

March 19, 2013

HAND DELIVERY

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

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COMMISSION
CLERK

Re: Docket No. 120311-GU - Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company

Dear Ms. Cole:

Enclosed for filing, please find the original and five copies of Florida Public Utilities Company's responses to Staff's Second Set of Data Requests to the Company in the above-referenced docket.

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

Sincerely,



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

cc://Staff Counsel (Klancke)

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DOCUMENT NUMBER-DATE

01379 MAR 19 2013

Re: Docket Number 120311-GU - Petition for approval of positive acquisition adjustment to reflect the acquisition of Indiantown Gas Company by Florida Public Utilities Company.

1. Please refer to the Direct Testimony of witness Cheryl Martin, Exhibit CM-3, page 1 of 1. As shown on Exhibit CM-3, FPUC-Indiantown Division anticipates that the total annual operating cost savings will be \$187,792. Please provide the operating cost savings/increases by category and year using the format provided on the schedule below. Do not annualize the amount of any savings/increases that are not in effect for the entire year. Please indicate any one-time savings/increases that will not affect future years. Expand the schedule until the total annual operating savings of \$187,792 is realized.

Company Response: See completed chart below. As the Company stated in response to Staff’s First Data Request number 33 – “The \$187,792 annual savings, as stated by witness Martin, is a comparison of the IGC June 30, 2010 ESR with the FPUC – Indiantown Division December 31, 2011 ESR. The IGC June 30, 2010 ESR consists of expense data for the 12 months ending June 30, 2010. The Company does not have access to this expense data by expense account (it only has access to the 2009 Annual Report data by expense account for IGC, which is a calendar year basis); therefore, the Company is unable to provide the savings by expense account.” For similar reasons, the Company is unable to determine the savings or increased costs by the categories shown in the table below.¹ Therefore, the Company has reflected the total annual operating savings in the row labeled “Operating Cost Savings – Personnel Related” as the Company believes that the majority of savings are applicable to this category.

Florida Public Utilities Company-Indiantown					
Docket No. 120311-GU					
Total Net Operating Cost Savings By Year					
For The Period Of 2010 Through 2025					
	2010	2011	2012	2024	Total
					Anticipated
	2010	2011	2012	2024	Net Savings
Operating Cost Savings – Capacity	\$0	\$0	\$0	\$0	\$0
Operating Cost Savings – Cost of Capital	\$923	\$2,215	\$2,215	\$1,292	\$33,225
Operating Cost Savings – Personnel Related	\$78,247	\$187,792	\$187,792	\$109,545	\$2,816,880
Operating Cost Savings – Corporate	\$0	\$0	\$0	\$0	\$0
Operating Cost Increases – Personnel Related	\$0	\$0	\$0	\$0	\$0
Operating Cost Increases – Corporate & Benefits	\$0	\$0	\$0	\$0	\$0
Operating Cost Increases - Transportation costs	\$0	\$0	\$0	\$0	\$0

¹ In purchasing the Indiantown system, the Company did not acquire all of the accounting books and records from the prior owners. Thus, the Company does not have access to the referenced expense data (to the extent such data exists) on a 12 months ended June 30th basis for Indiantown prior to its acquisition by FPUC.

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FPSC-COMMISSION CLERK

Operating Cost Increases - Other	\$0	\$0	\$0	\$0	\$0
Total Net Operating Cost Savings	\$79,170	\$190,007	\$190,007	\$80,760	\$2,850,105

2. Please refer to the 2011 Annual Report for FPUC-Indiantown Division, page 4. Are the officers and directors salary expenses ongoing yearly expenses? If so, please provide the allocation factor or methodology used to establish the yearly salary expense for each applicable position.

Company Response: Yes. The allocation factors for each of the officers, Michael McMasters, Beth Cooper and Elaine Bittner are 0.090%, 0.110% and 0.080%, respectively.

3. Please refer to Attachment 1 - Supporting Documentation – Valuation Calculation. The chart displaying the tax depreciation calculation did not include the Commission’s adjustments for accumulated depreciation. Please provide a detailed explanation for why the depreciation adjustments were not applied to the current accumulated depreciation to calculate the net value of the plant assets. In addition, please provide a revised chart for the tax depreciation calculation and any supporting documentation or work papers supporting the calculations.

