

**Diamond Williams**

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**From:** Keating, Beth [BKeating@gunster.com]  
**Sent:** Friday, September 02, 2011 12:25 PM  
**To:** Filings@psc.state.fl.us  
**Cc:** 'CHRISTENSEN.PATTY'; Keino Young; 'VANDIVER.DENISE'; Martin Cheryl  
**Subject:** Docket No. 110133-GU  
**Attachments:** 20110902121440053.pdf

Attached for electronic filing, please find Florida Public Utilities Company's Response to Commission Staff's Audit No. 11-129-4-1 in the referenced Docket. Please do not hesitate to contact me if you have any questions.

Beth Keating  
[bkeating@gunster.com](mailto:bkeating@gunster.com)  
 Direct Line: (850) 521-1706

a. Person responsible for this electronic filing:

Beth Keating  
 Gunster, Yoakley & Stewart, P.A.  
 215 S. Monroe St., Suite 601  
 Tallahassee, FL 32301  
[bkeating@gunster.com](mailto:bkeating@gunster.com)  
 Direct Line: (850) 521-1706

b. **Docket No. 110133-GU:** Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.

c. On behalf of: Florida Public Utilities Company

d. There are a total of 20 pages.

e. Description: FPUC's Response to Audit Control No. 11-129-4-1



**GUNSTER**

FLORIDA'S LAW FIRM FOR BUSINESS

Beth Keating | Attorney  
 Governmental Affairs  
 215 S. Monroe Street, Suite 601  
 Tallahassee, FL 32301  
 P 850-521-1706 C 850-591-9228  
[gunster.com](http://gunster.com) | [View my bio](#)

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DOCUMENT NUMBER - DATE

06353 SEP -2 =

FPSC-COMMISSION CLERK

9/2/2011



September 2, 2011

**BY ELECTRONIC FILING: FILINGS @ PSC.STATE.FL.US**

Ms. Ann Cole  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 110133-GU: Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.**

Dear Ms. Cole:

Enclosed for electronic filing, please find the Response of Florida Public Utilities Company to the Commission Staff's Audit in this proceeding (Audit Control No. 11-129-4-1).

Thank you for your assistance with this filing. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

cc:/ Docket Certificate List

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FPSC-COMMISSION CLERK

**Florida Public Utilities Company's responses to the Auditor Report  
Earnings Surveillance Report, 12 months ending December 31, 2010  
Docket No. 110133-GU**

Florida Public Utilities Company ("FPUC" or the "Company") has received and reviewed the final Auditor's Report in Docket No. 110133-GU and has several comments in response to the findings included in that report. The Company appreciates Staff's efforts during the audit. By way of background, in 2009, the Florida Public Service Commission ordered Chesapeake Utilities Corporation ("Chesapeake") and FPUC to make a come-back filing within eighteen months of the closing of the transaction. During that first eighteen months, Chesapeake and FPUC were integrating the operations of the two companies as quickly as possible and converting many of the systems and processes, including the general ledger system. As always, systems conversions create some challenges. These include changes in processes, charts of accounts and accordingly, create process and knowledge gaps. These changes and gaps impacted the preparation of the filing and FPUC's responsiveness to the questions posed during the audit. In turn, this complicated the audit for the Staff and impacted the findings.

The Company, during the summer of 2010, converted its accounting system from the FPUC accounting system to the Chesapeake Utilities Corporation ("CUC") accounting system. Effective August 1, 2010, all transactions for FPUC were recorded on the CUC accounting system and the FPUC accounting system was discontinued. As part of the movement to CUC's accounting system, all 2010 accounting records that were originally recorded on the FPUC accounting system, through July 2010, were converted to CUC's accounting system. The CUC accounting system is the same system that has been used by the Florida Division of Chesapeake Utilities Corporation ("Florida Division").

The conversion of FPUC's historic accounting records required the conversion of account numbers since CUC's accounting system has a different account code structure than the one maintained in FPUC's accounting system. While both CUC and FPUC maintained their respective general ledgers and accounting systems to comply with FERC and Commission requirements, the conversion resulted in the reclassification of certain FPUC accounts, primarily within the balance sheet, to standardize the differences between the two companies. The accounting records pre and post conversions are both accurate and consistent in total as these changes involved only the classification within the account code structure. The Company believes that this has resulted in, as is described in the Audit Report, differences between the ESR filed data and the Company's official books and records. Although these are described as "errors", they are, in fact, simply reclassifications between the preliminary data used to prepare the ESR and the final accounting records of the Company. Most of the proposed adjustments in the audit report provide appropriate corrections to the surveillance report for these reclassifications with the exception of those noted below under the "Finding" headings.

In addition, the conversion to CUC's accounting system changed the location of certain FPUC Common balances to comply with CUC's internal reporting requirements. Prior to the conversion in August 2010, many of the balance sheet accounts were recorded in the FPUC Common ledger and for surveillance reporting and rate proceeding purposes, allocated to different FPUC business units outside of the accounting system. After the conversion to CUC's accounting system, these accounts were reclassified from the FPUC Common ledger to the appropriate business unit ledger, with activities recorded in the specific business unit ledger. The audit for this ESR was more difficult than normal due to the change in accounting systems described above, and the change in how some common balance sheet accounts were recorded. Most of the disputed items between the Company and the audit report relate to account number use pre and post conversion and the corresponding allocations for surveillance report purposes.

The ESR must be filed using the Surveillance Report Rule, Rule 25-7.1352, F.A.C., which requires Surveillance Report filings to conform with Commission Form PSC/ECR 013-G (12/03), which is incorporated by reference into the rule. The form instructs the Company to reflect Commission policies, practices, and adjustments made in the Utility's most recent rate proceeding. This includes the adjustments made by the utility that were not in dispute, but were accepted by the Commission without direct reference in the order.

The Company has prepared support and explanations for the items that the Company is not in agreement with by finding number and category.

#### **Finding 1-Rate Base**

In general, the Company agrees with the staff's proposed adjustments to net plant since the Company's updated figures agree to this revised amount; however, there are several items proposed within working capital that are not accurate and the Company has detailed those items below under the appropriate subject category.

#### **Working Capital**

##### **Cash**

CUC manages cash balances of all of its subsidiaries, including FPUC, by periodically transferring all excess cash into CUC's cash accounts. The FPUC cash disbursements account is a zero-balance account and is funded by CUC only when the disbursement items, such as checks and wire transfers, are presented to and cleared by the bank. As such, the book balance of the FPUC cash disbursements account is typically a negative amount, which represents the outstanding disbursement items. These items have already been recorded in the general ledger but have not yet been funded by CUC. This negative cash balance unfairly penalizes FPUC's working capital as it is created solely due to the difference in timing of recording the cash disbursements in the general ledger and transferring cash into FPUC's bank account from CUC's central account.

A portion of CUC's cash that represents the future transfer of cash to cover FPUC's outstanding disbursement items should be allocated to FPUC. This treatment is consistent with the previous rate proceeding methodology calculation of cash. Previously this portion of cash would have been held at the FPUC parent level or Common level.

In late 2010, depository transfers into CUC's cash account were recorded out of FPUC's Common Depository Account, without the corresponding cash receipts journal entry. An adjustment is necessary to FPUC's Common Depository Account to reflect a timing difference that existed between cash deposits and cash transfers in this account. A portion of CUC's cash that represents outstanding depository items should be allocated to FPUC.

We have provided (Exhibit 1) which details the adjustment to the disbursements account, the adjustment to the depository account and the net adjustment to the auditor's cash amount. The Staff Adjusted year-end cash and working capital for the FPUC Natural Gas business unit should be increased by \$1,659,745 for these negative cash adjustments. The Staff Adjusted 13-month average cash and working capital for the FPUC Natural Gas business unit should be increased by \$1,777,112 for these adjustments. The 13 month average cash should be \$693,317, and the year-end cash should be \$403,529.

#### **Environmental Accounts**

There are four accounts related to environmental reserves on FPUC's balance sheet. See (Exhibit 2B) for a detail of those accounts and amounts as they relate to this audit finding.

