typically uncertain until far along in the construction process.

The Company believes that the Commission should consider it appropriate to include the full 13-month average for several reasons. This is not a discressionary addition to plant. This transformer is an ordinary and necessary replacement of a major component of the distribution system. There is no doubt that the transformer will be purchased, installed, and still be in service several years into the future.

Additionally, while the company is waiting for the transformer to be delivered and installed, a temporary replacement transformer is being rented at a cost in excess of what the annual depreciation expense of the new transformer would be.

<u>Construction Work in Process – CWIP:</u>

Q. MS. MERCHANT TESTIFIED THAT CWIP SHOULD NOT BE INCLUDED IN RATE BASE. DO YOU AGREE WITH HER TESTIMONY?

A. No, I do not. CWIP should properly be included in rate. The costs chargeable to CWIP are ordinary and necessary as a function of providing utility service to the ratepayer. CWIP costs must be incurred as a prerequisite to the creation of in-service plant.

One must consider an item of plant purchased fully functional from an outside contractor. There is no question that this item would be fully includable in rate base. The cost of the item purchased would necessarily include the contractor's manufacturing and overhead costs that were incurred during manufacture. These same costs as incurred by the Company should then also be considered in rate base. It is not logical is omit costs from rate base simply because they were paid for by the Company and charged to an account other than "plant".

The value of an item ultimately charged to plant, is comprised of the components that were charged to CWIP, and the individual costs of the CWIP components, were paid for by other components of rate base (i.e. cash, accounts payable). It the logical then, that all phases in the creation of plant, including CWIP, should be considered rate base.

Historically, the Commission has determined that CWIP is ordinary and necessary, and as such, includable in rate base.

Rate Base Adjustments:

Q. DOES FPUC PROPOSE ANY ADJUSTMENTS TO RATE BASE AT THIS TIME?

A. No, we do not. Rate base is a fall-out amount: the rate base data contained in the MFR is adjusted by items that are stipulated by all parties to the rate relief proceeding, and ultimately by the Commission for any outstanding issues. It is not appropriate at this point in the rate proceeding to presume that any rate base determination could possibly be the rate base that would be used in the final order.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes it does.

2006 Over earnings Audit Responses

Audit Finding #1
The company agrees with the opinion of the auditor to adjust the amounts for "Non-Utility Plant" and "Non-Utility Reserve" on the year-end rate base schedule and the 13-month average rate base schedule thereby further reducing the "Plant" and "Accumulated Depreciation" on these same schedules.

Audit Finding #2
The company agrees with the opinion of the auditor that the working capital on the year-end rate base schedule was erroneously increased by the unamortized rate case expense adjustment instead of decreased. Therefore the resulting year-end working capital should be decreased by twice the unamortized rate case expense adjustment in order to correct the working capital calculation.

Audit Finding #3
The company disagrees with the opinion of the auditor regarding the allocations for payroll related expenses. It is our belief that the auditor did not have all the information necessary to properly analyze the allocation of the expense. The payroll journal entry is complex, and some of the allocations are done within the journal entry itself. The payroll program is designed and written to do the allocation within the program, and the program uses actual payroll by account number to allocate certain benefits including those covered by this audit finding. Expenses related to payroll benefits including pension and medical, should and do directly follow how the payroll dollars are actually charged. We take the actual benefit expense amount and divide it by total payroll to get the overhead rate factor. We use that factor to apply these costs directly to capital and non-regulated operations. The remaining expense is appropriately expensed to regulated operations. This method applies these expenditures to the appropriate utility and account number based on actual payroll and matches the benefit related expense to payroll on a real-time basis. This approach is the best method and the most appropriate as a basis for allocating payroll related benefits. Since these costs follow actual payroll it is a better method to allocate costs than a simple allocation done at a higher level.

Audit Finding #4
The company agrees with the opinion of the auditor that taxes and other benefit expenses should be decreased in the surveillance report by the amount re-allocated to conservation.

FrankGates
HIGHER
The Frank Gates Companies, Inc.

