

MESSER CAPARELLO & SELF, P.A.

Attorneys At Law  
www.lawfla.com

August 6, 2009

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COMMISSION  
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**BY HAND DELIVERY**

Ms. Ann Cole, Director, Commission Clerk  
Office of Commission Clerk  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

Re: Docket 080366-GU

Dear Ms. Cole:

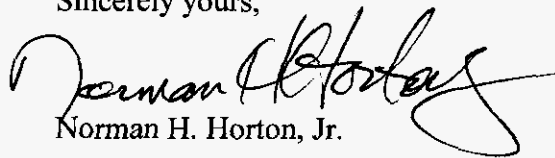
Pursuant to the requirements of Order No. PSC-09-0375-PAA-GU issued May 27, 2009, enclosed is a description of all entries or adjustments to the Annual Report, Earnings Surveillance Report, and books and records of Florida Public Utilities Company that will be required as a result of the decisions in this docket.

Copies of the summary have been provided to Staff and the Office of Public Counsel.

Please acknowledge receipt of this letter by stamping the extra copy of this letter "filed" and returning the same to me.

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

Sincerely yours,

  
Norman H. Horton, Jr.

NHH/amb  
Enclosures

cc: Ms. Cheryl M. Martin  
Mr. Clarence Prestwood  
Parties of Record

DOCUMENT NUMBER - DATE  
08114 AUG-6 8  
FPSC-COMMISSION CLERK

Florida Public Utilities Company  
Consolidated Natural Gas  
Natural Gas Rate Case  
Docket No. 080366-GU  
July 20, 2008

**SUMMARY OF REQUIRED ENTRIES AND ADJUSTMENTS**

The following is a summary by item of the journal entries or effect on books and adjustments to our surveillance reports as a result of our recent Natural Gas PAA proceeding and required by Order No. PSC-09-0375-PAA-GU dated May 27, 2009. The surveillance report will reflect the adjustments as made on our books and accordingly will be in compliance automatically with commission-mandated entries. The items specifically mentioned under surveillance reports below have been, or will be adjusted within the surveillance report.

**Allocations**

Adjustments of allocations attributable to non-regulated business, common plant and electronic data processing (EDP) related to the Minimum Filing Requirements (MFRs).

Books:

No adjustment required.

Surveillance Report:

No adjustment required.

**Depreciation Rates**

Books:

The new depreciation rates are effective 7/1/2009 and will be implemented on our books accordingly. See Exhibit 1 for a copy of the new rates effective 7/1/2009 for depreciation expense.

Surveillance Report:

No adjustment required.

Florida Public Utilities Company  
Consolidated Natural Gas  
Natural Gas Rate Case  
Docket No. 080366-GU  
July 20, 2008

**Bare Steel and Tubing Replacement Program**

Books:

The amortization for the Bare Steel and Tubing Replacement Program has been revised to \$747,727 annually, effective June 1, 2009. See **Exhibit 2** which provides a copy of the first journal entry booking the revised monthly amortization of \$62,310.

Surveillance Report:

The revised monthly amortization will be reflected in the June 2009 surveillance report once filed with the PSC. At this time it has not been completed and filed.

Report:

A copy of the report to be provided to the Commission's Division of Economic Regulation showing the dollar amount and feet of plastic mains and services installed in 2005, 2006, 2007 and 2008 to replace the bare steel pipe retired is attached. See **Exhibit 3** attached.

**Area Expansion Program (AEP) Deficiency**

Books:

The PAA Order approved unrecovered AEP excess construction costs of \$2,478,621 to be transferred to plant in service. The unrecovered balances have been updated as at May 31, 2009 and some computational corrections made resulting in \$2,087,564 being transferred to plant in service June 2009. See **Exhibit 4** attached.

Surveillance Report:

The unrecovered balance will be adjusted to plant in the surveillance report beginning December 2008. See surveillance report for June 2009 once filed with the PSC. At this time it has not been completed and filed.

**Cost of Capital**

Books:

No adjustment required.

Surveillance Report:

Equity rate for the midpoint has been set at 10.85 percent with a range of 9.85 percent to 11.85 percent as approved. See surveillance report once filed with the PSC. At this time it has not been completed and filed.

Florida Public Utilities Company  
Consolidated Natural Gas  
Natural Gas Rate Case  
Docket No. 080366-GU  
July 20, 2008

**Storm Accrual**

Books:

Storm damage accrual of \$6,000 annually, beginning June 2009 with a target level of \$1,000,000. See **Exhibit 5** attached for entry made in June 2009 for \$500.

Surveillance Report:

No adjustment required.

**Rate Case Expenses**

Books:

Amortization of rate case expenses for four years, effective June 2009. See **Exhibit 6** for journal entry recording first month expense for rate case amortization. Additional changes may come through after June and the amount will be adjusted accordingly.

Surveillance Report:

The unamortized authorized balance in the natural gas rate case expense account (100.1860.1, sub-ledger 36710), at the time of reporting will not be included as part of working capital.

**Property Tax Accrual for Common**

Books:

Correction to property tax accrual for common property being posted to Natural Gas allocated to all divisions in May 2009. See **Exhibit 7** for a copy of the journal entry.

Surveillance Report:

No adjustment required.

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 1

DOCUMENT NUMBER-DATE

08114 AUG-68

FPSC-COMMISSION CLERK

Procedure #: ACT-4.4.4

Effective Date: 7/1/09

Revision #: 5

Approved By: Cheryl Martin

# FIXED ASSETS

## July 1, 2009 Depreciation Rates

### Natural Gas and Common

From: ORDER NO. PSC-09-0229-PAA-GU, DOCKET NO. 080548-GU, PAGE 11, Attachment A

APPROVED - CONSOLIDATED				
ACCOUNT	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	6/30/2009 RESERVE (%)	REMAINING LIFE RATE (%)
<b>DISTRIBUTION PLANT</b>				
3741 Land Rights	30.0	0.0	0.0	3.3
375 Structures & Improvements	14.4	0.0	55.60	3.1
3761 Mains - Plastic	37.0	-10.0	19.28	2.5
3762 Mains - Steel	23.0	-20.0	54.54	2.8
378 Measuring and Regulating Ept. - General	19.0	-5.0	32.57	3.8
379 Measuring and Regulating Ept. - City Gate	21.0	-5.0	25.23	3.8
3801 Services - Plastic	26.0	-15.0	26.91	3.4
3802 Services - Other	12.3	-125.0	89.06	11.1
381 Meters	17.8	0.0	39.49	3.4
382 Meter Installations	26.0	-5.0	26.90	3.0
383 House Regulators	18.0	0.0	39.29	3.4
384 House Regulator Installations	24.0	-5.0	32.10	3.0
385 Indus. Meas. & Reg. Station Equip	10.0	0.0	21.96	7.8
387 Other Equipment	17.6	0.0	17.54	4.7
<b>GENERAL PLANT</b>				
390 Structures & Improvemts.	30.0	0.0	20.67	2.6
3911 Office Furniture	14.7	0.0	28.82	4.8
3912 Office Equipment	9.2	0.0	32.69	7.3
3913 Computers	4.7	0.0	47.95	11.1
3921 Transportation-Cars	4.2	10.0	35.12	13.1
3922 Transportation- Light Trucks & Vans	6.9	10.0	30.93	8.6
3923 Transportation-Heavy Trucks	11.0	10.0	0.0	8.2
3924 Transportation -Trailers	8.5	0.0	56.13	5.2
393 Stores Equipment	18.0	0.0	28.58	4.0
394 Tools, Shop & Garage Equipment	6.6	0.0	52.45	7.2
395 Laboratory Equipment	20.0	0.0	n/a	5.0
396 Power Operated Equipment	8.4	5.0	37.93	6.8
397 Communication Equipment	8.8	0.0	19.07	9.2
398 Miscellaneous Equipment	14.4	0.0	13.59	6.0
399 Miscellaneous Tangible	<b>5 Year Amortization</b>			
374.1 Land Rights Recovery Schedule	5 Year Amortization [of \$7,055.59, @ \$1,411.12 per year]			

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Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 2