Company Response: The Company performed the valuation calculation immediately after the completion of the Indiantown acquisition in order to properly include the effect of this acquisition for the financial reporting purposes. At that point, the Commission’s adjustments for accumulated depreciation were not known to the Company, and therefore, they were not included in the tax depreciation calculation. Since the valuation calculation is prepared for the value at a specific date (acquisition date) based on all known and available information at that point, it is typically not adjusted unless the subsequent information provides material changes. After the Company became aware of the Commission’s adjustments, the Company considered the potential impact of those adjustments to the purchase accounting, including the tax depreciation calculation used in the valuation calculation. The Company determined that the Commission adjustments did not materially change the tax depreciation calculation based on the following: (a) the Commission adjustments decreased the net plant value by only \$3,909; (b) all of the Commission adjustments, except for the decrease of \$1,204 related to computer equipment, were associated with the assets that have a long tax depreciation life (15-year tax depreciation life); and (c) the change in the tax depreciation only impacts the future cash flows associated with income tax payments (meaning only 38.575% of the tax depreciation change result in a change in debt-free net working capital in the DCF valuation, which is then discounted to the net present value). Based on these factors, incorporating the Commission’s adjustments for accumulated depreciation would not have changed the approximately \$1.2 million of the fair value of net assets estimated in this valuation calculation as shown in Attachment 1.

4. Please refer to Florida Public Utilities Responses to Staff’s First Data Requests, Number 18b. The Company was asked to provide a comparative analysis of the services and costs provided under the O & M agreement with former IGC and the scheduled tasks to be performed by FPUC employees. The Company responded that total distribution expense incurred was \$18,301.

- a. Please explain if the recorded \$18,301 expense was based on an allocation methodology. If so, please provide all supporting documentation and calculations. If not, please provide all supporting documentation and calculations used to establish FPUC's cost of the scheduled O & M tasks.
- b. For all vehicles, if any, used by FPUC employees from the West Palm Beach territory for the scheduled O & M tasks, please provide the vehicle expenses incurred for 2011 and 2012, and describe the method used in the calculation of the costs. Provide all supporting documentation and calculations for the vehicle expenses.

Company Response: a. The recorded expense of \$18,301 was actual, tracked expenses incurred to perform the O&M tasks that were the responsibility of the Company. For labor costs, the supporting documentation is each employee's time tickets, which are available for inspection at the Company's office. In addition, employee related expenses (i.e. payroll taxes, employee vehicle expenses, etc.) are allocated, based on the proportion of time actually spent on Indiantown tasks to the total time for each employee. Any materials used to perform the tasks were directly charged to the Indiantown Division.

b. The total vehicle expenses charged to FPUC-Indiantown Division for the scheduled O & M tasks for 2011 and 2012 were \$1,005 and \$6,004, respectively. Vehicle expenses are allocated based on the proportion of payroll incurred by the employees assigned to the vehicle. The time tickets are available for inspection at the Company's office.

5. Please refer to Exhibit C of the Operations and Maintenance Agreement, page 15. It states in the O & M Agreement that "All equipment and materials used in the performance of the above O & M tasks shall be provided by the Company."
 - a. Based on the above statement, please identify the company FPUC Indiantown Division or Indiantown LP Gas is providing the equipment and materials.
 - b. If your response to 5(a) is FPUC Indiantown Division, please identify what equipment the company is providing to Indiantown LP Gas and at what cost to the Company.
 - c. Please provide a listing of the vehicles, if any, that are provided to Indiantown LP Gas to perform any of the O & M tasks.

Company Response: a. The company is FPUC Indiantown Division.

b. The equipment provided to Indiantown LP Gas include line locators (to perform Line locates) and wrenches (to perform Meter Turn on and off's). The line locators were purchased from Indiantown and capitalized. Depreciation and maintenance expenses for these assets are recorded on FPUC Indiantown Division books. Wrenches are expensed when purchased on FPUC Indiantown Division books.

c. Vehicles are not provided as they do not fall under the definition of "equipment and materials."