Regulatory Asset-Environmental Proceeds to be Recovered from Customers

Deferred Environmental Liability- Insurance Proceeds (Excluded from Working Capital)

Deferred Environmental Liability- Actual Costs, net of Customer Proceeds

Deferred Environmental Liability –Proceeds to be Recovered from Customers

The Company has included a spreadsheet (Exhibit 2B) which reflects the four accounts along with the corresponding old account numbers, new account numbers, and amounts for both the year end and 13 month average. (Exhibit 2B) details which accounts should be included in working capital and which accounts should be excluded from working capital. The Audit Report finding inadvertently included the Deferred Environmental liability related to the insurance proceeds in working capital (Old Account 2530.3 and new accounts FN2810.2530 and FC2810.2530).

The Company has also included (Exhibit 2A) that shows this account was excluded from working capital in our last rate proceeding. The accounts circled on the MFR filed document represent the accounts that are included in working capital related to environmental reserves. There are no adjustments by the FPSC in the final order related to working capital for these accounts. Accordingly, the environmental accounts included in our MFR's are the same ones authorized to be included in working capital in the final order from the rate case.

Accordingly, it is required by Commission rules that our ESR reflects the same environmental accounts included in working capital as our most recent rate proceeding. The account that represents the Environmental Liability funded by insurance proceeds must therefore be excluded from working capital on the ESR.

The Staff adjusted year end rate base or working capital should be increased by \$5,611,069. The Staff Adjusted 13 month average working capital or rate base should be increased by \$5,611,069. Total net Environmental Accounts in Working Capital for the 13 month average should be \$145,340, and for yearend should be \$196,381.

#### **Accounts Payable**

A substantial portion of the Company's accounts payable balance is derived from the fuel bills. The Company has identified specific suppliers for each energy source (natural gas, electric fuel, propane), which facilitate the assignment of costs to the appropriate utility.

Under the old accounting system, prior to August 2010, the fuel bills were not recorded directly to the business unit. For surveillance reporting and rate proceedings, the AP held at the FPUC Common level was allocated to the Utility in two parts. The fuel bill portion is directly assigned to the utility and then subtracted from the AP FPUC Common amount. The remaining balance of AP FPUC Common is then allocated on gross profit to the utility.

Under the new accounting system, the fuel bills are now recorded directly to the business unit, and the remaining AP held at the FPUC Common level is allocated to the business units.

When the auditor performed the calculation of the Company's Natural Gas Accounts Payable, the adjusted gross profit allocation was applied to the AP FPUC Common balance for all thirteen months. The Accounts Payable should have been computed in two separate computations for the period before and after the accounting system conversion. The auditor's computation of the natural gas Accounts Payable does not account for the fuel bill portion of the Accounts Payable held at the FPUC Common level prior to the accounting system conversion on August 1, 2010. The audit adjustment applied the gross profit percentage to the FPUC Common Accounts Payable balance for all 13 months. This proposed audit adjustment is not consistent with our last rate proceeding.

See (Exhibit 3A) for the appropriate computation of the Accounts Payable for the 13 months ending December 31, 2010 that should be included in working capital. For informational purposes, the Company has included a schedule that shows the computation of the Accounts Payable included in the Audit Report shown in (Exhibit 3B). The Company has also included all applicable Accounts Payable balances from the general ledger as (Exhibit 3C).

The method used on (Exhibit 3A) was used in the most recent rate proceeding and should be used for surveillance reporting. MFR schedule, G-1(3) B-13 page 3 of 28, also filed in this response as part of (Exhibit 2A), shows the allocation of Accounts Payable in FPUC's last rate proceeding

See (Exhibits 3A, 3B and 3C) for a detail of the Accounts Payable per Company, the Accounts Payable per Audit Report, and Accounts Payable Accounts to support the adjustment proposed, and to show the appropriate computation of accounts payable that is consistent with our most recent rate proceeding computation.

By applying the appropriate accounts payable allocation, the Staff Adjusted 13-month average working capital or rate base should be increased by \$1,487,290. The Staff Adjusted year-end working capital or rate base would not change for this item. Accounts payable included in Working Capital for the 13 month average should be a credit of \$3,806,135 and for yearend should be a credit of \$5,587,256. See (Exhibit 3A) for details supporting the Accounts Payable adjustment and amount included in working capital.

#### **Miscellaneous Deferred Debits-Preliminary Natural Gas Survey**

In the Working Capital Assets of the Auditor Report, the auditor identified a series of accounts that were included after staff reviewed the trial balance. Among these was account 1970-1832 – Preliminary Natural Gas Survey & Investigation. The report reflects that this account had a 13-month average balance of \$2,448. The calculation of the \$2,448 is, however, apparently based on the single month's balance of \$31,818 for December 2010 on the Company's Natural Gas Business Unit trial balance. That balance was transferred from the FPU – Common Company where the account has had activity since March 2010. As such, consistent with the Company's filing, the correct 13-month average balance for account 1970-1832 is actually \$21,621. The two accounts are the same; however, prior to December 2010, they were being recorded in the FPUC Common account. This same balance was transferred post conversion in December 2010 to the Business Unit account.

The Staff Adjusted 13-month average working capital should be increased by \$19,173. The Deferred Debit-Preliminary Natural Gas survey for the 13 month average should be \$21,621 and the year end should be \$31,818. See (Exhibit 4) for details supporting this calculation.

#### **Finding 8 – CUC's Capital Structure Components**

In general, the auditor findings related to the cost of capital structure are correct. However, the auditor's Cost of Capital and Rate Base should be adjusted by the effects of the Finding 1 adjustments to working capital proposed by the Company and Short term debt should be replaced by a portion of the Long term debt commitment and applicable cost rate.

The Finding 1 adjustments to working capital increases rate base by \$8,894,644. The appropriate 13 Month Average Rate Base should be \$68,937,359 for the period ending December 31, 2010.

(Exhibit 5A) shows the impact to both the Cost of Capital Components and Weighted Cost Rates for the Working Capital Adjustments. The Staff Adjusted 13 Month overall Weighted Average Cost of Capital for just the impact of the change in working capital should be increased by .19% for a total overall Cost of Capital of 7.42%.

In addition, the Company believes that the reclassification of short term debt to long term debt should not be treated as a Proforma Adjustment, but rather should be treated as additional long term debt for surveillance purposes. In January 2010 CUC retired two of FPUC's mortgage bonds and temporarily refinanced with short term debt. CUC entered into a firm long-term debt commitment for \$29,000,000 and was obligated to refinance this debt. (Exhibit 5A) shows the impact of this adjustment on the overall Weighted Cost of Capital. (Exhibit 5B) shows the computation of the appropriate cost rate for the new long-term debt obligation.

The Staff Adjusted 13 Month overall Weighted Average Cost of Capital should be increased by .43% for a total overall Cost of Capital of 7.66%. This reflects both the change in working capital and the reclassification of a portion of short-term debt to long term debt.

#### **Finding 9 – Expense Sample Scope Limitation**

The Company can provide the necessary information to audit the initial charges, and the allocation of such charges to each business unit's accounting records. The Company can also provide explanations of the allocation methodology, and the application of each allocation. Due to the payroll system conversion in January 2010 and accounting system conversion in August 2010, the information and process supporting the allocations has changed; however, in general, the allocation methodology for the Company did not change. The FPUC allocation process is consistent with the Florida Division of Chesapeake Utilities Corporation's methodology.