# COPY

<b>JOURNAL ENTRY HEADER</b>				JE#	
BATCH TYPE (M/S)	<b>M</b>	ACCT YEAR	<b>2009</b>	PERIOD	<b>6</b>
JOURNAL NUMBER	<u>54473</u>				
COMPANY	<b>001</b>	BATCH NO.	<u>36629</u>		
REFERENCE	<b>5.5</b>	SOURCE	<b>JE</b>		
DESCRIPTION:	MONTHLY BARE STEEL ADJ		AUTO ACCRUAL?	<b>0</b>	
				JE DESCRIPTION:	<b>5.5</b>
				YR / PD	<b>'09 / 6</b>
<small>TO RECORD MONTHLY AMORTIZATION OF BARE STEEL AND TUBING REPLACEMENT PROGRAM CONTRIBUTION PER 2008 RATE CASE AT \$747,727 ANNUALLY. THESE REVISED AMOUNTS TO BE BOOKED BEGINNING WITH JUNE 2009.</small>					

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SUBLDG. NUMBER
	DEBIT	CREDIT		
001.2.1.4070.3	41,748.08			
001.2.3.4070.3	20,562.50			
001.2.1.1070.376112		623.11	F A # 121.3761.0125	028000
001.2.1.1070.376120		10,592.80	F A # 121.3761.0200	028000
001.2.1.1070.376140		16,823.84	F A # 121.3761.0400	028000
001.2.1.1070.380107		13,708.33	F A # 121.3801.0075	028000
001.2.1.1070.380112		623.11	F A # 121.3801.0125	028000
001.2.3.1070.376112		4,361.74	F A # 123.3761.0125	028000
001.2.3.1070.376120		9,969.69	F A # 123.3761.0200	028000
001.2.3.1070.380105		623.11	F A # 123.3801.0050	028000
001.2.3.1070.380107		4,984.85	F A # 123.3801.0075	028000

<b>PAGE</b>  <b>1 OF 1</b>	J.E. TOTALS	62,310.58	62,310.58	PREPARED BY	INITIALS	DATE
	J.E. TOTALS	62,310.58	62,310.58	APPROVED BY		
				ENTERED BY		
				CHECKED BY		
				POSTED BY		



## Florida Public Utilities Company

### AMORTIZATION ALLOCATION for BARE STEEL AND TUBING REPLACEMENT PROGRAM

Based on Adjusted Gross Profit for the 12 Months Ended June 30, 2008

And Expenditures for the Year Months Ended December 31, 2008

### 2009 - New Rates per 2008 NG Rate Case

<u>AMORTIZATION</u>	Adjusted Gross Profit	%	Annual Allocated Amount	Monthly Amount
<b>Total Annual Amortization Approved in 2008 Rate Case</b>			<b><u>747,727</u></b>	
South Florida Natural Gas	14,563,729	67%	500,977	41,748.08
Central Florida Natural Gas	7,081,840	33%	246,750	20,562.50
	<u>21,645,569</u>	<u>100%</u>	<u>747,727</u>	<u>62,310.58</u>

<u>CONTRIBUTION</u>	2008 Expenditures	%	Monthly Contribution
<b><u>SOUTH FLORIDA</u></b>			
001.2.1.1070. 376112	3,796	1%	623.11
001.2.1.1070. 376120	99,262	17%	10,592.80
001.2.1.1070. 376140	145,796	27%	16,823.84
001.2.1.1070. 376160	299	0%	-
001.2.1.1070. 376212	(485)	0%	-
001.2.1.1070. 376240	2,087	0%	-
001.2.1.1070. 376260	307	0%	-
001.2.1.1070. 380105	2,019	0%	-
001.2.1.1070. 380107	130,430	22%	13,708.33
001.2.1.1070. 380112	8,239	1%	623.11
001.2.1.1070. 380120	840	0%	-
001.2.1.1070. 380140	311	0%	-
	<u>392,901</u>	<u>68%</u>	<u>42,371.19</u>
<b><u>CENTRAL FLORIDA</u></b>			
001.2.3.1070. 376105	246	0%	-
001.2.3.1070. 376112	42,466	7%	4,361.74
001.2.3.1070. 376120	92,658	16%	9,969.69
001.2.3.1070. 376220	644	0%	-
001.2.3.1070. 380105	6,468	1%	623.11
001.2.3.1070. 380107	44,459	8%	4,984.85
001.2.3.1070. 380112	281	0%	-
001.2.3.1070. 380120	23	0%	-
	<u>187,245</u>	<u>32%</u>	<u>19,939.39</u>
<b>TOTAL</b>	<b><u>580,146</u></b>	<b><u>100%</u></b>	<b><u>62,310.58</u></b>

It is appropriate that monthly account contribution by division does not equal monthly amortization by division. It does tie in total.

Docket No. 080366-GU  
Date: April 23, 2009

**Issue 6:** Should FPUC's proposed adjustments to Rate Base and Depreciation Expense & Amortization expense due to the expansion and modification of its bare steel replacement program be approved?

**Recommendation:** No. The Company's modified bare steel replacement program should be approved, with the exception that the replacement period should be shortened to 50 years to reflect the average useful life of the equipment. Staff recommends an adjustment to decrease the Company's plant in service and depreciation reserve by \$67,503 and \$716, respectively. Staff also recommends an adjustment to increase amortization expense by \$124,621 and decrease depreciation expense by \$1,841.

**Further, the Company should be required to file a report with the Commission's Division of Economic Regulation, within 90 days of the final order in this rate case, showing the dollar amount and feet of plastic mains and services installed in 2005, 2006, 2007, and 2008 to replace the bare steel pipe retired in those same years. Thereafter, the Company should be required to file an annual status report by March 31 of each year showing the dollar amount and feet of plastic mains, services and tubing installed during the previous calendar year to replace bare steel pipe and tubing retired that year. (Daniel, Prestwood, P. Lee, Mills)**

**Staff Analysis:** The Company's bare steel replacement program was approved by the Commission in the Company's last rate case in Docket No. 040216-GU.<sup>3</sup> The Commission's Order in Docket No. 040216-GU stated:

The bare steel replacement program as proposed by the Utility would replace all of the utility's existing bare steel mains and service lines with plastic pipe. Bare steel mains and service lines do not appear to have effective cathodic protection on them. Included in this total is approximately five miles of cast iron mains. Some of these mains and service lines have experienced corrosion and corrosion-related gas leaks.

The utility's proposed program would replace all existing mains over a 75-year period beginning in 2005, at a total cost of \$28,315,380, amortized at \$377,538 per year. We find that the replacement period shall be shortened to 50 years to reflect the average useful life of the equipment. This change results in a yearly increase in amortization expense of \$188,770 for a total of \$566,308. Accumulated amortization for the projected test year is also increased by \$94,385.<sup>3</sup>

According to the Company, the Department of Transportation, Pipeline and Hazardous Materials Safety Administration, and the Commission's Bureau of Safety are both in the process

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<sup>3</sup> Order No. PSC-04-1110-PAA-GU, issued November 8, 2004, in Docket No. 040216-GU, In re: Application for rate increase by Florida Public Utilities Company, p.8.

of developing rulemaking to address distribution integrity management. This emphasizes the need not only to continue the bare steel replacement program, but to enhance this program to include steel tubing replacements, recognizing the possible increased hazard from steel tubing.

The Company estimates that the total cost of the program is \$37,386,365, from \$28,315,380, as approved in the last rate case, an increase of \$9,070,985. This increase is mainly due to greater material and installation costs associated with the replacement of steel pipe with plastic. Adding steel tubing to the replacement program, accounts for only \$642,660 of the program's total increased cost.

In the current rate case, the Company included an annual amortization of \$623,106, for the bare steel mains, services, and steel tubing replacement program. The annual expense reflects the revised total cost of the replacement program and the Company's requested 60-year amortization period. These changes increase the annual amortization expense from \$566,308, as approved in the last rate case, to \$623,106, or an increase of \$56,798.

In the last rate case, the Company proposed a 75-year amortization period for the bare steel replacement program. In Order No. PSC-04-1110-PAA-GU granting FPUC a permanent rate increase, the Commission stated:

The utility's proposed program would replace all existing mains over a 75-year period beginning in 2005, at a total cost of \$28,315,380, amortized at \$377,538, per year. We find that the replacement period shall be shortened to 50 years to reflect the average useful life of the equipment.