6. Please provide a revision of Exhibit CM-2 assuming an acquisition adjustment amortization period of 20 years.

Company Response: See Attachment 6.

7. Please refer to the Company's response to staff's first data request, number 48. In this response the Company provided an attachment (Attachment 48) which displays the investment and average remaining life for each Indiantown account, as provided in PSC Order No. PSC-09-0328-PAA-GU. Using Attachment 48 as the base, please provide the total weighted average remaining life for the accounts acquired by FPUC from Indiantown (i.e., excluding Transportation, Account 392). Please include the calculation backup in the response.

Company Response: See Attachment 7.

8. Please refer to Exhibit CM-4 of witness Martin's Direct Testimony for the following questions:
 - a. The yearly costs and savings listed in Exhibit CM-4 appear to be rounded up. Please provide a revised Exhibit CM-4 for the 15 year amortization that shows the yearly costs and savings before rounding, or a copy of the Company's work papers that show the costs and savings before they were rounded up.
 - b. Please provide a revised Exhibit CM-4 based on a 20 year amortization that shows the yearly costs and savings before rounding, or a copy of the Company's work papers that show the costs and savings before they were rounded up.

Company Response: a. See Attachment 8a.

b. See Attachment 8b.

Docket No. 120311-GU

Attachment 6

RATE OF RETURN REPORT SUMMARY
DECEMBER 31, 2011

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$173,551	(\$26,007)	\$147,544	(\$22,905)	\$124,639
AVERAGE RATE BASE	\$1,316,064	(\$745,800)	\$570,264	\$711,618	\$1,281,882
AVERAGE RATE OF RETURN	13.19%		25.87%		9.72%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$173,551	(\$24,246)	\$149,305	(\$22,905)	\$126,399
YEAR-END RATE BASE	\$1,656,067	(\$745,800)	\$910,267	\$692,973	\$1,603,240
YEAR-END RATE OF RETURN	10.48%		16.40%		7.88%
<hr/>					
III. REQUIRED RATES OF RETURN AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)			IV. EARNED RETURN ON EQUITY (FPSC ADJUSTED BASIS)		
LOW	8.12%		A.	INCL COMP RATE ADJ REVENUES	42.76%
MIDPOINT	8.68%		B.	EXCL COMP RATE ADJ REVENUES	42.76%
HIGH	9.24%				

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s. 775.084

Cheryl M. Martin
Director of Regulatory Affairs

Signature

Date

AVERAGE RATE OF RETURN
DECEMBER 31, 2011
RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$1,925,469	(690,265)	\$1,235,204	\$0	\$0	\$1,235,204	\$80,860	\$1,316,064
FPSC ADJUSTMENTS								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	(\$745,800)		(\$745,800)			(\$745,800)	\$0	\$0 (\$745,800)
TOTAL FPSC ADJUSTMENTS	(\$745,800)	\$0	(\$745,800)	\$0	\$0	(\$745,800)	\$0	(\$745,800)
FPSC ADJUSTED	\$1,179,669	(\$690,265)	\$489,404	\$0	\$0	\$489,404	\$80,860	\$570,264
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$1,179,669	(\$690,265)	\$489,404	\$0	\$0	\$489,404	\$80,860	\$570,264
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$745,800	(\$34,183)	\$711,618	\$0	\$0	\$711,618	\$0	\$711,618
TRANSACTION & TRANSITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$745,800	(\$34,183)	\$711,618	\$0	\$0	\$711,618	\$0	\$711,618
PRO FORMA ADJUSTED	\$1,925,469	(\$724,447)	\$1,201,021	\$0	\$0	\$1,201,021	\$80,860	\$1,281,882