**FPU Parent Company**  
**Balance Sheet Accts Only - Natural Acct + Activity Code**  
**YTD Summary Trial - No Transactions**  
**December 31, 2010**

Exhibit 1  
 FPUC responses to Auditors Report  
 Docket No. 110133-GU

**CASH**

Balances shown as debit (credit)

Per audit:	Old Account number	Account Number	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	13-month Average
Depository Account - Cash	100.1310.13	FC.1140.1310	2,658,120	4,291,120	2,307,211	2,231,012	1,358,549	1,490,492	1,060,616	535,566	(586,549)	(6,193,939)	(1,728,906)	(5,880,546)	746,776	176,117
General Disbursements - Cash	100.1310.14	FC.1110.1312			(252,139)	(352,801)	(555,809)	(885,713)	(549,747)	(1,791,876)	(5,307,120)	(4,201,153)	(4,642,480)	(6,768,955)	(3,073,102)	(2,183,146)
Cumulative balance			2,658,120	4,291,120	2,055,072	1,878,211	802,739	604,780	510,869	(1,256,310)	(5,893,669)	(10,395,092)	(6,371,386)	(12,949,501)	(2,326,326)	(2,007,029)
Natural Gas Alloc @ 54%			1,435,385	2,317,205	1,109,739	1,014,234	433,479	326,581	275,869	(678,407)	(3,182,581)	(5,613,350)	(3,440,548)	(6,830,731)	(1,256,216)	(1,083,795)
<b>Per Company:</b>	<b>Old Account number</b>	<b>Account Number</b>	<b>December 2009</b>	<b>January 2010</b>	<b>February 2010</b>	<b>March 2010</b>	<b>April 2010</b>	<b>May 2010</b>	<b>June 2010</b>	<b>July 2010</b>	<b>August 2010</b>	<b>September 2010</b>	<b>October 2010</b>	<b>November 2010</b>	<b>December 2010</b>	<b>13-month Average</b>
Depository Account - Cash	100.1310.13	FC.1140.1310	2,658,120	4,291,120	2,307,211	2,231,012	1,358,549	1,490,492	1,060,616	535,566	(586,549)	(6,193,939)	(1,728,906)	(5,880,546)	746,776	176,117
General Disbursements - Cash	100.1310.14	FC.1110.1312			(252,139)	(352,801)	(555,809)	(885,713)	(549,747)	(1,791,876)	(5,307,120)	(4,201,153)	(4,642,480)	(6,768,955)	(3,073,102)	(2,183,146)
Petty Cash - Petty Cash	100.1350.10	FC.1170.1350	500	500	3,000	3,000	500	500	500	500	500	500	500	500	500	885
Adjustment for Outstanding Checks	100.1310.14	CU.1120.1310			252,139	352,801	555,809	885,713	549,747	1,791,876	5,307,120	4,201,153	4,642,480	6,768,955	3,073,102	2,183,146
Adjustment for Outstanding Deposits	100.1310.13	CU.1140.1310									586,549	6,193,939	1,728,906	5,880,546		1,106,918
Cumulative balance			2,658,620	4,291,620	2,310,211	2,234,012	1,359,049	1,490,992	1,061,116	536,066	500	500	500	500	747,276	1,283,920
Natural Gas Alloc @ 54%			1,435,655	2,317,475	1,247,514	1,206,366	733,886	805,136	573,002	289,476	270	270	270	270	403,529	693,317
Adjustment to Working Capital- Increase (Decrease)			\$ 270	\$ 270	\$ 137,775	\$ 192,132	\$ 300,407	\$ 478,555	\$ 297,133	\$ 967,883	\$ 3,182,851	\$ 5,613,620	\$ 3,440,818	\$ 6,831,001	\$ 1,559,745	\$ 1,777,112

DOCUMENT NUMBER-DATE

06353 SEP-2 =

FPSC-COMMISSION CLERK

SCHEDULE G-1(2) (B-13)		CALCULATION OF THE PROJECTED TEST YEAR RATE BASE - WORKING CAPITAL										PAGE 2 OF 28
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE WORKING CAPITAL FOR THE HISTORIC BASE YEAR, THE HISTORIC BASE YEAR + 1, AND THE PROJECTED TEST YEAR.						TYPE OF DATA SHOWN: HISTORIC YEAR DATA: 12/31/07 PROJECTED YEAR: 12/31/08 PROJECTED TEST YEAR: 12/31/09 WITNESS: Mesite				
COMPANY: FLORIDA PUBLIC UTILITIES COMPANY CONSOLIDATED NATURAL GAS DIVISION DOCKET NO: 080366-GU												
LN	ACCT	DESCRIPTION	(1) BASE YEAR 12/31/07 (PER BOOKS)	(2) 12/31/07 ADJUSTMENTS (See B-13)	(3) BASE YEAR 12/31/07 ADJUSTED AVERAGE YEAR	(4) HISTORIC BASE YEAR + 1 12/31/08 (PER BOOKS)	(5) 12/31/08 ADJUSTMENTS	(6) HISTORIC BASE YR + 1 12/31/08 ADJUSTED AVERAGE YEAR	(7) PROJECTED TEST YEAR 12/31/09 AVERAGE YR.	(8) PROJECTED TEST YEAR 12/31/09 ADJUSTMENTS	(9) PROJECTED TEST YEAR 12/31/09 AS ADJUSTED	
<b>OTHER PROPERTY AND INVESTMENTS</b>												
1	1210	NON-UTILITY PROPERTY	8,436		8,436	8,436		8,436	8,436		8,436	
2	1280	OTHER FUNDS	5,100		5,100	5,100		5,100	5,100		5,100	
3		TOTAL	13,536		13,536	13,536		13,536	13,536		13,536	
<b>CURRENT AND ACCRUED ASSETS</b>												
4	1310	CASH	430,686		430,686	447,673		447,673	135,970		135,970	
5	1350	WORKING FUNDS / PETTY CASH	25,208		25,208	27,003		27,003	27,150		27,150	
6	1350 10	FUNDS-PETTY CASH, ALLOC.	260		260	265		265	265		265	
7	1420	ACCTS REC - CUSTOMERS	4,557,012		4,557,012	5,606,189		5,606,189	7,513,154		7,513,154	
8	1430	ACCOUNTS RECEIVABLE - OTHER	54,266		54,266	57,142		57,142	58,708		58,708	
9	1440	ALLOW. FOR UNCOLLECTABLE	(219,801)		(219,801)	(219,769)		(219,769)	(226,154)		(226,154)	
10	1540	MATERIALS & SUPPLIES INV.	496,530	(44,688)	451,842	522,697	(47,043)	475,654	537,019	(48,332)	488,687	
11	1630	PPD STORES EXPENSE	1,095		1,095	-		-	-		-	
12	1650 2, 5	PPD INSURANCE	289,370		289,370	322,616		322,616	351,292		351,292	
13	1650 4	PPD MISCELLANEOUS	60,993		60,993	64,207		64,207	65,967		65,967	
14	1650 41	PPD ORCOM MAINTENANCE	29,999		29,999	31,580		31,580	32,446		32,446	
15	1730	UNBILLED REVENUES	926,781		926,781	975,601		975,601	1,002,332		1,002,332	
16		TOTAL	6,652,377	(44,688)	6,607,689	7,835,204	(47,043)	7,788,161	9,498,149	(48,332)	9,449,817	
<b>DEFERRED ASSETS</b>												
17	1820 2	REG ASSET - RETIREMENT PL	175,817		175,817	(508,648)		(508,648)	(606,701)		(606,701)	
18	1820 3	REG ASSET - ENV/RNMTL PEND	7,971,868		7,971,868	7,388,559		7,388,559	6,921,434		6,921,434	
19	1820 3n	REG ASSET - STORM RESERVE	146,081		146,081	-		-	-		-	
20	1840 1	CLEARING - NG	375		375	-		-	-		-	
21	1840 1	CLEARING - ALLOCATED	13		13	-		-	-		-	
22	1860 1	UNAMORTIZED RATE CASE-NG	132,945	(66,473)	66,472	138,930	(69,465)	69,465	648,539	(324,270)	324,269	
23	1860 1	DEFERRED DR - NG	73,619		73,619	77,499		77,499	79,622		79,622	
24	1860 23	DEFERRED DR - PENNY ELIM	(38)		(38)	-		-	-		-	
25	1860 4	OTHER DEFERRED DEBITS - AEP	3,973,813	(3,973,813)	-	4,183,233	(4,183,233)	-	4,297,854	(4,297,854)	-	
26	1860 21, 61	UNDERREC - PGA & CONSERV	-		-	-		-	-		-	
27	1860 3	DEF DR - UNDIST CAPITAL PAYRL	24,143		24,143	25,415		25,415	26,111		26,111	
28	1860 3n	DEF PIPING & CONVERSION	1,426,167		1,426,167	1,501,328		1,501,328	1,542,482		1,542,482	
29		TOTAL	13,924,783	(4,040,286)	9,884,497	12,806,314	(4,252,696)	8,553,616	12,909,321	(4,622,124)	8,287,197	
30		<b>TOTAL ASSETS</b>	20,590,696	(4,084,974)	16,505,722	20,655,054	(4,299,741)	16,355,313	22,421,006	(4,670,456)	17,750,550	