**Staff recommends that the Company's revised bare steel replacement program should be approved with the exception that the amortization period should remain at 50 years to reflect the average useful life of the equipment. This change results in a yearly increase in amortization expense of \$181,419 over the program approved in the last rate case. It requires an adjustment to decrease the Company's plant in service and depreciation reserve by \$67,503 and \$716, respectively. It also requires an adjustment to increase amortization expense by \$124,621 and decrease depreciation expense by \$1,841.**

**Staff further recommends that the Company should be required to file a report with the Commission's Division of Economic Regulation, within 90 days of the Commission's final order in this rate case, showing the dollar amount and feet of plastic mains and services installed in 2005, 2006, 2007, and 2008 to replace the bare steel pipe retired in those same years. Thereafter, the Company should be required to file an annual status report by March 31 of each year showing the dollar amount and feet of plastic mains, services and tubing installed during the previous calendar year to replace bare steel pipe and tubing retired that year.**

Vote Sheet

May 5, 2009

Docket No. 080366-GU – Petition for rate increase by Florida Public Utilities Company.

(Continued from previous page)

Issue 6: Should FPUC's proposed adjustments to Rate Base and Depreciation Expense & Amortization expense due to the expansion and modification of its bare steel replacement program be approved?

Recommendation: No. The Company's modified bare steel replacement program should be approved, with the exception that the replacement period should be shortened to 50 years to reflect the average useful life of the equipment. Staff recommends an adjustment to decrease the Company's plant in service and depreciation reserve by \$67,503 and \$716, respectively. Staff also recommends an adjustment to increase amortization expense by \$124,621 and decrease depreciation expense by \$1,841.

Further, the Company should be required to file a report with the Commission's Division of Economic Regulation, within 90 days of the final order in this rate case, showing the dollar amount and feet of plastic mains and services installed in 2005, 2006, 2007, and 2008 to replace the bare steel pipe retired in those same years. Thereafter, the Company should be required to file an annual status report by March 31 of each year showing the dollar amount and feet of plastic mains, services and tubing installed during the previous calendar year to replace bare steel pipe and tubing retired that year.

**APPROVED**

Issue 7: Should FPUC's Area Expansion Program (AEP) deficiency be allowed in rate base?

Recommendation: Yes. Staff recommends that the Company's AEP deficiency be allowed in rate base, as corrected. This requires an adjustment to increase plant in service by \$17,419 to correct an error in the Company's filing.

**APPROVED**

Issue 8: Should an adjustment be made to Account 252 - Customer Advances for the projected test year?

Recommendation: Yes. Account 252 - Customer Advances for Construction should be increased by \$87,449 for the projected 2009 test year.

**APPROVED**

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 3

**FLORIDA PUBLIC UTILITIES COMPANY**  
**Bare Steel and Tubing Replacement Program**  
**Summary of Annual Expenditures**  
**2005 - 2008**

	South Florida				Central Florida				Total			
	Mains		Services		Mains		Services		Mains		Services	
	Amount	Feet	Amount	Feet	Amount	Feet	Amount	Feet	Amount	Feet	Amount	Feet
2005	239,423	note	1,368	note	86,388	note	6,836	note	325,811	note	8,204	note
2006	288,274	note	(1,984)	note	380,986	note	86,143	note	669,260	note	84,159	note
2007	350,157	note	114,268	note	296,828	note	36,578	note	646,985	note	150,846	note
2008	251,062	note	141,839	note	136,014	note	51,231	note	387,076	note	193,070	note
									<u>2,029,132</u>		<u>436,279</u>	

Note: Annual feet of mains and services installed under the program is not available at this time. Historic documents are being evaluated and the information will be supplied as soon as the information is available.

**Total Expenditures 2005 - 2008** 2,465,411

**Total Amortized 2005 - 2008 @ \$566,308 per Year** 2,265,232

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 4

COPY

**FLORIDA PUBLIC UTILITIES COMPANY  
FLO-GAS CORPORATION**

<b>JOURNAL ENTRY HEADER</b>				JE# <b>5</b>	
BATCH TYPE (M/S) <u>  M  </u>	ACCT YEAR <u>  2009  </u>	PERIOD <u>  6  </u>	JE DESCRIPTION: (TYPE BELOW)  To transfer unrecoverable AEP balances to plant as per NG Docket # 080366-GU; Order # PSC-09-0375-PAA-GU issued May 27, 2009.		
JOURNAL NUMBER <u>      5      </u>	BATCH NUMBER <u>          </u>				YR/PRD <b>2009/06</b>
COMPANY <u>                  </u>	SOURCE <u>  JE  </u>				
REFERENCE <u>                  </u>	AUTO ACCRUAL ? [0/1] <u>  0  </u>				
DESCRIPTION:					

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SUBLDG. NUMBER
	DEBIT	CREDIT		
123.1860.4		✓ 9,302.89	Deltona Ph.1	020001
123.1860.4		1,932.49	Stone Gable	020092
123.1860.4		✓ 391,842.89	Deltona Ph.2	020093
123.1860.4		✓ 20,161.50	Debary Golf	020098
123.1860.4		290,521.68	Convert Deltona Ph III	020289
123.1860.4		112,911.34	Winter Springs Town Ctr	021031
123.1860.4		94,684.63	Lakes of Deland	021151
123.1860.4		99,041.55	Riverside at DeBary	021160
123.1860.4		13,566.65	Arbor Ridge	021315
123.1860.4		42,272.63	Bella Foresta	021743
123.1860.4		46,930.72	Wellington Woods	022076
123.1860.4		38,075.29	Florida Days	022081
123.1860.4		7,712.76	Veramonte Subdivision	022133
123.1860.4		17,902.81	Sugar Mill Gardens	022234
123.1860.4		28,548.91	Baton Lake Estates	022237

PAGE	PAGE	0.00	1,215,408.75	PREPARED BY	INITIALS	DATE
	TOTALS				TP, DC & DK	07/14/09
2 OF 4	J.E.	2,087,563.68	2,087,563.68	APPROVED BY		
	TOTALS			ENTERED BY		
				CHECKED BY		



**FLORIDA PUBLIC UTILITIES COMPANY  
FLO-GAS CORPORATION**

**COPY**

<b>JOURNAL ENTRY HEADER</b>				JE# <b>5</b>
BATCH TYPE (M/S) <u>M</u>	ACCT YEAR <u>2009</u>	PERIOD <u>6</u>	JE DESCRIPTION: <i>(TYPE BELOW)</i>	
JOURNAL NUMBER <u>5</u>	BATCH NUMBER _____	To transfer unrecoverable AEP balances to plant as per NG Docket # 080366-GU; Order # PSC-09-0375-PAA-GU issued May 27, 2009.		
COMPANY _____	SOURCE <b>JE</b>	YR/PRD <b>2009/06</b>		
REFERENCE _____	AUTO ACCRUAL ? [0/1] <b>0</b>			
DESCRIPTION:				

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SUBLDG. NUMBER
	DEBIT	CREDIT		
121.1070.376140	7,390.93		La Chalet	020497
121.1070.376260	346,359.51		Thor./Versailles	020659
121.1070.376230	118,571.89		Mizner Falls Subdiv.	020694
121.1070.376140	22,603.41		Kenco Commun.	020733
121.1070.376140	229.93		Equestrian Club	020848
121.1070.376140	43,463.08		Juno Beach	020850
121.1070.376140	84,330.70		Victoria Grove	020860
121.1070.376260	79,834.42		Hamilton Bay	020864
121.1070.376112	25,210.78		Downtown Gas Lt. Dist.	020998
121.1070.376120	46,515.92		SR 441-Palmetto Pk.	021021
121.1070.376140	97,644.35		Canopy Creek	022129

PAGE  
**3 OF 4**

PAGE TOTALS	872,154.93	0.00
J.E. TOTALS	2,087,563.68	2,087,563.68

	INITIALS	DATE
PREPARED BY	TP, DC & DK	07/14/09
APPROVED BY		
ENTERED BY		
CHECKED BY		

# COPY

## FLORIDA PUBLIC UTILITIES COMPANY FLO-GAS CORPORATION

<b><u>JOURNAL ENTRY HEADER</u></b>				JE# <b>5</b>
BATCH TYPE (M/S) <u>M</u>	ACCT YEAR <u>2009</u>	PERIOD <u>6</u>	JE DESCRIPTION: (TYPE BELOW)	
JOURNAL NUMBER <u>5</u>	BATCH NUMBER		To transfer unrecoverable AEP balances to plant as per NG Docket # 080366-GU; Order # PSC-09-0375-PAA-GU issued May 27, 2009.	
COMPANY	SOURCE <b>JE</b>			
REFERENCE	AUTO ACCRUAL ? [0/1] <u>0</u>			
DESCRIPTION:				