Attenta
Smart Risk Management

January 18, 2008

SENT VIA E-MAIL 10/4/2007

Mr. Jim Mesite, Senior Project Accountant
Corporate Accounting
Florida Public Utilities
401 S. Dixie Highway
West Palm Beach, FL. 33401

RE: Auto and General Liability Claim Escrow Disbursement Bank Account

Dear Mr. Mesite:

This is sent to confirm the following questions in regards to the above referenced account:

- The purpose of this account is to fund anticipated loss payments for auto and general liability claims that occur, that we are required to handle on behalf of Florida Public Utilities
- This account covers the various operating units contained within the legal entity known as Florida Public Utilities
- The name on the account is "Frank Gates Service Companies on behalf of Florida Public Utilities"
- The maintenance balance of this account is $10,000. If there is claims activity, a monthly escrow invoice is provided to replenish the account and provide you an invoice for activity
- This is not an interest bearing account

FrankGates
HIGHER
The Frank Gates Companies, Inc.

Attenta
Smart Risk Management.

January 18, 2008

If you have any further questions, please do not hesitate to contact me.

Best Regards,

Steve Wilson

Steve Wilson, Manager
Account Executives, Central Region

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FLORIDA PUBLIC UTILITIES COMPANY 070304-EI

OPC, LATE FILE EXHIBIT 16.1

2007 ACCOUNTS RECEIVABLE - SUMMARY (See OPC, LATE FILE EXHIBIT 16.2)

Acct	Sub-	Account Name	ACTUAL Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007	13-MO AVERAGE
1420	1	ACCOUNTS RECEIVABLE-ELECT (SEE ABOVE)	3,076,502	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	4,478,611	4,544,472	4,544,472	3,947,720
1430	1	ACCOUNTS RECEIVABLE-EMPLOYEES	(7,578)	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	3,569
1430	2	ACCOUNTS RECEIVABLE-ELECT-OTHER	60,565	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	101,746
		TOTAL ACCOUNTS REC	**3,129,489**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**3,962,598**	**4,588,287**	**4,654,148**	**4,654,148**	**4,053,035**

2008 ACCOUNTS RECEIVABLE - SUMMARY (See OPC, LATE FILE EXHIBIT 16.2)

Acct	Sub-	Account Name	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	13-MO AVERAGE
1420	1	ACCOUNTS RECEIVABLE-ELECT (SEE ABOVE)	4,544,472	4,699,680	4,699,680	4,699,680	4,699,680	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	4,906,472
1430	1	ACCOUNTS RECEIVABLE-EMPLOYEES	4,498	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,694
1430	2	ACCOUNTS RECEIVABLE-ELECT-OTHER	105,178	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,307
		TOTAL ACCOUNTS REC	**4,654,148**	**4,808,625**	**4,808,625**	**4,808,625**	**4,808,625**	**5,164,063**	**5,164,063**	**5,164,063**	**5,164,063**	**5,164,063**	**5,164,063**	**5,164,063**	**5,164,063**	**5,015,473**

REBUTTAL TESTIMONY EXHIBIT JIM R-2
WITNESS: JIM MESITE

2006

13 MONTH AVERAGE BALANCE SHEET - SYSTEM BASIS

Acct No.	Account Name	Dec 2005	Jan 2006	Feb 2006	Mar 2006	Apr 2006	May 2006	Jun 2006	Jul 2006	Aug 2006	Sep 2006	Oct 2006	Nov 2006	Dec 2006	13 MONTH AVERAGE	2007: AT 101.2 CG	2007: AT 103.4 ICG
1420 1	CUSTOMER A/R - UTILI	3,342,037	3,280,093	3,362,102	2,798,439	3,007,946	2,948,764	3,402,722	3,954,612	3,539,255	3,811,107	3,016,755	2,548,264	3,076,502	3,237,584	3,276,435	
1430 1	OTHER A/R - EMPLOYEE	3,758	4,568	4,156	5,647	6,549	4,206	4,990	7,192	3,105	4,688	1,566	2,033	(7,578)	3,452		3,569
1430 2	OTHER A/R - MISCELLA	209,656	275,791	141,886	79,442	62,921	74,211	82,251	72,091	47,860	47,810	58,777	65,944	60,565	98,400		101,746