SCHEDULE G-1(3) (B-13)		CALCULATION OF THE PROJECTED TEST YEAR RATE BASE - WORKING CAPITAL						PAGE 3 OF 28			
FLORIDA PUBLIC SERVICE COMMISSION		EXPLANATION: PROVIDE A SCHEDULE CALCULATING A 13-MONTH AVERAGE WORKING CAPITAL FOR THE HISTORIC BASE YEAR, THE HISTORIC BASE YEAR + 1, AND THE PROJECTED TEST YEAR.						TYPE OF DATA SHOWN: HISTORIC YEAR DATA: 12/31/07 PROJECTED YEAR: 12/31/08 PROJECTED TEST YEAR: 12/31/09 WITNESS: Meetha			
COMPANY: FLORIDA PUBLIC UTILITIES COMPANY CONSOLIDATED NATURAL GAS DIVISION											
DOCKET NO: 066368-GU											
LN	ACCT	DESCRIPTION	BASE YEAR 12/31/07 (PER BOOKS)	12/31/07 ADJUSTMENTS	BASE YEAR 12/31/07 ADJUSTED AVERAGE YEAR	HISTORIC BASE YEAR + 1 12/31/08 (PER BOOKS)	12/31/08 ADJUSTMENTS	HISTORIC BASE YR + 1 12/31/08 ADJUSTED AVERAGE YEAR	PROJECTED TEST YEAR 12/31/09 UNADJUSTED AVERAGE YR.	12/31/09 ADJUSTMENTS	PROJECTED TEST YEAR 12/31/09 ADJUSTED AVERAGE YEAR
<b>OTHER NON-CURRENT LIABILITIES</b>											
2	2280	12 GAS STORM RESERVE	(188,130)		(188,130)	(849,895)		(849,895)	(700,361)		(700,361)
3	2280	31 PENSION RESERVE	(1,787,973)		(1,787,973)	(1,901,081)		(1,901,081)	(2,034,157)		(2,034,157)
4	2280	32 MEDICAL - POST RETIREMENT	(967,092)		(967,092)	(856,688)		(856,688)	(916,858)		(916,858)
5	2280	34 401(K) ACCRUAL - COMPANY SHARE	(167)		(167)	-		-	-		-
6	2280	201 ACCRUED LIABILITY INSURANCE	(72,494)		(72,494)	(76,314)		(76,314)	(78,405)		(78,405)
7	2290	1 ACCUM PROV - RATE REFUNDS	(505,467)	505,467	-	(18,366)	18,366	-	-		-
		<b>TOTAL</b>	<b>(3,501,323)</b>	<b>505,467</b>	<b>(2,995,856)</b>	<b>(3,602,344)</b>	<b>18,366</b>	<b>(3,483,978)</b>	<b>(3,729,579)</b>		<b>(3,729,579)</b>
<b>CURRENT AND ACCRUED LIABILITIES</b>											
10	2320	ACCOUNTS PAYABLE - FUEL	(2,798,150)		(2,798,150)	(4,728,428)		(4,728,428)	(5,187,349)		(5,187,349)
11	2320	ACCTS PAY - TRADE, NET OF FUEL	(1,290,366)		(1,290,366)	(1,358,369)		(1,358,369)	(1,395,588)		(1,395,588)
12	2320	ACCOUNTS PAYABLE - OTHER	(424,544)		(424,544)	(454,258)		(454,258)	(466,704)		(466,704)
13	2360	1 ACC'D PROPERTY TAXES	(402,401)		(402,401)	(427,348)		(427,348)	(439,057)		(439,057)
14	2380	2, 3 FLA GROSS REC & FPSC ASSESS TAX	(249,340)		(249,340)	(262,480)		(262,480)	(269,672)		(269,672)
15	2390	5, 6 ACC'D PAYROLL TAXES - F & S UNEMP.	(3,239)		(3,239)	(3,475)		(3,475)	(3,571)		(3,571)
16	2360	8, 9 ACC'D INCOME TAXES	(1,119,508)		(1,119,508)	(1,178,505)		(1,178,505)	(1,210,797)		(1,210,797)
17	2370	1, 2 ACC'D INTEREST - NOTES	(361,289)		(361,289)	(387,785)		(387,786)	(398,412)		(398,412)
18	2370	3 ACC'D INTEREST - CUSTOM DEPOSITS	(181,578)		(181,578)	(183,575)		(183,575)	(181,578)		(181,578)
19	2380	DIVIDENDS PAY - PREFERRED STOCK	(1,118)		(1,118)	-		-	-		-
20	2410	2, 3 TAXES PAYABLE - EMPLOYEE W/H	7		7	-		-	-		-
21	2410	6 TAXES PAYABLE - SALES	(41,637)		(41,637)	(43,831)		(43,831)	(42,778)		(42,778)
22	2410	TAXES PAYABLE - FRANCH & MUNIPLE	(374,886)		(374,886)	(394,642)		(394,642)	(385,158)		(385,158)
23	2420	7 VENDING FUND	(14,967)		(14,967)	(15,756)		(15,756)	(15,377)		(15,377)
24	2420	ACCRUED OUTSIDE LEGAL AND AUDIT	(102,743)		(102,743)	(106,976)		(106,976)	(105,558)		(105,558)
25	2420	MISC CURRENT ACCRUED LIABILITIES	(14,788)		(14,788)	(15,545)		(15,546)	(15,173)		(15,173)
26	2420	1 ACCRUED VACATION	(627,673)		(627,673)	(674,929)		(674,929)	(684,525)		(684,525)
		<b>TOTAL</b>	<b>(8,008,200)</b>		<b>(8,008,200)</b>	<b>(10,236,904)</b>		<b>(10,235,904)</b>	<b>(10,801,297)</b>		<b>(10,801,297)</b>
<b>DEFERRED CREDITS</b>											
28	2530	31 ENVIRONMENTAL COSTS - NET OF CUSTOMER PROCEEDS	(328,987)		(328,987)	(691,929)		(691,929)	(1,165,196)		(1,165,196)
29	2530	32 ENVIRONMENTAL LIABILITY - PENDING RATE RECOVERY	(7,971,868)		(7,971,868)	(7,388,559)		(7,388,559)	(8,921,434)		(8,921,434)
30	2530	OVERRECOVERIES - CONSERV & PGA	(3,840,965)		(3,840,965)	(882,356)		(882,356)	-		-
31	2530	DEFERRED CREDITS - MISC.	(9,078)		(9,078)	25		25	-		-
		<b>TOTAL</b>	<b>(12,150,898)</b>		<b>(12,150,898)</b>	<b>(8,962,819)</b>		<b>(8,962,819)</b>	<b>(8,086,630)</b>		<b>(8,086,630)</b>
		<b>TOTAL CAPITALIZATION &amp; LIABILITIES</b>	<b>(23,650,421)</b>	<b>505,467</b>	<b>(23,154,954)</b>	<b>(22,701,057)</b>	<b>18,366</b>	<b>(22,682,701)</b>	<b>(22,517,505)</b>		<b>(22,517,505)</b>
		<b>NET WORKING CAPITAL - TOTAL ASSETS LESS CAPITALIZATION &amp; LIABILITIES</b>	<b>(3,089,725)</b>	<b>(3,579,507)</b>	<b>(6,649,232)</b>	<b>(2,046,013)</b>	<b>(4,281,375)</b>	<b>(6,327,388)</b>	<b>(196,500)</b>	<b>(4,670,456)</b>	<b>(4,888,956)</b>

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for rate increase by Florida  
Public Utilities Company. | DOCKET NO. 080366-GU  
ORDER NO. PSC-09-0375-PAA-GU  
ISSUED: May 27, 2009

The following Commissioners participated in the disposition of this matter:

MATTHEW M. CARTER II, Chairman  
LISA POLAK EDGAR  
KATRINA J. McMURRIAN  
NANCY ARGENZIANO  
NATHAN A. SKOP

NOTICE OF PROPOSED AGENCY ACTION ORDER  
APPROVING IN PART A GAS RATE INCREASE  
AND  
REQUIRING ADDITIONAL FILINGS AND HOLDING REVENUES SUBJECT TO  
REFUND IN THE EVENT THE PLANNED MERGER IS CONSUMMATED

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

I. BACKGROUND

This proceeding commenced on December 17, 2008, with the filing of a petition for a permanent rate increase by Florida Public Utilities Company (FPUC or Company). The Company is engaged in business as a public utility providing distribution and transportation of gas as defined in Section 366.02, Florida Statutes (F.S.), and is subject to our jurisdiction. FPUC serves gas customers through two divisions: the Central Florida Division, consisting of portions of Seminole, Marion and Volusia Counties; and the South Florida Division, consisting of portions of Palm Beach, Broward and Martin Counties. Together, FPUC provides service to over 51,000 residential and commercial customers.