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SBLDg. NUMBER
	DEBIT	CREDIT		
121.1860.4		7,390.93	La Chalet	020498
121.1860.4		346,359.51	Thor./Versailles	020660
121.1860.4		118,571.89	Mizner Falls Subdiv.	020695
121.1860.4		22,603.41	Kenco Commun.	020734
121.1860.4		229.93	Equestrian Club	020849
121.1860.4		43,463.08	Juno Beach	020851
121.1860.4		84,330.70	Victoria Grove	020861
121.1860.4		79,834.42	Hamilton Bay	020865
121.1860.4		25,210.78	Downtown Gas Lt. Dist.	020999
121.1860.4		46,515.92	SR 441-Palmetto Pk.	021025
121.1860.4		97,644.35	Canopy Creek	022130

PAGE  
4 OF 4

PAGE	0.00	872,154.93
TOTALS		
J.E.	2,087,563.68	2,087,563.68
TOTALS		

	INITIALS	DATE
PREPARED BY	TP, DC & DK	07/14/09
APPROVED BY		
ENTERED BY		
CHECKED BY		

# AEP Comparison Report

as of 5/31/09

Project Information						Maximum Collection Date	Min Months Remaining (to collect)	ECC Balance As of May 09	ESTIMATED AMOUNT TO BE PAID BY AEP CUSTOMERS	TOTAL AMOUNT TO BE CARRIED INTO RATE BASE
Project Name	IR #	AEP #	Division	Revenue Start	Expenses Start					
1 Deltona Ph.1	919	20001	CF	09/1998	02/1998	09/2008	0	\$9,302.89	\$0.00	\$9,302.89
2 Stone Gable	20021	20092	CF	02/1999	08/1998	02/2009	0	\$1,932.49	\$0.00	\$1,932.49
3 Deltona Ph.2	20094	20093	CF	05/1999	01/1999	05/2009	0	\$391,842.89	\$0.00	\$391,842.89
4 Debary Golf	20099	20098	CF	04/1999	01/1999	04/2009	0	\$20,161.50	\$0.00	\$20,161.50
5 Convert Deltona Ph III	20290	20289	CF	05/2000	12/1999	05/2010	12	\$351,496.11	\$60,974.43	\$290,521.68
6 Victoria Pk. Ph. I	20560	20561	CF	10/2001	03/2001	10/2011	29	\$234,587.39	\$234,587.39	\$0.00
7 Fawn Ridge Sub.	20590	20591	CF	11/2002	07/2001	11/2012	42	\$6,940.52	\$6,940.52	\$0.00
8 Lake Mary H.S.	20797	20798	CF	08/2002	04/2002	08/2012	39	\$15,736.35	\$15,736.35	\$0.00
9 Springview Unit 6	20880	20881	CF	10/2002	06/2002	10/2012	41	\$6,007.07	\$6,007.07	\$0.00
10 Winter Springs Town C	21030	21031	CF	02/2003	01/2003	02/2013	45	\$155,077.31	\$42,165.97	\$112,911.34
11 Lakes of Deland	21150	21151	CF	06/2005	08/2003	06/2015	73	\$105,116.66	\$10,432.03	\$94,684.63
12 Riverside at DeBary	21159	21160	CF	06/2004	08/2003	06/2014	61	\$145,604.88	\$46,563.33	\$99,041.55
13 Arbor Ridge	21314	21315	CF	07/2004	04/2004	07/2014	62	\$151,285.95	\$137,719.30	\$13,566.65
14 Inlet Shore Estates	21327	21328	CF	11/2004	07/2004	11/2014	66	\$11,302.32	\$11,302.32	\$0.00
15 Deltona Woods	21685	21686	CF	08/2006	10/2005	08/2016	85	\$6,287.75	\$6,287.75	\$0.00
16 Bella Foresta	21742	21743	CF	01/2008	01/2006	01/2018	104	\$45,443.34	\$3,170.71	\$42,272.63
17 Wellington Woods	22075	22076	CF	05/2008	08/2007	05/2018	108	\$55,454.39	\$8,523.67	\$46,930.72
18 Florida Days	22080	22081	CF	03/2008	07/2007	03/2018	106	\$39,444.11	\$1,368.82	\$38,075.29
19 Summer Glen	22120	22121	CF	10/2007	09/2007	10/2017	101	\$248,069.09	\$248,069.09	\$0.00
20 Veramonte Subdivision	22132	22133	CF	Not Yet	10/2007		120	\$21,060.21	\$13,347.45	\$7,712.76
21 Sugar Mill Gardens	22233	22234	CF	05/2009	04/2008	05/2019	120	\$25,647.75	\$7,744.94	\$17,902.81
22 Baton Lake Estates	22236	22237	CF	09/2008	05/2008	09/2018	112	\$32,111.99	\$3,563.08	\$28,548.91
<b>CF Total</b>								<b>\$2,079,912.96</b>	<b>\$864,504.21</b>	<b>\$1,215,408.75</b>
21 La Chalet	20497	20498	SF	06/2001	12/2000	06/2011	25	\$22,506.26	\$15,115.33	\$7,390.93
22 Thor/Versailles	20659	20660	SF	05/2002	09/2001	05/2012	36	\$580,190.12	\$233,830.61	\$346,359.51
23 Mizner Falls Subdiv.	20694	20695	SF	04/2002	12/2001	04/2012	35	\$152,645.35	\$34,073.46	\$118,571.89
24 Kenco Commun.	20733	20734	SF	03/2003	01/2002	03/2013	46	\$56,829.07	\$34,225.66	\$22,603.41
25 Equestrian Club	20848	20849	SF	10/2002	05/2002	10/2012	41	\$62,381.34	\$62,151.41	\$229.93
26 Juno Beach	20850	20851	SF	02/2003	06/2002	02/2013	45	\$148,895.27	\$105,432.19	\$43,463.08
27 Victoria Grove	20860	20861	SF	12/2002	05/2002	12/2012	43	\$231,468.89	\$147,138.19	\$84,330.70
28 Hamilton Bay	20864	20865	SF	11/2002	06/2002	11/2012	42	\$126,888.86	\$47,034.44	\$79,834.42
29 Deerfield Ph. II	20973	20974	SF	02/2003	10/2002	02/2013	45	\$29,276.21	\$29,276.21	\$0.00
30 Wyndsong Estates	20975	20976	SF	08/2003	11/2002	08/2013	51	\$30,151.88	\$30,151.88	\$0.00
31 Downtown Gas Lt. Dist.	20998	20999	SF	Not Yet	11/2002		120	\$25,210.78	\$0.00	\$25,210.78
32 S.E. 6th Ave.	21006	21007	SF	03/2003	12/2002	03/2013	46	\$13,639.96	\$13,639.96	\$0.00
33 SR 441-Palmetto Pk.	21021	21025	SF	10/2004	12/2002	10/2014	65	\$96,569.89	\$50,053.97	\$46,515.92
34 Cedar Creek Subdiv.	21194	21195	SF	01/2004	10/2003	01/2014	56	\$20,633.63	\$20,633.63	\$0.00
35 Equus Subdiv.	21211	21212	SF	01/2004	10/2003	01/2014	56	\$52,976.57	\$52,976.57	\$0.00
36 Casa Bella Subdiv.	21241	21242	SF	03/2006	03/2004	03/2016	82	\$64,460.75	\$64,460.75	\$0.00
37 Talavera Subdiv.	21343	21344	SF	05/2006	06/2004	05/2016	84	\$17,591.30	\$17,591.30	\$0.00
38 441 Belv to Okeechobe	21390	21391	SF	10/2005	08/2004	10/2015	77	\$34,468.96	\$34,468.96	\$0.00
39 Wellington Town Sq.	21435	21436	SF	03/2009	11/2004	03/2019	118	\$77,210.63	\$77,210.63	\$0.00
40 Canopy Creek	22129	22130	SF	09/2007	08/2007	09/2017	100	\$114,143.18	\$16,498.83	\$97,644.35
41 Boca Grove	22299	22300	SF	Not Yet	08/2008		120	\$9,457.70	\$9,457.70	\$0.00
<b>SF Total</b>								<b>\$1,967,676.60</b>	<b>\$1,095,421.67</b>	<b>\$872,154.93</b>
<b>Total</b>								<b>\$4,047,489.56</b>	<b>\$1,959,925.88</b>	<b>\$2,087,563.68</b>

COPY

D. Area Expansion Program (AEP) Deficiency

FPUC extends its facilities to provide service in accordance with the provisions of Rule 25-7.054, F.A.C. The rule requires extensions to be made at no cost to the customer when the capital investment necessary to extend the Company's facilities is less than the allowable construction cost. The allowable construction cost is equal to four times the estimated gas revenues from the facilities less the cost of gas. In the event the cost exceeds the allowable construction cost, the Company requires the customer(s) to make an advance in aid of construction, which has to be made up-front.