2007

Acct	Sub-	Account Name	ACTUAL Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007	13-MO AVERAGE
2007 PROJECTED ACCOUNTS RECEIVABLE-ELECT INCREASED FOR CUSTOMER GROWTH @ 1.2% ONLY																
1420	1	ACCOUNTS RECEIVABLE-ELECT	3,076,502	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,293,096	3,276,435
ADDITIONAL INCREASES FOR 2007 AVERAGE RATE INCREASES (See OPC, LATE FILE EXHIBIT 16.3)																
2007 FUEL INCREASES				17%	17%	17%	17%	17%	17%	17%	17%	17%				
FUEL & MID-COURSE INCREASE													36%			
FUEL, MID-COURSE, & INTERIM INCREASE														38%	38%	
1420	1	ACCOUNTS RECEIVABLE-ELECT	3,076,502	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	4,478,611	4,544,472	4,544,472	3,947,720

2007 ACCOUNTS RECEIVABLE - SUMMARY

Acct	Sub-	Account Name	ACTUAL Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007	13-MO AVERAGE	101.2 CG	103.5 ICG
1420	1	ACCOUNTS RECEIVABLE-ELECT (SEE ABOVE)	3,076,502	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	3,852,922	4,478,611	4,544,472	4,544,472	3,947,720	3,995,093	
1430	1	ACCOUNTS RECEIVABLE-EMPLOYEES	(7,578)	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	4,498	3,569		3,694
1430	2	ACCOUNTS RECEIVABLE-ELECT-OTHER	60,565	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	105,178	101,746		105,307
		TOTAL ACCOUNTS REC	3,129,489	3,962,598	3,962,598	3,962,598	3,962,598	3,962,598	3,962,598	3,962,598	3,962,598	3,962,598	4,588,287	4,654,148	4,654,148	4,053,035		

2008

Acct	Sub-	Account Name	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	13-MO AVERAGE
2008 PROJECTED ACCOUNTS RECEIVABLE-ELECT INCREASED FOR CUSTOMER GROWTH @ 1.2% ONLY																
1420	1	ACCOUNTS RECEIVABLE-ELECT	4,544,472	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,949,311	3,995,093
ADDITIONAL INCREASES FOR 2008 AVERAGE RATE INCREASES (See OPC, LATE FILE EXHIBIT 16.3)																
2008 FUEL INCREASES				19%	19%	19%	19%									
FUEL & RATE CASE INCREASE								28%	28%	28%	28%	28%	28%	28%	28%	
1420	1	ACCOUNTS RECEIVABLE-ELECT	4,544,472	4,699,680	4,699,680	4,699,680	4,699,680	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	4,906,472

2008 ACCOUNTS RECEIVABLE - SUMMARY

Acct	Sub-	Account Name	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008	Jun 2008	Jul 2008	Aug 2008	Sep 2008	Oct 2008	Nov 2008	Dec 2008	13-MO AVERAGE
1420	1	ACCOUNTS RECEIVABLE-ELECT (SEE ABOVE)	4,544,472	4,699,680	4,699,680	4,699,680	4,699,680	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	5,055,118	4,906,472
1430	1	ACCOUNTS RECEIVABLE-EMPLOYEES	4,498	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,627	3,694
1430	2	ACCOUNTS RECEIVABLE-ELECT-OTHER	105,178	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,318	105,307
		TOTAL ACCOUNTS REC	4,654,148	4,808,625	4,808,625	4,808,625	4,808,625	5,164,063	5,164,063	5,164,063	5,164,063	5,164,063	5,164,063	5,164,063	5,164,063	5,015,473