FPUC requested an increase in its retail rates and charges to generate \$9,917,690 in additional gross annual revenues. This increase would allow the Company to earn an overall rate of return of 8.74 percent or an 11.75 percent ROE (range 10.75 percent to 12.75 percent). The Company based its request on a projected test year ending December 31, 2009. In its petition, FPUC stated that this test year is the appropriate period to be utilized because it best represents expected future operations for use in analyzing the request for rate relief. FPUC has elected to

DOCUMENT NUMBER DATE

05255 MAY 27 '09

FPSC-COMMISSION CLERK



**FPU Parent Company**

Balance Sheet Accts Only  
As of December 31, 2010

Exhibit 28  
FPUC responses to Auditors Report  
Docket No: 110133-GU

Balances Shown Debit (Credit)

**Environmental Accounts:**

	Old Account	New Account	Year end Amount	13 mth Avg. Amount	Year End Working Capital Amount	13 mth Avg Working Capital Amount
Regulatory Asset-Environmental proceeds to be recovered from Customers	1820.3	FN.1720.1823	\$ 6,168,012	\$ 6,396,186	\$ 6,168,012	\$ 6,396,186
		FC.2810.2530	\$ -	\$ (5,179,448)		
		FN.2810.2530	\$ (5,611,069)	\$ (431,621)		
Deferred Environmental Liability-Insurance Proceeds	2530.3	Net.2810.2530	\$ (5,611,069)	\$ (5,611,069)		* This account should be excluded from working capital.
		FC.2815.2530		\$ 130,872		
		FN.2815.2530	\$ 198,120	\$ 15,404		
Deferred Environmental Liability-Actual Costs , net of Customer Proceeds	2530.31	Net.2815.2530	\$ 198,120	\$ 146,276	\$ 198,120	\$ 146,276
		FC.2815.2531		\$ (5,921,723)		
		FN.2815.2531	\$ (6,169,751)	\$ (475,399)		
Deferred Environmental Liability-Proceeds to be recovered from Customers	2530.32	Net.2815.2531	\$ (6,169,751)	\$ (6,397,122)	\$ (6,169,751)	\$ (6,397,122)
<b>Total Environmental in Working Capital</b>					<b>\$ 196,381</b>	<b>\$ 145,340</b>

**FPU Parent Company**  
**Balance Sheet Accts Only - Natural Acct + Activity Code**  
**YTD Summary Trial - No Transactions**  
**December 31, 2010**

Balances shown  
as Debit (Credit)

Exhibit 3A  
FPUC responses to Auditors Report  
Docket No. 110133-GU

**ACCOUNTS PAYABLE - per Company**

A/P - Parent	Old account number	Account Number	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	13-month Average
AP Hand Accrual - Accounts Payable	100.2320.11	FC - 2100-2320	(7,005,668)	(11,377,960)	(9,805,946)	(8,817,619)	(7,144,651)	(7,765,789)	(8,667,564)	(8,358,070)	(877,739)	(847,666)	(907,516)	(806,447)	(574,963)	(5,873,638)
Accounts Payable - No Drilldown	100.2320.14100.2320.99	FC - 2102-2320	(3,704,485)	(1,265,466)	(1,891,940)	(1,971,586)	(4,796,686)	(4,236,428)	(4,306,997)	(4,426,052)	(572,173)	(1,811,328)	(983,678)	(1,229,061)	(3,161,739)	(2,850,742)
<b>Less:</b>			(10,710,153)	(12,643,426)	(11,497,886)	(10,786,215)	(11,941,339)	(12,002,217)	(12,974,561)	(13,784,102)	(1,449,912)	(2,758,994)	(1,891,194)	(2,035,538)	(3,738,702)	(8,324,361)
<b>A/P - Fuel &amp; Other Direct Costs</b>																
Gas Bills - Direct			(2,458,802)	(4,203,885)	(3,305,228)	(2,959,941)	(1,956,012)	(1,357,830)	(1,133,000)	(1,327,638)						(1,440,933)
Electric Fuel Costs - Direct			(5,882,873)	(7,006,492)	(6,312,247)	(5,731,620)	(5,518,790)	(5,836,326)	(7,065,273)	(6,985,825)						(3,870,727)
Non-Regulated Direct Costs			(159,892)	(132,418)	(266,090)	(248,183)	(157,810)	(191,687)	(80,006)	(203,801)						(110,976)
<b>Total Fuel and Other Direct Costs</b>			(8,481,167)	(11,372,795)	(9,886,563)	(8,939,944)	(7,632,612)	(7,385,843)	(8,278,279)	(8,517,064)						(5,422,636)
<b>Remaining A/P Parent to be allocated</b>			(2,228,986)	(1,270,331)	(1,611,323)	(1,849,271)	(4,306,727)	(4,616,374)	(4,696,282)	(5,267,038)	(1,449,912)	(2,758,994)	(1,881,194)	(2,035,538)	(3,736,702)	(2,901,745)
<b>Natural Gas Alloc @ 54%</b>			(1,203,658)	(885,979)	(870,114)	(968,806)	(2,326,713)	(2,492,842)	(2,537,072)	(2,844,201)	(782,952)	(1,488,857)	(1,021,245)	(1,069,191)	(2,017,819)	(1,566,942)
<b>Total A/P Parent Allocated to Natural Gas</b>			(3,662,260)	(4,919,864)	(4,175,340)	(3,968,547)	(4,282,725)	(3,850,672)	(3,670,072)	(4,171,839)	(782,952)	(1,488,857)	(1,021,245)	(1,069,191)	(2,017,819)	(3,007,876)
<b>A/P - Natural Gas business unit</b>																
AP Hand Accrual - Accounts Payable		N/A FN - 2100-2320									(333,005)	(788,792)	(391,476)	(195,510)	(386,570)	(159,796)
Accounts Payable-Unmatched Receipts - Accounts Payable		N/A FN - 2110-2320									(5,891)	(36,845)	(68,015)	(8,209)	(78,759)	(15,132)
Gas Bills Payable - Accounts Payable		N/A FN - 2112-2320									(1,149,335)	(881,978)	(1,165,098)	(1,833,147)	(3,081,832)	(624,722)
<b>Total Natural Gas Fuel and Other direct costs</b>											(1,488,230)	(1,697,615)	(1,625,588)	(2,034,865)	(3,549,161)	(799,661)
<b>Other A/P</b>																
401K Payable/Withholding - Accounts Payable	100.2320.92	FC - 2132-2320	0	(68,132)	14,099	51,229	67,729	83,977	100,313	125,136	125,136	125,138	72,188	125,138	133,342	73,484
401K Loan Payable/Withholding - Accounts Payable	100.2320.92	FC - 2135-2320	0	(17,081)	(33,966)	(51,094)	(67,729)	(83,977)	(100,313)	(125,136)	(125,138)	(125,138)	(133,210)	(125,138)	(133,342)	(86,251)
United Way Payable/Withholding - Accounts Payable	100.2320.4	FC - 2141-2320	(1,002)	(711)	0	0	0	(642)	0	0	(631)	(288)	0	(562)	(827)	(350)
Union Dues Payable/Withholding - Accounts Payable	100.2320.7	FC - 2144-2320	(3,002)	(2,990)	0	0	(11)	(3,179)	(30)	0	(200)	(15)	(1,569)	(1,578)	(4,726)	(1,330)
Savings Bonds Payable/Withholding - Accounts Payable	100.2320.2	FC - 2145-2320	(585)	(430)	3,050	(20)	(40)	(360)	(30)	(80)	(280)	(50)	(70)	(40)	(370)	55
Medical/Dental Fees Payable/Withholding - Accounts Payable	100.2320.82	FC - 2150-2320	0	0	0	0	(398)	0	0	22,468	(11,813)	8,990	173,218	0	(33,088)	12,260
Life Insurance Payable/Withholding - Accounts Payable	100.2320.85	FC - 2151-2320	1,941	2,862	2,971	2,275	2,278	2,523	2,438	1,245	9,785	2,120	2,250	5,929	(41)	2,969
LTD Insurance Payable/Withholding - Accounts Payable	100.2320.86	FC - 2152-2320	(902)	2,674	2,802	43	46	273	(14)	(181)	4,819	(380)	(308)	2,262	(136)	864
AD&D Insurance Payable/Withholding - Accounts Payable	100.2320.81	FC - 2153-2320	(16)	(20)	(8)	18	(25)	(921)	(929)	(42)	825	(6)	(27)	394	(2)	(58)
Dental Only Fees Payable/Withholding - Accounts Payable	100.2320.64	FC - 2155-2320	(77)	212	1,440	773	580	589	714	939	5,970	499	551	3,433	0	1,203
Other Withholding/Misc - Accounts Payable	100.2320.67	FC - 2159-2320	(548)	(2,677)	(2,604)	52	3	47	86	101	2,070	11	51	1,109	(182)	
<b>Net</b>			(3,591)	(86,273)	(12,414)	3,276	2,444	(1,670)	2,235	2,023	44,626	(9,904)	(51,146)	184,166	(38,992)	2,675
<b>Natural Gas alloc @ 52%</b>			(1,867)	(44,862)	(6,455)	1,704	1,271	(868)	1,162	1,052	23,295	(5,150)	(26,596)	95,766	(20,276)	1,391
<b>Total Natural Gas allocation of A/P</b>			(3,664,127)	(4,964,726)	(4,181,796)	(3,966,844)	(4,281,454)	(3,851,540)	(3,668,910)	(4,170,787)	(2,247,978)	(3,192,622)	(2,673,429)	(3,038,290)	(5,587,256)	(3,806,135)
<b>A/P directly charged to Non-Gas Business Unit</b>			(6,022,565)	(7,138,910)	(6,581,337)	(5,980,003)	(5,676,000)	(6,028,013)	(7,145,279)	(7,169,426)						(3,981,703)
<b>A/P Parent alloc to non-Natural Gas @46%</b>			(1,025,338)	(584,352)	(741,209)	(850,665)	(1,962,014)	(2,123,532)	(2,161,210)	(2,422,637)	(666,660)	(1,269,137)	(869,949)	(936,347)	(1,718,883)	(1,334,803)
<b>Other A/P alloc to non-Natural Gas @48%</b>			(1,724)	(41,411)	(5,959)	1,573	1,173	(802)	1,073	871	21,426	(4,754)	(24,550)	88,400	(18,716)	1,284
<b>Direct non-Natural Gas A/P</b>			0	0	0	0	0	0	0	0	(8,868,635)	(9,366,264)	(5,821,747)	(5,316,890)	(7,889,720)	(2,461,788)
<b>FPU Accounts Payable Totals</b>			(10,713,754)	(12,729,398)	(11,510,300)	(10,785,939)	(11,938,895)	(12,003,987)	(12,974,328)	(13,782,079)	(9,762,152)	(10,832,767)	(9,389,978)	(9,203,127)	(16,214,575)	(11,603,144)
<b>Total Natural Gas allocation of A/P per Audit Report</b>			(5,785,355)	(6,872,150)	(6,215,314)	(5,824,472)	(6,447,052)	(6,462,066)	(7,006,181)	(7,442,383)	(2,247,978)	(3,192,622)	(2,673,429)	(3,038,290)	(5,587,256)	(5,293,425)
<b>Total Natural Gas allocation of A/P per Company</b>			(3,664,127)	(4,964,726)	(4,181,796)	(3,966,844)	(4,281,454)	(3,851,540)	(3,668,910)	(4,170,787)	(2,247,978)	(3,192,622)	(2,673,429)	(3,038,290)	(5,587,256)	(3,806,135)
<b>Adjustment needed to Working Capital Debit (Credit)</b>			2,121,228	1,907,424	2,033,518	1,887,629	2,165,598	2,630,525	3,337,271	3,271,577						1,487,290