The AEP is an alternate method of recovering capital construction costs that are in excess of estimated four-year base revenues that are to be derived from a defined main extension project. While Rule 25-7.054, F.A.C., is designed to address individual customers, the AEP is designed to address a group of customers that are part of an expansion project. The AEP allows the Company to add a surcharge that is billed to each participating customer until the excess construction cost is paid in full or a maximum period of 10 years, whichever comes first.

FPUC's existing AEP was originally approved in Docket No. 941291-GU.<sup>4</sup> The current program does not provide for a true-up mechanism at any point during the 10-year allowable collection period. Additionally, the program does not allow the AEP per therm surcharge rate to be changed once the in-service date has been established.

FPUC currently has 44 active AEP projects of which 38 are projected to have excess construction cost balances as of December 31, 2008. Due to the current economic conditions that have affected the new construction housing market, the Company does not anticipate the excess construction cost balances of these projects to be recovered prior to the end of the 10-year allowable collection period. The Company has conducted an analysis of all 44 active AEP projects. The analysis showed that without an adjustment to the per therm surcharge, the unrecovered excess construction costs at the end of the 10-year collection period of each project, in total, will exceed \$4,000,000.

The Company proposes to deal with this shortfall in two ways. First it proposes to increase the allowable surcharge rate, which is discussed below. Under the Company's proposed increase, the unrecovered excess construction cost balances would be reduced to \$2,461,202 based on its original filing. However, the Company corrected the original filing in response to our staff's Data Request No. 70, increasing the unrecovered excess construction cost, after the proposed increase in the surcharge, from \$2,461,202 to \$2,478,621, or an increase of \$17,419. The Company proposes to transfer the remaining balance of \$2,478,621 to plant in service, increasing rate base as filed in the current rate proceeding. In the Company's last rate proceeding, we did not address the unrecovered excess construction cost balances associated with the AEP

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<sup>4</sup> Order No. PSC-95-0162-FOF-GU, issued February 7, 1995, in Docket No. 941291-GU, In Re: Petition for approval of modification to tariff provisions governing main and service extensions by Florida Public Utilities Company.

FPUC is also proposing a new AEP, based on its experience in managing the existing AEP projects over the last 14 years. The Company's proposal for the new AEP, which is designed in part to reduce the underrecovery of cost in the future, is discussed below.

We believe that the AEP allows customers access to natural gas that they otherwise would not have been able to receive. Adding additional customers to the system helps spread common costs over a larger base, helping all customers.

Therefore, the unrecovered cost associated with the existing AEPs shall be allowed in rate base and recovered over the life of the property, and plant in service and accumulated depreciation reserve shall be increased by \$2,478,621 and \$31,998 respectively. This requires an adjustment to increase plant in service by \$17,419, to correct the error in the Company's filing.

#### E. Account 252 - Customer Advances

Audit Finding No. 1 noted that FPUC made an error in Account 252 - Customer Advances for Construction forecast for 2009. The 2009 forecast was calculated by taking the 2007 historical average amount and applying the combined customer growth and inflation factor of 1.0274. The Company should have used the 2008 forecast average amount and the 2009 customer growth and inflation factor of 1.0274.

Therefore, Account 252 - Customer Advances for Construction shall be increased by \$87,449 for the projected 2009 test year. The Company concurs with this adjustment.

#### F. Working Capital Allowance

In response to our staff's Data Request No. 49, the Company noted that the projected amounts shown in the MFRs represent the incorrect years for workman's compensation insurance. The corrected 13-month average for workman's compensation insurance for the 2009 test year is \$88,748, compared to the Company's original filing of \$106,340. Therefore, to correct this error, working capital shall be decreased by \$17,592 for the 2009 test year.

Also, in response to our staff's Data Request No. 90, the Company noted that it had erroneously included \$8,436 of Account 1210 -- Non-Utility Property in working capital for the 2009 test year. To correct this error, working capital shall be decreased by \$8,436.

The total of these two adjustments is a decrease to working capital of \$26,028.

#### G. Rate Base

Based on our above-noted adjustments, the appropriate 13-month average rate base for the 2009 projected test year shall be reduced from \$73,747,220 to \$73,262,885, as shown on Schedule 1.

**AEP Reconciliation Summary**  
**MAY 2009**  
 CENTRAL FLORIDA DIVISION  
 123.1860.4

Prepared By:  
 Approved By:

AEP#	AEP Project	Revenues Start Date	Estimated Compl. Date	Excess Contrib Per IR	Excess Contrib Per G/L	Interest	Collections	Over/Under Collection Adj.	Balance	
20001	Deltona Ph.1	9/98	12/08	478,227.00	478,226.00	287,757.52	(756,680.63)	0.00	9,302.89	
20092	Stone Gable	2/99	12/08	18,744.00	18,744.00	9,699.01	(26,510.52)	0.00	1,932.49	
20093	Deltona Ph.2	5/99	12/08	370,122.00	370,122.00	319,574.11	(297,853.22)	0.00	391,842.89	
20098	Debary Golf	4/99	12/08	41,785.00	41,785.00	29,186.45	(50,809.95)	0.00	20,161.50	
20289	Convert Deltona Ph III	5/00	12/09	425,787.00	425,787.00	307,713.47	(382,004.36)	0.00	351,496.11	
20345	Crystal Cove	2/01	12/09	21,799.00	21,671.00	12,264.16	(35,348.42)	1,414.26	0.00	
20561	Victoria Pk. Ph. I	10/01	12/10	445,068.00	445,068.00	296,425.80	(506,906.41)	0.00	234,587.39	
20591	Fawn Ridge Sub.	11/02	12/010	37,774.00	32,534.00	18,297.46	(43,890.94)	0.00	6,940.52	
20798	Lake Mary H.S.	08/02	12/07	14,091.00	14,091.00	8,554.42	(6,909.07)	0.00	15,736.35	
20881	Spingview Unit 6	10/02	03/11	17,748.00	17,748.00	7,733.39	(19,474.32)	0.00	6,007.07	
21031	Winter Springs Town Ctr	02/03	03/12	122,437.00	122,437.00	70,326.40	(37,686.09)	0.00	155,077.31	
21151	Lakes of Deland	06/05	03/12	71,646.00	71,646.00	38,130.49	(4,659.83)	0.00	105,116.66	
21160	Riverside at DeBary	06/04	03/12	117,000.00	117,000.00	58,728.14	(30,123.26)	0.00	145,604.88	
21315	Arbor Ridge	07/04	03/10	195,796.00	169,095.00	69,920.20	(87,729.25)	0.00	151,285.95	
21328	Inlet Shore Estates	11/04	03/10	13,169.00	13,169.00	4,790.75	(6,657.43)	0.00	11,302.32	
21686	Deltona Woods	06/06	09/10	9,982.00	9,982.00	2,593.40	(6,287.65)	0.00	2,687.75	
21743	Bella Foresta	01/08	02/16	35,646.00	35,646.00	10,327.40	(530.06)	0.00	45,443.34	
22076	Wellington Woods	5/08	09/17	48,789.00	48,789.00	6,954.77	(289.38)	0.00	55,454.39	
22081	Florida Days	3/08	08/17	34,492.00	34,492.00	4,981.87	(29.76)	0.00	39,444.11	
22121	SummerGlen Conversion	10/07	09/17	290,988.00	290,988.00	35,058.35	(77,977.26)	0.00	248,069.09	
22133	Veramonte Subdivision	not yet		18,793.00	18,793.00	2,267.21	0.00	0.00	21,060.21	
22234	Sugar Mill Gardens	05/09		24,307.00	24,307.00	1,342.95	(2.20)	0.00	25,647.75	
22237	Baton Lake Estates	9/08		36,764.00	30,474.30	1,882.75	(45.06)	0.00	32,111.99	
<b>Total</b>										
						\$2,797,813.00	\$1,601,284.77	(\$2,378,358.81)	\$1,414.26	\$2,079,912.96
G/L Balance										2,079,912.96
Difference										0.00