FLORIDA PUBLIC UTILITIES
070304-EI

REBUTTAL TESTIMONY EXHIBIT JIM R-2
WITNESS: JIM MESITE

FLORIDA PUBLIC UTILITIES COMPANY 070304-EI

OPC, LATE FILE EXHIBIT 16.3

FPU Comparison of Rate Increases 2007-2008

Northeast Florida-Fernandina

	Residential						General Service					
	Before Jan. 2007 Rate Increase	After Jan. 2007 Rate Increase	After Oct. 2007 Midcours e Rate Increase	After Nov. 22 Interim Rate Increase	After Jan. 2008 Annual Fuel Adjustment	May 2008 After Base Rate Increase	Before Jan. 2007 Rate Increase	After Jan. 2007 Rate Increase	After Oct. 2007 Midcourse Rate Increase	After Nov. 22 Interim Rate Increase	After Jan. 2008 Annual Fuel Adjustment	May 2008 After Base Rate Increase
Customer Charge	$ 10.00	$ 10.00	$ 10.00	$ 10.59	$ 10.59	$ 14.00	$ 14.00	$ 14.00	$ 14.00	$ 14.82	$ 14.82	$ 21.00
Base Rate Energy Charges ($/KWH)	$ 13.73	$ 13.73	$ 13.73	$ 14.53	$ 14.53	$ 19.67	$ 29.46	$ 29.46	$ 29.46	$ 31.18	$ 31.18	$ 44.12
Base Rate Demand Charges ($/KW)												
Purchased Power Cost Recovery Clause ($/KWH)	$ 32.87	$ 51.70	$ 63.55	$ 63.55	$ 66.28	$ 66.28	$ 64.32	$ 101.12	$ 124.70	$ 124.70	$ 136.22	$ 136.22
Energy Conservation Cost Recovery Clause ($/KWH)	$ 0.46	$ 0.60	$ 0.60	$ 0.60	$ 0.67	$ 0.67	$ 0.92	$ 1.20	$ 1.20	$ 1.20	$ 1.34	$ 1.34
Gross Receipts Tax	$ 1.46	$ 1.95	$ 2.25	$ 2.29	$ 2.36	$ 2.58	$ 2.79	$ 3.74	$ 4.34	$ 4.41	$ 4.71	$ 5.20
Total Monthly Bill	$ 58.52	$ 77.98	$ 90.13	$ 91.56	$ 94.43	$ 103.20	$ 111.49	$ 149.52	$ 173.70	$ 176.31	$ 188.27	$ 207.88
Monthly Demand (KW)												
Monthly Energy (KWH)	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000

	General Service Demand						GSLD					
	Before Jan. 2007 Rate Increase	After Jan. 2007 Rate Increase	After Oct. 2007 Midcourse Rate Increase	After Nov. 22 Interim Rate Increase	After Jan. 2008 Annual Fuel Adjustment	May 2008 After Base Rate Increase	Before Jan. 2007 Rate Increase	After Jan. 2007 Rate Increase	After Oct. 2007 Midcourse Rate Increase	After Nov. 22 Interim Rate Increase	After Jan. 2008 Annual Fuel Adjustment	May 2008 After Base Rate Increase
Customer Charge	$ 44.00	$ 44.00	$ 44.00	$ 46.58	$ 46.58	$ 62.00	$ 75.00	$ 75.00	$ 75.00	$ 79.39	$ 79.39	$ 113.00
Base Rate Energy Charges ($/KWH)	$ 92.80	$ 92.80	$ 92.80	$ 98.40	$ 98.40	$ 129.20	$ 344.00	$ 344.00	$ 344.00	$ 364.00	$ 364.00	$ 452.00
Base Rate Demand Charges ($/KW)	$ 248.00	$ 248.00	$ 248.00	$ 263.00	$ 263.00	$ 347.00	$ 2,890.00	$ 2,890.00	$ 2,890.00	$ 3,060.00	$ 3,060.00	$ 4,340.00
Purchased Power Cost Recovery Clause ($/KWH)	$ 1,237.20	$ 1,924.80	$ 2,390.80	$ 2,390.80	$ 2,592.40	$ 2,592.40	$ 11,992.00	$19,400.00	$ 24,076.00	$ 24,076.00	$ 26,132.00	$ 26,132.00
Energy Conservation Cost Recovery Clause ($/KWH)	$ 18.40	$ 24.00	$ 24.00	$ 24.00	$ 26.80	$ 26.80	$ 184.00	$ 240.00	$ 240.00	$ 240.00	$ 268.00	$ 268.00
Gross Receipts Tax	$ 42.06	$ 59.83	$ 71.78	$ 72.38	$ 77.62	$ 80.96	$ 397.04	$ 588.41	$ 708.31	$ 713.29	$ 766.72	$ 802.66
Total Monthly Bill	$ 1,682.46	$ 2,393.43	$ 2,871.38	$ 2,895.16	$ 3,104.80	$ 3,238.36	$ 15,882.04	$23,537.41	$ 28,333.31	$ 28,532.68	$ 30,670.11	$ 32,107.66
Monthly Demand (KW)	$ 100.00	$ 100.00	100	100	100	100	$ 1,000.00	$ 1,000.00	1,000	1,000	1,000	1,000
Monthly Energy (KWH)	40,000	40,000	40,000	40,000	40,000	40,000	400,000	400,000	400,000	400,000	400,000	400,000