**FPU Parent Company**  
**Balance Sheet Accts Only - Natural Acct + Activity Code**  
**YTD Summary Trial - No Transactions**  
**December 31, 2010**

Balances shown  
as Debit (Credit)

Exhibit 3B  
FPUC responses to Auditors Report  
Docket No. 110133-GU

**ACCOUNTS PAYABLE - per Audit Report**

			December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	13-month Average
<b>A/P - Parent</b>																
AP Hand Accrual - Accounts Payable	100.2320.11	FC - 2100-2320	(7,006,668)	(11,377,660)	(9,605,946)	(8,817,619)	(7,144,651)	(7,765,789)	(8,667,564)	(9,358,070)	(877,739)	(847,666)	(907,516)	(806,447)	(574,963)	(5,673,638)
Accounts Payable - No Drilldown	100.2320.14,100.2320.99	FC - 2102-2320	(3,704,495)	(1,265,466)	(1,891,940)	(1,971,596)	(4,796,888)	(4,236,428)	(4,308,997)	(4,426,032)	(572,173)	(1,911,328)	(983,878)	(1,229,081)	(3,161,739)	(2,650,742)
Net			(10,710,163)	(12,643,126)	(11,497,886)	(10,789,215)	(11,941,339)	(12,002,217)	(12,976,561)	(13,784,102)	(1,449,912)	(2,758,994)	(1,891,194)	(2,035,538)	(3,736,702)	(8,324,381)
Natural Gas alloc @ 54%			(5,783,488)	(6,827,288)	(6,208,858)	(6,626,176)	(6,448,323)	(6,481,197)	(7,007,343)	(7,443,415)	(782,952)	(1,489,657)	(1,021,245)	(1,099,191)	(2,017,819)	(4,495,166)
<b>A/P - Natural Gas business unit</b>																
AP Hand Accrual - Accounts Payable	N/A	FN - 2100-2320									(333,005)	(768,792)	(391,476)	(195,510)	(388,570)	(159,796)
Accounts Payable-Unmatched Receipts - Accounts Payable	N/A	FN - 2110-2320									(5,891)	(36,845)	(89,015)	(6,209)	(78,759)	(15,132)
Gas Bills Payable - Accounts Payable	N/A	FN - 2112-2320									(1,149,335)	(891,978)	(1,165,098)	(1,833,147)	(3,081,832)	(624,722)
Net											(1,488,230)	(1,697,615)	(1,625,588)	(2,034,865)	(3,548,161)	(799,651)
<b>Other A/P</b>																
401K Payable/Withholding - Accounts Payable	100.2320.92	FC - 2132-2320	0	(88,132)	14,099	51,229	67,729	83,977	100,313	125,138	125,138	125,138	72,188	125,138	133,342	73,484
401K Loan Payable/Withholding - Accounts Payable	100.2320.92	FC - 2135-2320	0	(17,081)	(33,966)	(51,094)	(67,729)	(83,977)	(100,313)	(125,138)	(125,138)	(125,138)	(133,210)	(125,138)	(133,342)	(86,251)
United Way Payable/Withholding - Accounts Payable	100.2320.4	FC - 2141-2320	(1,002)	(711)	0	0	0	(842)	0	0	(531)	(289)	0	(662)	(827)	(359)
Union Dues Payable/Withholding - Accounts Payable	100.2320.7	FC - 2144-2320	(3,002)	(2,990)	0	0	(11)	(3,178)	(30)	0	(200)	(15)	(1,560)	(1,578)	(4,726)	(1,330)
Savings Bonds Payable/Withholding - Accounts Payable	100.2320.2	FC - 2145-2320	(585)	(430)	3,050	(20)	(40)	(360)	(30)	(60)	(280)	(50)	(70)	(40)	(370)	55
Medical/Dental Fees Payable/Withholding - Accounts Payable	100.2320.62	FC - 2150-2320	0	0	0	0	(398)	0	0	0	22,468	(11,813)	8,990	173,218	(33,085)	12,250
Life Insurance Payable/Withholding - Accounts Payable	100.2320.65	FC - 2151-2320	1,941	2,882	2,971	2,275	2,278	2,523	2,438	1,245	9,785	2,120	2,250	5,929	(41)	2,989
LTD Insurance Payable/Withholding - Accounts Payable	100.2320.66	FC - 2152-2320	(302)	2,674	2,602	43	46	273	(14)	(161)	4,619	(360)	(308)	2,262	(136)	884
AD&D Insurance Payable/Withholding - Accounts Payable	100.2320.61	FC - 2153-2320	(16)	(20)	(6)	18	(25)	(921)	(929)	(42)	825	(6)	(27)	394	(2)	(68)
Dental Only Fees Payable/Withholding - Accounts Payable	100.2320.64	FC - 2155-2320	(77)	212	1,440	773	590	589	714	939	5,970	489	551	3,433	0	1,203
Other Withholding/Misc - Accounts Payable	100.2320.67	FC - 2159-2320	(548)	(2,677)	(2,804)	52	3	47	86	191	2,070	11	51	1,109	197	(162)
Net			(3,591)	(86,273)	(12,414)	3,276	2,444	(1,670)	2,235	2,023	44,626	(9,904)	(51,146)	184,166	(38,992)	2,675
Natural Gas alloc @ 52%			(1,867)	(44,862)	(6,455)	1,704	1,271	(868)	1,162	1,052	23,205	(5,150)	(26,596)	95,766	(20,276)	1,391
Total Natural Gas allocation of A/P			(5,785,355)	(6,872,150)	(6,215,314)	(6,824,472)	(6,447,052)	(6,482,066)	(7,006,181)	(7,442,363)	(2,247,976)	(3,192,622)	(2,673,429)	(3,038,290)	(5,587,256)	(5,293,425)
A/P Parent alloc to non-Natural Gas @46%			(4,926,675)	(5,815,838)	(5,289,028)	(4,963,039)	(5,493,016)	(5,521,020)	(5,969,216)	(6,340,687)	(666,960)	(1,269,137)	(869,949)	(936,347)	(1,716,863)	(3,829,215)
Other A/P alloc to non-Natural Gas @48%			(1,724)	(41,411)	(5,959)	1,573	1,173	(802)	1,073	971	21,420	(4,754)	(24,550)	88,400	(18,716)	1,284
Direct non-Natural Gas A/P			0	0	0	0	0	0	0	0	(6,868,635)	(6,366,254)	(5,821,747)	(5,316,890)	(7,889,720)	(2,481,788)
FPU Accounts Payable Totals			(10,713,754)	(12,729,399)	(11,510,300)	(10,785,939)	(11,938,895)	(12,003,887)	(12,974,326)	(13,782,079)	(9,762,152)	(10,832,767)	(9,399,676)	(9,203,127)	(15,214,675)	(11,603,144)