**AEP Reconciliation Summary**  
**MAY 2009**  
 SOUTH FLORIDA  
 121.1860.4

AEP#	AEP Project	Revenues Start Date	Estimated Compl. Date	Excess Contrib Per IR	Excess Contrib Per G/L	Interest	Collections	Over/Under Collection Adj.	Balance	
20347	Westward Expansion	9/00	12/09	188,895.00	157,007.00	87,966.21	(252,559.45)	7,586.24	0.00	
20498	La Chalet	6/01	12/10	40,254.00	40,254.00	24,491.13	(42,238.87)	0.00	22,506.26	
20660	Thor/Versailles	5/02	12/11	461,427.00	461,427.00	336,951.19	(218,188.07)	0.00	580,190.12	
20695	Mizner Falls Subdiv.	4/02	12/11	116,213.00	116,213.00	80,322.85	(43,890.60)	0.00	152,645.35	
20734	Kenco Commun.	3/03	12/11	44,360.00	44,360.00	32,543.09	(20,074.02)	0.00	56,829.07	
20849	Equestrian Club	10/02	12/06	105,392.00	105,392.00	53,193.61	(96,204.27)	0.00	62,381.34	
20851	Juno Beach	02/03	03/10	141,331.00	141,331.00	86,087.60	(78,523.33)	0.00	148,895.27	
20861	Victoria Grove	12/02	03/10	261,501.00	261,501.00	139,197.99	(189,230.10)	0.00	231,468.89	
20865	Hamilton Bay	11/02	12/06	109,189.00	109,189.00	68,242.74	(48,562.88)	0.00	126,868.86	
20974	Deerfield Ph. II	02/03	03/10	42,898.00	42,898.00	21,069.58	(34,691.37)	0.00	29,276.21	
20976	Wyndsong Estates	08/03	03/10	37,788.00	37,788.00	18,515.72	(26,151.84)	0.00	30,151.88	
20999	Downtown Gas Lt. Dist.	not yet	03/10	15,409.00	15,409.00	9,801.78	0.00	0.00	25,210.78	
21007	S.E. 6th Ave.	03/03	03/10	16,279.00	16,279.00	7,567.98	(10,207.02)	0.00	13,639.96	
21025	SR 441-Palmetto Pk.	10/04	12/06	68,938.00	68,938.00	43,921.81	(16,289.92)	0.00	96,569.89	
21195	Cedar Creek Subdiv.	01/04	03/10	23,108.00	23,108.00	10,214.93	(12,689.30)	0.00	20,633.63	
21212	Equus Subdiv.	01/04	03/10	56,570.00	50,868.00	25,625.63	(23,517.06)	0.00	52,976.57	
21242	Casa Bella Subdiv.	03/06	03/10	52,610.00	52,610.00	20,880.69	(9,029.94)	0.00	64,460.75	
21344	Talavera Subdiv.	05/06	03/10	16,907.00	16,907.00	6,527.03	(5,842.73)	0.00	17,591.30	
21391	441 Belv to Okeechobee	10/05	07/10	49,734.00	49,734.00	17,534.93	(32,799.97)	0.00	34,468.96	
21436	Wellington Town Sq. & Nicoles	03/09	08/14	69,571.00	69,571.00	11,103.08	(3,463.45)	0.00	77,210.63	
22130	Canopy Creek Subdiv.	09/07		198,484.00	104,698.18	9,846.81	(401.81)	0.00	114,143.18	
22300	Boca Grove	not yet		18,908.43	9,099.70	358.00	0.00	0.00	9,457.70	
<b>Total</b>										
						\$1,994,581.88	\$1,109,964.48	(\$1,144,556.00)	\$7,586.24	\$1,967,576.60
G/L Balance										1,967,576.60
Difference										0.00

**TOTAL ALL DIVISIONS**

Excess Contribution	Interest	Collections	Other	Balance
\$4,792,394.88	\$2,711,249.25	(\$3,522,914.81)	\$9,000.50	\$4,047,489.56

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 5

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SUBLDG. NUMBER
	DEBIT	CREDIT		
001.1.4.4010.907	6.03		CONSERVATION VEHICLES	61054
001.1.4.4010.908	35.45		A10	61054
001.1.5.4010.907	6.73			61054
001.1.5.4010.908	35.45			61054
001.2.1.4010.907	14.52			71454
001.2.1.4010.908	35.45			71454
001.2.3.4010.907	8.15			71454
001.2.3.4010.908	35.45			71454
001.0.0.1650.2		177.23		
009.9.1.4010.924	226.69		\$250,000 Bond Insurance Fee	Sched B2
009.9.3.4010.924	148.22			
009.9.5.4010.924	61.03			
001.0.0.1650.2		435.94		
001.1.4.4010.924	8,333.00		MARIANNA STORM RESERVE	
001.1.5.4010.924	1,802.00		FERNANDINA STORM RESERVE	
			Maximum Amount \$2,900,000.00	
001.0.0.2280.11		10,135.00	SCHEDULE D	
001.2.3.4010.924	160.00		CENTRAL FL STORM RESERVE	
001.2.1.4010.924	340.00		SOUTHFL STORM RESERVE	
001.0.0.2280.12		500.00	Maximum Amount \$1,000,000.00	
001.0.0.1840.9252	10,000.00		INCREASE IN LIABILITY	
001.0.0.2280.201		10,000.00	Schedule C	
			(Simpson and Hetherington Case)	
			INITIALS	DATE
PAGE	PAGE TOTALS	21,248.17	21,248.17	07/17/09
	J.E.			
2 OF 3	TOTALS	132,597.72	132,597.72	
			PREPARED BY	
			APPROVED BY	
			ENTERED BY	
			CHECKED BY	



Docket No. 080366-GU  
Date: April 23, 2009

Issue 28: Is the requested storm damage accrual appropriate?

Recommendation: No. Staff recommends an adjustment to decrease Account 924 - Property Insurance by \$162,080 and increase working capital \$81,040. These adjustments include staff's recommended an annual storm damage accrual of \$6,000 with a target level of \$1,000,000. (Prestwood)

Staff Analysis: The Company is requesting an annual storm damage accrual of \$87,000 and a total for Account 924 - Property Insurance of \$214,531 for the 2009 test year.

FPUC began making accruals of \$18,000 per year to the storm damage reserve in 1996 and accumulated a balance of \$59,070 before ceasing the accruals in January 2003. In its 2005 rate case, FPUC did not request permission to make further accruals to its storm damage reserve, and the Commission did not allow any accrual in the setting of new rates.<sup>12</sup>

The only charge made to the storm damage reserve from 1996 until 2004 was a charge of \$62,430 related to Hurricane Floyd in 1999. Over an eight-year period (1996-2003), the average annual charge to the storm damage reserve was \$7,804.<sup>1</sup>

On December 28, 2004, FPUC filed a petition seeking authority to implement a Storm Cost Recovery Clause for recovery of extraordinary expenditures related to Hurricanes Charley, Frances, and Jeanne that struck its service territory in 2004. In Order No. PSC-05-1040-PAA-GU, the Commission determined that the amount of storm costs for the three storms was \$543,602. Also in that proceeding, the Commission ordered that \$117,773, of over earnings for the year 2002, be credited to the storm damage reserve account to establish a reserve amount for future storms.<sup>1</sup>

In Order No. PSC-07-0671-PAA-GU, the Commission found that:

Given the \$534,602 of storm damage sustained by the Company during 2004, the current balance in the storm damage reserve is inadequate to offset damages from any future storms. Therefore, we find that the establishment of an adequate storm damage reserve is a reasonable disposition of the remaining amount of the 2005 excess earnings.

... The remaining amount of the 2005 excess earnings shall be applied to the storm reserve to cover future storm-related costs.<sup>13</sup>

The net amount recorded to the storm damage reserve as a result of the 2005 over-earnings was \$612,774.

<sup>12</sup> Order No. PSC-05-1040-PAA-GU, issued October 25, 2005, 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.

<sup>13</sup> Order No. PSC-07-0671-PAA-GU, issued August 21, 2007, in Docket No. 070107-GU, In re: Investigation into 2005 earnings of the gas division of Florida Public Utilities Company.