AVERAGE RATE OF RETURN
DECEMBER 31, 2011
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D I T (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$613,342	\$3,095	\$283,359	\$39,071	\$6,066	\$108,200	\$0	\$0	\$0	\$439,791	\$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$4,975)				(\$4,975)	\$4,975
2) Income Tax Effective Rate Adjustment						\$444				\$444	(\$444)
3) Bad Debt Provision for Indiantown Cogen			\$21,688			(\$8,366)				\$13,322	(\$13,322)
4) Natural Gas Allocation Adjustment			\$28,027			(\$10,811)				\$17,216	(\$17,216)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$49,715	\$0	\$0	(\$23,708)	\$0	\$0	\$0	\$26,007	(\$26,007)
FPSC ADJUSTED	\$613,342	\$3,095	\$333,074	\$39,071	\$6,066	\$84,492	\$0	\$0	\$0	\$465,798	\$147,544
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$613,342	\$3,095	\$333,074	\$39,071	\$6,066	\$84,492	\$0	\$0	\$0	\$465,798	\$147,544
ACQUISITION ADJ. - AMORT EXP	\$0	\$0	\$0	\$37,290	\$0	(\$14,385)	\$0	\$0	\$0	\$22,905	(\$22,905)
TRANSACTION/TRANSITION COSTS - AMORT EXP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$37,290	\$0	(\$14,385)	\$0	\$0	\$0	\$22,905	(\$22,905)
PRO FORMA ADJUSTED	\$613,342	\$3,095	\$333,074	\$76,361	\$6,066	\$70,107	\$0	\$0	\$0	\$488,703	\$124,639

YEAR END RATE OF RETURN
DECEMBER 31, 2011
RATE BASE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	PLANT IN SERVICE	NET PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NET UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
PER BOOKS	\$2,052,697	(\$713,351)	\$1,339,346	\$0	\$0	\$1,339,346	\$316,721	\$1,656,067
FPSC ADJUSTMENTS:								
ELIMINATIONS TO WORKING CAPITAL ELIMINATE ACQUISITION ADJ.	(\$745,800)		(\$745,800)			(\$745,800)	\$0	\$0 (\$745,800)
TOTAL FPSC ADJUSTMENTS	(\$745,800)	\$0	(\$745,800)	\$0	\$0	(\$745,800)	\$0	(\$745,800)
FPSC ADJUSTED	\$1,306,897	(\$713,351)	\$593,546	\$0	\$0	\$593,546	\$316,721	\$910,267
COMP RATE ADJ REVENUES	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUE	\$1,306,897	(\$713,351)	\$593,546	\$0	\$0	\$593,546	\$316,721	\$910,267
PROFORMA ADJUSTMENTS								
ACQUISITION ADJUSTMENT	\$745,800	(\$52,828)	\$692,973	\$0	\$0	\$692,973	\$0	\$692,973
TRANSACTION & TRANSITION COSTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$745,800	(\$52,828)	\$692,973	\$0	\$0	\$692,973	\$0	\$692,973
PRO FORMA ADJUSTED	\$2,052,697	(\$766,179)	\$1,286,519	\$0	\$0	\$1,286,519	\$316,721	\$1,603,240

YEAR END RATE OF RETURN
DECEMBER 31, 2011
INCOME STATEMENT

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	OPERATING REVENUES	O & M GAS EXPENSE	O & M OTHER	DEPREC. & AMORTIZATION	TAXES OTHER THAN INCOME	INCOME TAXES CURRENT	D I.T. (NET)	I.T.C. (NET)	GAIN/LOSS ON DISPOSITION	TOTAL OPERATING EXPENSES	NET OPERATING INCOME
PER BOOKS	\$613,342	\$3,095	\$283,359	\$39,071	\$6,066	\$108,200	\$0	\$0	\$0	\$439,791	\$173,551
FPSC ADJUSTMENTS:											
1) Interest Synchronization						(\$6,736)				(\$6,736)	\$6,736
2) Income Tax Effective Rate Adjustment						\$445				\$445	(\$445)
3) Bad Debt Provision for Indiantown Cogen			\$21,688			(\$8,366)				\$13,322	(\$13,322)
4) Natural Gas Allocation Adjustment			\$28,027			(\$10,811)				\$17,216	(\$17,216)
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
						\$0				\$0	\$0
TOTAL FPSC ADJUSTMENTS	\$0	\$0	\$49,715	\$0	\$0	(\$25,469)	\$0	\$0	\$0	\$24,246	(\$24,246)
FPSC ADJUSTED	\$613,342	\$3,095	\$333,074	\$39,071	\$6,066	\$82,731	\$0	\$0	\$0	\$464,037	\$149,305
COMP RATE ADJ REVENUES - DEFICIT/(SURPLUS)	\$0					\$0				\$0	\$0
ADJUSTED FOR COMP RATE ADJ REVENUES	\$613,342	\$3,095	\$333,074	\$39,071	\$6,066	\$82,731	\$0	\$0	\$0	\$464,037	\$149,305
ACQUISITION ADJ. - AMORT EXP	\$0	\$0	\$0	\$37,290	\$0	(\$14,385)	\$0	\$0	\$0	\$22,905	(\$22,905)
TRANSACTION/TRANSITION COSTS - AMORT EXP	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL PRO FORMA ADJUSTMENTS	\$0	\$0	\$0	\$37,290	\$0	(\$14,385)	\$0	\$0	\$0	\$22,905	(\$22,905)
PRO FORMA ADJUSTED	\$613,342	\$3,095	\$333,074	\$76,361	\$6,066	\$68,347	\$0	\$0	\$0	\$486,943	\$126,399