**FPU**

**Balance Sheet by FERC Account  
13-Month Average  
December 31, 2010**

Balances shown  
as (Debit) Credit

Exhibit 3C  
FPUC responses to Auditors Report  
Docket No. 110133-GU

**FPU - Parent**

Accounts payable	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Total	13-Mo Avg
AP Hand Accrual - Accounts Payable FC - 2100-2320	7,005,669	11,377,660	9,605,946	8,817,819	7,144,851	7,765,789	8,667,564	9,358,070	877,739	847,866	807,518	806,447	574,963	73,757,299	5,873,638
Accounts Payable - NO DRILLDOWN FC - 2102-2320	3,704,495	1,265,466	1,891,940	1,971,596	4,796,668	4,236,428	4,308,997	4,426,032	572,173	1,911,328	983,678	1,229,091	3,161,739	34,459,551	2,650,742
401K Payable/Withholding - Accounts Payable FC - 2132-2320	0	68,132	(14,099)	(51,229)	(67,729)	(83,977)	(100,313)	(125,138)	(125,138)	(125,138)	(72,188)	(125,138)	(133,342)	(955,297)	(73,484)
401K Loan Payable/Withholding - Accounts Payable FC - 2135-2320	0	17,081	33,966	51,004	87,729	83,977	100,313	125,138	125,138	125,138	133,210	125,138	133,342	1,121,264	86,251
United Way Payable/Withholding - Accounts Payable FC - 2141-2320	1,002	711	0	0	0	642	0	0	631	289	0	562	827	4,864	359
Union Dues Payable/Withholding - Accounts Payable FC - 2144-2320	3,002	2,990	0	0	11	3,179	30	0	200	15	1,560	1,578	4,728	17,291	1,330
Savings Bonds Payable/Withholding - Accounts Payable FC - 2145-2320	585	430	(3,050)	20	40	360	30	60	280	50	70	40	370	(715)	(55)
Medical/Dental Fees Payable/Withholding - Accounts Payable FC - 2150-2320	0	0	0	0	398	0	0	0	(22,488)	11,813	(8,990)	(173,218)	33,086	(159,379)	(12,260)
Life Insurance Payable/Withholding - Accounts Payable FC - 2151-2320	(1,941)	(2,882)	(2,971)	(2,275)	(2,278)	(2,523)	(2,438)	(1,245)	(9,785)	(2,120)	(2,250)	(5,929)	41	(38,596)	(2,969)
LTD Insurance Payable/Withholding - Accounts Payable FC - 2152-2320	302	(2,674)	(2,602)	(43)	(46)	(273)	14	181	(4,619)	360	308	(2,262)	136	(11,238)	(864)
AD&D Insurance Payable/Withholding - Accounts Payable FC - 2153-2320	16	20	6	(18)	25	921	929	42	(825)	6	27	(394)	2	757	58
Dental Only Fees Payable/Withholding - Accounts Payable FC - 2155-2320	77	(212)	(1,440)	(773)	(590)	(589)	(714)	(939)	(5,970)	(499)	(551)	(3,433)	0	(15,633)	(1,203)
Other Withholding/Misc - Accounts Payable FC - 2159-2320	548	2,577	2,604	(52)	(3)	(47)	(86)	(101)	(2,070)	(11)	(51)	(1,109)	(197)	2,102	162
<b>Total accounts payable - Parent</b>	<b>10,713,755</b>	<b>12,729,399</b>	<b>11,510,300</b>	<b>10,785,939</b>	<b>11,938,896</b>	<b>12,003,887</b>	<b>12,974,326</b>	<b>13,782,080</b>	<b>1,405,296</b>	<b>2,768,697</b>	<b>1,942,339</b>	<b>1,851,373</b>	<b>3,775,693</b>	<b>108,182,170</b>	<b>8,321,705</b>

**FPU - Natural Gas**

Accounts payable	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Total	13-Mo Avg
AP Hand Accrual - Accounts Payable FN - 2100-2320	0	0	0	0	0	0	0	0	333,005	768,792	391,476	195,510	388,570	2,077,353	159,796
Accounts Payable-Unmatched Receipts - Accounts Payable FN - 2110-2320	0	0	0	0	0	0	0	0	5,891	36,845	69,015	6,209	78,759	196,719	15,132
Gas Bills Payable - Accounts Payable FN - 2112-2320	0	0	0	0	0	0	0	0	1,149,335	891,978	1,165,098	1,833,147	3,081,832	8,121,390	624,722
<b>Total accounts payable - Natural gas</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,488,231</b>	<b>1,697,615</b>	<b>1,625,589</b>	<b>2,034,866</b>	<b>3,549,161</b>	<b>10,395,462</b>	<b>799,651</b>

**FPU - Electric**

Accounts payable	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Total	13-Mo Avg
AP Hand Accrual - Accounts Payable FE - 2100-2320	0	0	0	0	0	0	0	0	24,768	91,186	81,795	13,570	133,400	344,719	26,517
Accounts Payable-Unmatched Receipts - Accounts Payable FE - 2110-2320	0	0	0	0	0	0	0	0	4,111	4,447	38,942	54,392	75,093	177,985	13,691
Gas Bills Payable - Accounts Payable FE - 2112-2320	0	0	0	0	0	0	0	0	6,824,733	6,231,905	5,622,472	5,196,896	7,418,062	31,294,068	2,407,236
<b>Total accounts payable - Electric</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,853,612</b>	<b>6,327,538</b>	<b>5,744,209</b>	<b>5,264,858</b>	<b>7,626,555</b>	<b>31,816,772</b>	<b>2,447,444</b>

**FPU - Non-Regulated**

Accounts payable	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	Total	13-Mo Avg
AP Hand Accrual - Accounts Payable FF - 2100-2320	0	0	0	0	0	0	0	0	0	270	33,596	250	236,980	271,096	20,854
Accounts Payable-Unmatched Receipts - Accounts Payable FF - 2110-2320	0	0	0	0	0	0	0	0	4,022	35,074	34,699	34,724	2	108,521	8,348
Gas Bills Payable - Accounts Payable FM - 2100-2320	0	0	0	0	0	0	0	0	11,002	3,373	9,242	17,058	28,184	66,859	5,143
<b>Total accounts payable - Non-Regulated</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,024</b>	<b>38,717</b>	<b>77,537</b>	<b>52,032</b>	<b>263,168</b>	<b>446,476</b>	<b>34,344</b>