Docket No. 080366-GU  
Date: April 23, 2009

In the matter of FPUC's 2006 earnings, the Commission determined that the excess earnings of \$176,144 should be applied to increase the storm reserve balance. The Commission noted that the annual storm reserve accrual could be an issue in the Company's forthcoming rate case in Docket No. 080366-GU.<sup>14</sup>

The Company's storm reserve balance as of September 30, 2008, is \$788,918, and has been collected from customers through the Company's over-earnings. This amount is in excess of the storm damage of \$543,602, which was incurred as a result of Hurricanes Charley, Frances, and Jeanne that struck its service territory in 2004. The storm damages in 2004 represent one of the worst years for storm damage for the utility industry in Florida's history.

FPUC did not file a study in support of its request to establish an annual storm damage accrual of \$87,000 or a target level for the reserve. Instead, the Company estimated the replacement basis for all mass property items, which are subject to some level of damage, to be \$164 million. It then chose one half of one percent of the \$164 million, as its target reserve level of \$820,118. Comparing the current reserve balance of \$788,918 to the target leaves a reserve deficiency of \$31,200. The Company then spread this \$31,200 over eight years to arrive at \$3,900 per year. It added the \$3,900 deficiency to an average annual storm damage of \$83,000, based on actual storm damage for the 8-year period of 2000 through 2008. The Company arrived at \$87,000 per year as its required accrual for storm damage.

The Company's total 2009 projection for Account 924 - Property Insurance was based on the \$87,000 annual accrual for storm damage discussed above, plus historical transactions for this Account in 2007, adjusted for inflation. Also, any previous storm damage cost in the account was removed. However, in its calculations, the Company failed to remove \$81,080 related to electric operations from the account.

Staff believes that the Company should begin to build its storm reserve through an annual accrual process rather than through one-time entries resulting from excess earnings. However, staff also believes that the current balance may be near its optimal level given the current reserve balance of \$788,918, compared to the \$543,206 of storm damage that was incurred as a result of three hurricanes in 2004. Staff recommends an annual accrual of \$6,000 with a target level of \$1,000,000. These amounts can be reviewed again in the Company's next rate case. Staff also notes that the Commission encouraged FPUC to file a storm damage study to determine an appropriate target level and annual accrual amount for its storm damage reserve in Order No. PSC-05-1040-PAA-GU, issued October 25, 2005.<sup>15</sup>

Staff recommends an adjustment to decrease Account 924 - Property Insurance by \$81,080 to eliminate the expenses related to electric operations. Staff also recommends an adjustment to decrease Account 924 - Property Insurance by \$81,000 to reflect staff's

<sup>14</sup> Order No. PSC-08-0697-PAA-GU, issued October 20, 2008, in Docket No. 080514-GU, In re: Investigation into 2006 earnings of the gas division of Florida Public Utilities Company.

<sup>15</sup> Order No. PSC-05-1040-PAA-GU, issued October 25, 2005, 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.

123.4010.9124 \* 160  
121.4010.724 \* 340  
100.2280.12 \* 500

Monthly NG  
storm accrual  
max \$1 m.

Docket No. 080366-GU

Date: April 23, 2009

recommended storm damage accrual of \$6,000, versus the Company's request of \$87,000. This results in a total adjustment to decrease Account 924 - Property Insurance by \$162,080. Also, working capital should be increased by \$81,040.

FLORIDA PUBLIC UTILITIES  
BEGINNING JANUARY 1, 2009

OUTSIDE - PROFESSIONAL SERVICES & GENERAL LIABILITY INSURANCE

	1840		1849		Propane		North East Florida		Gas Divisions	
	Adj. Gross Profit		Adj. Gross Profit		Adj. Gross Profit		Adj. Gross Profit		Adj. Gross Profit	
	12 mths ended June 30, 2008		12 mths ended June 30, 2008		12 mths ended June 30, 2008		12 mths ended June 30, 2008		12 mths ended June 30, 2008	
		%		%		%		%		%
121 South Florida	\$14,563,729	41.0	\$14,563,729	33.0					\$14,563,729	50.0
123 Central Florida	7,081,840	19.0	7,081,840	16.0					7,081,840	24.0
114 Northwest Florida	7,359,311	20.0	7,359,311	16.0						
115 Northeast Florida - Electric	7,411,713	20.0	7,411,713	17.0			7,411,713	88.0		
991 South Florida - Propane			4,525,291	10.0	4,525,291	59.0			4,525,291	15.0
993 Central Florida - Propane			2,037,342	5.0	2,037,342	27.0			2,037,342	7.0
995 Northeast Florida - Propane			1,033,542	2.0	1,033,542	14.0	1,033,542	12.0	1,033,542	4.0
141 South Florida - M & J			554,826	1.0						
143 Central Florida - M & J			219,846	0.0						
945 Northeast Florida - M & J			29,693	0.0						
<b>Total</b>	<b>\$36,416,593</b>	<b>100.0</b>	<b>\$44,817,133</b>	<b>100.0</b>	<b>\$7,596,175</b>	<b>100.0</b>	<b>\$8,445,255</b>	<b>100.0</b>	<b>\$29,241,744</b>	<b>100.0</b>

Allocation Ratio ID  
Applicable to Accounts:

FPUCBASREV

CONSBASREV

Applicable M & J Account: 4160.73

- 9231
- 9232
- 9233
- 9251
- 9252
- 9301
- 9302
- 93022
- 928

\* Alloc 687. to 121, 327. to 123.

\* Alloc. based on GP (or base rev) as this is the recovery mechanism.

U + +  
121 41 + +  
123 19 + +  
41 + ÷  
60 + =

121 0.6833333333\*+

123 19 + ÷  
60 + =

123 0.3166666666\*+

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 6

**JOURNAL ENTRY HEADER**

BATCH TYPE (M/S) M ACCT YEAR 2009 PERIOD 6  
 JOURNAL NUMBER 04588  
 COMPANY 001 BATCH 36719  
 REFERENCE 34 SOURCE JE  
 DESCRIPTION MISC DEFERRED DEBITS AUTO ACCRUAL? 0

JE DESCRIPTION:	JEW
	34
	YR/PR
	09/06
To amortize 2009 natural gas rate case expense	

ACCOUNT NUMBER	AMOUNT		SUBLDG. NUMBER
	DEBIT	CREDIT	
121.4010.928	7,974.92		67%
123.4010.928	3,927.94		33%
100.1860.1		11,902.86	36710
Amortize natural gas rate case expense over 48 months beginning June 2009			

**COPY**

PAGE	PAGE		
1 OF 1	TOTALS	11,902.86	11,902.86

PREPARED BY	INITIALS	DATE
APPROVED BY		07/14/09
ENTERED BY		
CHECKED BY		
POSTED BY		

ENTER SUB-LEDGER REFERENCE NO. 36710 YEAR & MONTH (BLANK=ALL) \_\_\_\_\_

NATURAL GAS RATE PROCEEDING REQUESTED BY CHERYL MARTIN ON 5/29/08~|

Sub-Ledger	Year/Mo	Description	Entry type	Amount
036710	2009 07	P&A	J 6 P&A	2,525.00-
036710	2009 07	P&A	J 6 P&A	2,525.00

}=EXIT

Total for 0242 Sub-Ledger-Reference items.

568,812.30

July {  
 (2525.00)  
 +2525.00  
 +2525.00

Bal As of 6/30

571,337.30

0.\*  
 571,337.30 ÷  
 48.\*=  
 11,902.86\*+  
 0.\*

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

**EXHIBIT 7**



Combined Common 100 and Division 121 Totals

Plant Total-IR's 1/1/2009	Totals to Date	Additions	Adjustments	Retirements	CY-Net	Prior Year Totals
Common-100						
Plant Totals	6,009,936.92	466,923.70	14,763.05	23,130.07	458,556.68	5,551,380.24
Less: Non Taxable	4,985,108.68	328,297.63	17,745.05	12,340.82	333,701.86	2,749,254.82
Net taxable	1,024,828.24	138,626.07	(2,982.00)	10,789.25	124,854.82	2,802,125.42
<b>Division 121</b>						
Plant Totals	77,190,184.03	4,148,461.50	(158,418.89)	679,880.73	3,310,161.88	73,880,531.06
Less: Non Taxable	7,434,171.52	338,395.85	(32,831.16)	204,316.84	134,079.01	6,880,379.86
Net Taxable	69,756,012.51	3,810,065.65	(191,250.05)	475,563.89	3,176,082.87	67,020,151.20
<b>Combined totals</b>						
Non Taxable (schedule A)	12,419,280.20	666,693.48	(15,086.11)	216,657.66	467,780.87	8,609,634.68
Taxable (Schedule A)	70,780,840.75	3,948,691.72	(194,232.05)	486,353.14	3,300,937.69	69,822,276.62
Totals (Schedule A)	83,200,120.95	4,615,385.20	(209,318.16)	703,010.80	3,768,718.56	79,431,911.30
GL	83,200,120.95					
Dif	0.00					

report based on Plant, FS total, not GL Query

$100\% = 121$   
 $40.80.1$   
 accruing  
 $= 100.4080.1$   
 allocate  
 plant

Florida Public Utilities  
Summary of Required Entries  
Docket No. 080366-GU

# EXHIBIT 7

**FLORIDA PUBLIC UTILITIES COMPANY  
FLO-GAS CORPORATION**

**JOURNAL ENTRY HEADER**

JE# 5.22  
YR/PRD 09/05

BATCH TYPE (M/S) M ACCT YEAR 2009 PERIOD 5  
 JOURNAL NUMBER 54332 BATCH NUMBER 30191  
 COMPANY 001 SOURCE \_\_\_\_\_  
 REFERENCE 5.22 AUTO ACCRUAL ? [0/1] 0  
 DESCRIPTION: Common Prop Adj