Northwest Florida-Marianna

	Residential						General Service					
Customer Charge	$ 10.00	$ 10.00	$ 10.00	$ 10.59	$ 10.59	$ 14.00	$ 14.00	$ 14.00	$ 14.00	$ 14.82	$ 14.82	$ 21.00
Base Rate Energy Charges ($/KWH)	$ 13.73	$ 13.73	$ 13.73	$ 14.53	$ 14.53	$ 19.67	$ 29.46	$ 29.46	$ 29.46	$ 31.18	$ 31.18	$ 44.12
Base Rate Demand Charges ($/KW)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Purchased Power Cost Recovery Clause ($/KWH)	$ 45.29	$ 44.20	$ 53.48	$ 53.48	$ 76.10	$ 76.10	$ 89.48	$ 87.32	$ 105.82	$ 105.82	$ 156.80	$ 156.80
Energy Conservation Cost Recovery Clause ($/KWH)	$ 0.46	$ 0.60	$ 0.60	$ 0.60	$ 0.67	$ 0.67	$ 0.92	$ 1.20	$ 1.20	$ 1.20	$ 1.34	$ 1.34
Gross Receipts Tax	$ 1.78	$ 1.76	$ 2.00	$ 2.03	$ 2.61	$ 2.83	$ 3.43	$ 3.38	$ 3.86	$ 3.92	$ 5.23	$ 5.72
Total Monthly Bill less taxes	$ 71.26	$ 70.29	$ 79.81	$ 81.23	$ 104.50	$ 113.27	$ 137.29	$ 135.36	$ 154.34	$ 156.94	$ 209.37	$ 228.98
Monthly Demand (KW)												
Monthly Energy (KWH)	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000

	General Service Demand						GSLD					
Customer Charge	$ 44.00	$ 44.00	$ 44.00	$ 46.58	$ 46.58	$ 62.00	$ 75.00	$ 75.00	$ 75.00	$ 79.39	$ 79.39	$ 113.00
Base Rate Energy Charges ($/KWH)	$ 98.40	$ 98.40	$ 98.40	$ 98.40	$ 98.40	$ 129.20	$ 364.00	$ 364.00	$ 364.00	$ 364.00	$ 364.00	$ 452.00
Base Rate Demand Charges ($/KW)	$ 263.00	$ 263.00	$ 263.00	$ 263.00	$ 263.00	$ 347.00	$ 3,060.00	$ 3,060.00	$ 3,060.00	$ 3,060.00	$ 3,060.00	$ 4,340.00
Purchased Power Cost Recovery Clause ($/KWH)	$ 1,711.20	$ 1,670.80	$ 2,038.40	$ 2,038.40	$ 2,993.20	$ 2,993.20	$ 16,408.00	$16,004.00	$ 19,660.00	$ 19,660.00	$ 28,604.00	$ 28,604.00
Energy Conservation Cost Recovery Clause ($/KWH)	$ 18.40	$ 24.00	$ 24.00	$ 24.00	$ 26.80	$ 26.80	$ 184.00	$ 240.00	$ 240.00	$ 240.00	$ 268.00	$ 268.00
Gross Receipts Tax	$ 54.74	$ 53.85	$ 63.27	$ 63.34	$ 87.89	$ 91.23	$ 515.13	$ 506.21	$ 599.95	$ 600.06	$ 830.10	$ 866.04
Total Monthly Bill less taxes	$ 2,189.74	$ 2,154.05	$ 2,531.07	$ 2,533.72	$ 3,515.87	$ 3,649.43	$ 20,606.13	$20,249.21	$ 23,998.95	$ 24,003.45	$ 33,205.49	$ 34,643.04
Monthly Demand (KW)	100	100	100	100	100	100	1,000	1,000	1,000	1,000	1,000	1,000
Monthly Energy (KWH)	40,000	40,000	40,000	40,000	40,000	40,000	400,000	400,000	400,000	400,000	400,000	400,000