**Total Consolidated Company A/P**

<b>10,713,755</b>	<b>12,729,399</b>	<b>11,610,300</b>	<b>10,785,939</b>	<b>11,938,896</b>	<b>12,003,887</b>	<b>12,974,326</b>	<b>13,782,080</b>	<b>9,762,163</b>	<b>10,832,767</b>	<b>9,389,674</b>	<b>9,203,129</b>	<b>16,214,676</b>	<b>150,840,880</b>	<b>11,603,146</b>
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**FPU Parent Company**

**Balance Sheet Accts Only – Natural Acct + Activity Code**

**YTD Summary Trial – No Transactions**

**December 31, 2010**

Exhibit 4

FPU responses to Auditors Report

Docket No. 110133-GU

**Preliminary Natural Gas Survey & Investigation**

Balances shown as Debit (Credit)

Per audit (per books):	Old account number	Account Number	December	January	February	March	April	May	June	July	August	September	October	November	December	13-month
			2009	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
Preliminary Natural Gas Survey & Investigation	100.1860.1 sj 37523	FN.1970.1832													31,818	2,448
Cumulative balance			0	0	0	0	0	0	0	0	0	0	0	0	31,818	2,448
<b>Per Revised Filing:</b>	<b>Old account number</b>	<b>Account Number</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>13-month</b>
			<b>2009</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>Average</b>
Preliminary Natural Gas Survey & Investigation (Utility)	100.1860.1 sj 37523	FN.1970.1832													31,818	2,448
Preliminary Natural Gas Survey & Investigation (Parent)	100.1860.1 sj 37523	FC.1970.1832				2,900	21,886	29,990	35,649	31,556	31,818	31,818	31,818	31,818	0	19,173
Cumulative balance			0	0	0	2,900	21,886	29,990	35,649	31,556	31,818	31,818	31,818	31,818	31,818	21,621
Adjustment to Working Capital- Increase (Decrease)			\$ -	\$ -	\$ -	\$ 2,900	\$ 21,886	\$ 29,990	\$ 35,649	\$ 31,556	\$ 31,818	\$ 31,818	\$ 31,818	\$ 31,818	\$ -	\$ 19,173

Reconciliation to Rate Base

Class of Capital	Utility/CUC 13 Month Average	Utility Direct Adjustments	CIC Adjusted Average	CUC % of Total	CUC Allocation	Utility Direct	Utility's COC To Rate Base Per Company	Utility's COC To Rate Base Per Staff	Difference
Common Equity	\$ 221,064,275		\$ 221,064,275	60.26%	\$ 31,846,685		\$ 31,846,685	\$ 26,485,617	
Long Term Debt	\$ 107,065,343		\$ 107,065,343	29.18%	\$ 15,421,279		\$ 15,421,279	\$ 12,827,454	
Short Term Debt	\$ 11,967,923		\$ 11,967,923	3.26%	\$ 1,722,871		\$ 1,722,871	\$ 4,641,082	
STD Refinanced LTD	\$ 26,769,230		\$ 26,769,230	7.30%	\$ 3,857,962		\$ 3,857,962	\$ -	
Customer Deposit	\$ 7,629,696	\$ (7,629,696)	\$ -	0.00%		\$ 7,629,696	\$ 7,629,696	\$ 7,629,696	
Def Income Tax	\$ 8,376,321	\$ (8,376,321)	\$ -	0.00%		\$ 8,376,321	\$ 8,376,321	\$ 8,376,321	
Tax Credit	\$ 82,545	\$ (82,545)	\$ -	0.00%		\$ 82,545	\$ 82,545	\$ 82,545	
<b>Total</b>	<b>\$ 382,955,333</b>	<b>\$ (16,088,562)</b>	<b>\$ 366,866,771</b>	<b>100.00%</b>	<b>\$ 52,848,797</b>	<b>\$ 16,088,562</b>	<b>\$ 68,937,359</b>	<b>\$ 60,042,715</b>	<b>\$ 8,894,644</b>

13 Month Average Rate Base

Auditor Rate Base	\$ 60,042,715.00
Finding 1 Working Capital Adjustments:	
Cash	\$ 1,777,112.00
Environmental	\$ 5,611,069.00
Accounts Payable	\$ 1,487,290.00
Misc. Def. Debits	\$ 19,173.00
Net Adjustments	\$ 8,894,644.00
Company Rate Base	<u>\$ 68,937,359.00</u>
Less Direct	\$ 16,088,562.00
CUC Allocation	<u>\$ 52,848,797.00</u>

Weighted Cost of Capital Per Company (Rate Base Change)

Class of Capital	Utility's COC To Rate Base Per Company	Ratio	Cost Rate	Per Company Weighted Cost
Common Equity	\$ 31,846,685	46.19%	10.85%	5.01%
Long Term Debt	\$ 15,421,279	22.37%	7.16%	1.60%
Short Term Debt	\$ 1,722,871	2.50%	1.78%	0.04%
STD Refinanced LTD	\$ 3,857,962	5.60%	1.78%	0.10%
Customer Deposit	\$ 7,629,696	11.07%	6.00%	0.66%
Def Income Tax	\$ 8,376,321	12.15%	0.00%	0.00%
Tax Credit	\$ 82,545	0.12%	9.01%	0.01%
<b>Total</b>	<b>\$ 68,937,359</b>	<b>100.00%</b>		<b>7.42%</b>
	Per Audit Report			<u>7.23%</u>
	Difference			<u>0.19%</u>

Weighted Cost of Capital Per Company (Rate Base and Short term Debt Changes)

Class of Capital	Utility's COC To Rate Base Per Company	Ratio	Cost Rate	Per Company Weighted Cost
Common Equity	\$ 31,846,685	46.19%	10.85%	5.01%
Long Term Debt	\$ 15,421,279	22.37%	7.16%	1.60%
Short Term Debt	\$ 1,722,871	2.50%	1.78%	0.04%
STD Refinanced LTD	\$ 3,857,962	5.60%	5.99%	0.34%
Customer Deposit	\$ 7,629,696	11.07%	6.00%	0.66%
Def Income Tax	\$ 8,376,321	12.15%	0.00%	0.00%
Tax Credit	\$ 82,545	0.12%	9.01%	0.01%
<b>Total</b>	<b>\$ 68,937,359</b>	<b>100.00%</b>		<b>7.66%</b>
	Per Audit Report			<u>7.23%</u>
	Difference			<u>0.43%</u>

Cost of Capital  
 Finding B  
 Short Term Debt Support

Exhibit 58  
 FPIIC responses to Auditors Report  
 Docket No. 110133-GU

	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	13 Month Average Total
<b>SHORT-TERM DEBT</b>														
Short-term Borrowing - N- CU 20202310	(29,188,306)	(64,990,415)	(43,598,585)	(29,100,000)	(29,100,000)	(29,100,000)	(29,100,000)	(29,100,000)	(31,019,031)	(35,219,034)	(48,100,000)	(46,100,000)	(59,867,621)	(38,737,153)
LTD Debt Commitment, temp ST		(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,000,000)	(29,769,231)
Remaining STD	(29,188,306)	(35,990,415)	(14,598,585)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(2,019,031)	(6,219,034)	(19,100,000)	(17,100,000)	(30,867,621)	(11,967,822)

STD Cost Rate 1.78%

Debt Commitment Cost Rate 5.99%


Refinanced Debt

	Proceeds	Interest	Cost Rate
Senior note	\$ 29,000,000	\$ 1,647,200	
Loss on reacquired debt	\$ (1,461,528)		
DD&E	\$ (31,013)		
	<u>\$ 27,507,459</u>	<u>\$ 1,647,200</u>	<u>5.99%</u>

**CERTIFICATE OF SERVICE**

I HEREBY ATTEST that a true and correct copy of the foregoing Request has been served upon the following by Electronic Mail this 2nd Day of September, 2011:

Patricia Christensen Office of the Public Counsel c/o The Florida Legislature 111 West Madison St., Rm. 812 Tallahassee, FL 32399-1400 CHRISTENSEN.PATTY@leg.state.fl.us	Keino Young, Esquire Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 kyoung@psc.state.fl.us
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Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 618  
Tallahassee, FL 32301  
(850) 521-1706