JE DESCRIPTION:  
(TYPE BELOW)

To Allocate the Common Property portion to all divisions.  
Originally all common property was being allocated to 121 only.

ACCOUNT NUMBER	AMOUNT		DESCRIPTION	SUBLDG. NUMBER
	DEBIT	CREDIT		
121.4080.1		11,031.43		
114.4080.1	1,765.03			
115.4080.1	2,537.24			
121.4080.1	4,081.63			
123.4080.1	1,654.71			
991.4080.1	551.57			
993.4080.1	330.94			
995.4080.1	110.31			

**COPY**

PAGE  
1 OF 1

PAGE	11,031.43	11,031.43
TOTALS		
J.E.	11,031.43	11,031.43
TOTALS		

	INITIALS	DATE
PREPARED BY	AW	06/10/09
APPROVED BY	<i>[Signature]</i>	6/11/09
ENTERED BY	<i>[Signature]</i>	6/11/09
CHECKED BY	<i>[Signature]</i>	6/11/09
POSTED BY	<i>[Signature]</i>	6/12/09

**2009 Property Tax Accrual  
Common Plant Allocation**

Exhibit A

Net Taxable Assets for common	2,802,125.42	=	3.53%
Net Taxable Assets for 100 & 121	79,431,911.30		

Exhibit B

YTD Accrual in 121.4080.1 (Jan-April 09)	312,708.16
Common Portion	11,031.43

Exhibit C

MAY 09 True-Up Adj		
Allocations		
114	16%	1,765.03
115	23%	2,537.24
121	37%	4,081.63
123	15%	1,654.71
991	5%	551.57
993	3%	330.94
995	1%	110.31
		<u>11,031.43</u>

Exhibit D

Common Yearly Accrual S/B (Jan-Dec 2009)	33,094.29	
Common Monthly Accrual S/B	2,757.86	
114	16%	441.26
115	23%	634.31
121	37%	1,020.41
123	15%	413.68
991	5%	137.89
993	3%	82.74
995	1%	27.58
		<u>2,757.86</u>

Exhibit E

MAY-DEC 09 Monthly Accruals S/B					
	Division Accrual		Common Allocation		
	114	17,890.92	+	441.26	18,332.18
	115	30,530.50	+	634.31	31,164.81
	121	75,427.97	+	1,020.41	76,448.38
	123	35,796.18	+	413.68	36,209.86
	991	7,135.18	+	137.89	7,273.07
	993	5,094.21	+	82.74	5,176.95
	995	2,141.58	+	27.58	2,169.16
		<u>174,016.54</u>		<u>2,757.86</u>	<u>176,774.40</u>

*To be Booked by  
w/c Accountant  
going Forward*

*= monthly accrual*

Combined Common 100 and Division 121 Totals

Plant Total-IR's 1/1/2009	Totals to Date	Additions	Adjustments	Retirements	CY Net	Prior Year Totals
<b>Common 100</b>						
Plant Totals	6,009,936.92	466,923.70	14,763.05	23,130.07	458,556.68	5,551,380.24
Less: Non Taxable	4,985,108.68	328,297.63	17,745.05	12,340.82	333,701.86	2,749,254.82
Net taxable	1,024,828.24	138,626.07	(2,982.00)	10,789.25	124,854.82	2,802,125.42
<b>Division 121</b>						
Plant Totals	77,190,184.03	4,148,461.50	(158,418.89)	679,880.73	3,310,161.88	73,880,531.06
Less: Non Taxable	7,434,171.52	338,395.85	(32,831.16)	204,316.84	134,079.01	6,860,379.86
Net Taxable	69,756,012.51	3,810,065.65	(191,250.05)	475,563.89	3,176,082.87	67,020,151.20
<b>Combined Totals</b>						
Non Taxable (schedule A)	12,419,280.20	666,693.48	(15,086.11)	216,657.66	467,780.87	9,609,634.68
Taxable (Schedule A)	70,780,840.75	3,948,691.72	(194,232.05)	486,353.14	3,300,937.69	69,822,276.62
Totals (Schedule A)	83,200,120.95	4,615,385.20	(209,318.16)	703,010.80	3,768,718.56	79,431,911.30
GL	83,200,120.95					
Dif	0.00					

report based on Plant, FS total, not GL Query

$10\% = 121$   
 $4080.1$   
 accruing  
 $= 100.4080.1$   
 allocate  
 Plant

Select option, press Enter.

Account : 001.2.1.4080.1

AD VALOREM TAXES

O	Period End	Starting Balance	Posted Activity	Ending Balance
	JAN 1/31/2009	.00	78,185.82	78,185.82
-	FEB 2/28/2009	78,185.82	78,150.68	156,336.50
-	MAR 3/31/2009	156,336.50	78,185.83	234,522.33
-	APR 4/30/2009	234,522.33	78,185.83	312,708.16
-	MAY 5/31/2009	312,708.16	.00	312,708.16
-	JUN 6/30/2009	312,708.16	.00	312,708.16
-	JUL 7/31/2009	312,708.16	.00	312,708.16
-	AUG 8/31/2009	312,708.16	.00	312,708.16
-	SEP 9/30/2009	312,708.16	.00	312,708.16
-	OCT 10/31/2009	312,708.16	.00	312,708.16
-	NOV 11/30/2009	312,708.16	.00	312,708.16
-	DEC 12/31/2009	312,708.16	.00	312,708.16
-	ADJ 12/31/2009	312,708.16	.00	312,708.16

F2=Function keys F3=Exit F5=Refresh F6=More info. F24=More keys

FLORIDA PUBLIC UTILITIES  
BEGINNING JANUARY 1, 2009

ADMINISTRATIVE & GENERAL SALARIES & PROPERTY INSURANCE EXPENSES

	1840		1849		Propane		North East Florida	
	Utility Plant 12 mths ended June 30, 2008	%	Utility Plant 12 mths ended June 30, 2008	%	Utility Plant 12 mths ended June 30, 2008	%	Utility Plant 12 mths ended June 30, 2008	%
121 South Florida	\$79,019,201	40.0	\$79,019,201	37.0				
123 Central Florida	31,742,361	17.0	31,742,361	15.0				
114 Northwest Florida	33,798,307	18.0	33,798,307	16.0				
115 Northeast Florida - Electric	47,340,894	25.0	47,340,894	23.0			47,340,894	95.0
991 South Florida - Propane			9,647,872	5.0	9,647,872	55.0		
993 Central Florida - Propane			5,521,055	3.0	5,521,055	31.0		
995 Northeast Florida - Propane			2,547,306	1.0	2,547,306	14.0	2,547,306	5.0
141 South Florida - M & J			94,028	0.0				
143 Central Florida - M & J			60,561	0.0				
945 Northeast Florida - M & J			4,781	0.0			4,781	0.0
<b>Total</b>	<b>\$191,900,763</b>	<b>100.0</b>	<b>\$209,776,366</b>	<b>100.0</b>	<b>\$17,716,233</b>	<b>100.0</b>	<b>\$49,892,981</b>	<b>100.0</b>
Allocation Ratio ID	FPUCPLANT		CONSPANT					
Applicable to Account:	920							
	9201							
	924							
Applicable M & J Account:	4160.73							