Average [Combined ÷ 2]

	Residential						General Service					
Customer Charge	$ 10.00	$ 10.00	$ 10.00	$ 10.59	$ 10.59	$ 14.00	$ 14.00	$ 14.00	$ 14.00	$ 14.82	$ 14.82	$ 21.00
Base Rate Energy Charges ($/KWH)	$ 13.73	$ 13.73	$ 13.73	$ 14.53	$ 14.53	$ 19.67	$ 29.46	$ 29.46	$ 29.46	$ 31.18	$ 31.18	$ 44.12
Base Rate Demand Charges ($/KW)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Purchased Power Cost Recovery Clause ($/KWH)	$ 39.08	$ 47.95	$ 58.52	$ 58.52	$ 71.19	$ 71.19	$ 76.90	$ 94.22	$ 115.26	$ 115.26	$ 146.51	$ 146.51
Energy Conservation Cost Recovery Clause ($/KWH)	$ 0.46	$ 0.60	$ 0.60	$ 0.60	$ 0.67	$ 0.67	$ 0.92	$ 1.20	$ 1.20	$ 1.20	$ 1.34	$ 1.34
Gross Receipts Tax	$ 1.62	$ 1.85	$ 2.12	$ 2.16	$ 2.49	$ 2.71	$ 3.11	$ 3.56	$ 4.10	$ 4.17	$ 4.97	$ 5.46
Total Monthly Bill less taxes	$ 64.89	$ 74.13	$ 84.97	$ 86.39	$ 99.47	$ 108.24	$ 124.39	$ 142.44	$ 164.02	$ 166.63	$ 198.82	$ 218.43
Monthly Demand (KW)	0	0	0	0	0	0	0	0	0	0	0	0
Monthly Energy (KWH)	1,000	1,000	1,000	1,000	1,000	1,000	2,000	2,000	2,000	2,000	2,000	2,000

	General Service Demand						GSLD					
Customer Charge	$ 44.00	$ 44.00	$ 44.00	$ 46.58	$ 46.58	$ 62.00	$ 75.00	$ 75.00	$ 75.00	$ 79.39	$ 79.39	$ 113.00
Base Rate Energy Charges ($/KWH)	$ 95.60	$ 95.60	$ 95.60	$ 98.40	$ 98.40	$ 129.20	$ 354.00	$ 354.00	$ 354.00	$ 364.00	$ 364.00	$ 452.00
Base Rate Demand Charges ($/KW)	$ 255.50	$ 255.50	$ 255.50	$ 263.00	$ 263.00	$ 347.00	$ 2,975.00	$ 2,975.00	$ 2,975.00	$ 3,060.00	$ 3,060.00	$ 4,340.00
Purchased Power Cost Recovery Clause ($/KWH)	$ 1,474.20	$ 1,797.80	$ 2,214.60	$ 2,214.60	$ 2,792.80	$ 2,792.80	$ 14,200.00	$17,702.00	$ 21,868.00	$ 21,868.00	$ 27,368.00	$ 27,368.00
Energy Conservation Cost Recovery Clause ($/KWH)	$ 18.40	$ 24.00	$ 24.00	$ 24.00	$ 26.80	$ 26.80	$ 184.00	$ 240.00	$ 240.00	$ 240.00	$ 268.00	$ 268.00
Gross Receipts Tax	$ 48.40	$ 56.84	$ 67.53	$ 67.86	$ 82.76	$ 86.09	$ 456.08	$ 547.31	$ 654.13	$ 656.68	$ 798.41	$ 834.35
Total Monthly Bill less taxes	$ 1,936.10	$ 2,273.74	$ 2,701.23	$ 2,714.44	$ 3,310.34	$ 3,443.89	$ 18,244.08	$21,893.31	$ 26,166.13	$ 26,268.07	$ 31,937.80	$ 33,375.35
Monthly Demand (KW)	100	100	100	100	100	100	1,000	1,000	1,000	1,000	1,000	1,000
Monthly Energy (KWH)	40,000	40,000	40,000	40,000	40,000	40,000	400,000	400,000	400,000	400,000	400,000	400,000

	Residential						General Service						General Service Demand						GSLD					
Percentage increase above 12/31/06 Rates	0%	14%	31%	33%			0%	15%	32%	34%			0%	17%	40%	40%			0%	20%	43%	44%		
Percentage increase above 12/31/07					15%	25%					19%	31%					22%	27%					22%	27%

AVERAGE % OF ALL CLASSES

Percentage increase above 1/1/07	0%	17%	36%	38%		
Percentage increase above 12/31/07					19%	28%

FLORIDA PUBLIC UTILITIES
070304-EI

REBUTTAL TESTIMONY EXHIBIT JM R-3
WITNESS: JIM MESITE

FLORIDA PUBLIC UTILITIES COMPANY 070304-EI **OPC, LATE FILE EXHIBIT 8.1**

DETAIL OF ACCOUNTS 1650.2 & 1650.5

2007 **13 MONTH AVERAGE**

Acct	Sub-	Account Name	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007	13 MONTH AVERAGE
100.1650	2	PREPAID LIABILITY IN	602,237	526,958	451,678	376,398	301,119	225,839	150,559	75,280	914,403	840,101	763,728	687,356	610,983	502,049
100.1650	5	PREPAID INSURANCE-WO	132,851	137,771	142,692	168,458	229,659	140,964	107,667	71,778	35,889	-	123,010	127,930	132,851	119,348
																-
ALLOCATE TO ELECTRIC AT 31% (Gross Profit)																
1650	2	PREPAID LIABILITY IN	186,694	163,357	140,020	116,684	93,347	70,010	46,673	23,337	283,465	260,431	236,756	213,080	189,405	155,635
1650	5	PREPAID INSURANCE-WO	41,184	42,709	44,234	52,222	71,194	43,699	33,377	22,251	11,126	-	38,133	39,658	41,184	36,998
		TOTAL 1650.2 & 1650.5	227,877	206,066	184,255	168,906	164,541	113,709	80,050	45,588	294,590	260,431	274,889	252,739	230,588	192,633

2008 **13 MONTH AVERAGE**

Acct	Sub-	Account Name	Dec 2006	Jan 2007	Feb 2007	Mar 2007	Apr 2007	May 2007	Jun 2007	Jul 2007	Aug 2007	Sep 2007	Oct 2007	Nov 2007	Dec 2007	13 MONTH AVERAGE
100.1650	2	PREPAID LIABILITY IN	610,983	534,610	458,237	381,864	305,491	229,119	152,746	76,373	943,310	866,599	787,818	709,036	630,254	514,341
100.1650	5	PREPAID INSURANCE-WO	132,851	137,700	143,000	168,500	176,800	140,900	107,900	71,777	35,889	-	123,010	127,930	132,850	115,316
ALLOCATE TO ELECTRIC AT 31% (Gross Profit)																
1650	2	PREPAID LIABILITY IN	189,405	165,729	142,053	118,378	94,702	71,027	47,351	23,676	292,426	268,646	244,223	219,801	195,379	159,446
1650	5	PREPAID INSURANCE-WO	41,184	42,687	44,330	52,235	54,808	43,679	33,449	22,251	11,126	-	38,133	39,658	41,184	35,748
		TOTAL 1650.2 & 1650.5	230,588	208,416	186,383	170,613	149,510	114,706	80,800	45,926	303,552	268,646	282,357	259,459	236,562	195,194

FLORIDA PUBLIC UTILITIES
070304-EI