CAPITAL STRUCTURE
DECEMBER 31, 2011
FPSC ADJUSTED BASIS

AVERAGE	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 317,349			\$ 317,349		\$ 317,349	55.65%	10.50%	5.84%	11.50%	6.40%	12.50%
LONG TERM DEBT	\$ 147,522			\$ 147,522		\$ 147,522	25.87%	6.91%	1.79%	6.91%	1.79%	6.91%	1.79%
SHORT TERM DEBT	\$ 32,594			\$ 32,594		\$ 32,594	5.72%	1.24%	0.07%	1.24%	0.07%	1.24%	0.07%
SHORT TERM DEBT REFINANCED LTD	\$ 17,946			\$ 17,946		\$ 17,946	3.15%	6.33%	0.20%	6.33%	0.20%	6.33%	0.20%
CUSTOMER DEPOSITS	\$ 19,197			\$ 19,197		\$ 19,197	3.37%	6.57%	0.22%	6.57%	0.22%	6.57%	0.22%
DEFERRED TAXES	\$ 35,657			\$ 35,657		\$ 35,657	6.25%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL AVERAGE	\$ 570,264	\$ 0	\$ 0	\$ 570,264	\$ 0	\$ 570,264	100.00%		8.12%		8.68%		9.24%

YEAR-END	ADJUSTMENTS							LOW POINT		MIDPOINT		HIGH POINT	
	PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED	NON-UTILITY	BALANCE	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)
	COMMON EQUITY	\$ 488,834			\$ 488,834		\$ 488,834	53.70%	10.50%	5.64%	11.50%	6.18%	12.50%
LONG TERM DEBT	\$ 236,607			\$ 236,607		\$ 236,607	25.99%	6.52%	1.70%	6.52%	1.70%	6.52%	1.70%
SHORT TERM DEBT	\$ 70,463			\$ 70,463		\$ 70,463	7.74%	1.34%	0.10%	1.34%	0.10%	1.34%	0.10%
SHORT TERM DEBT REFINANCED LTD	\$ 0			\$ 0		\$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CUSTOMER DEPOSITS	\$ 18,548			\$ 18,548		\$ 18,548	2.04%	6.57%	0.13%	6.57%	0.13%	6.57%	0.13%
DEFERRED TAXES	\$ 95,815			\$ 95,815		\$ 95,815	10.53%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL YEAR-END	\$ 910,267	\$ 0	\$ 0	\$ 910,267	\$ 0	\$ 910,267	100.00%		7.57%		8.11%		8.64%

Attachment 7

Account	Description	Investment *	Reserve *	Average Remaining Life (Years)	Weighted Average Remaining Life (Years)
GAS DISTRIBUTION PLANT					
	376.1 Mains - Plastic	\$191,859	\$91,039	26.0	\$4,988,334
	376.2 Mains - Steel	\$249,316	\$234,432	10.9	\$2,717,544
	378 M&R Equipment - General	\$59,054	\$14,527	25.0	\$1,476,350
	380 Services - Plastic	\$105,882	\$52,094	22.0	\$2,329,404
	381 Meters	\$62,891	\$22,012	13.0	\$817,583
	382 Meter Installations	\$15,471	\$2,785	29.0	\$448,659
	383 House Regulators	\$19,667	\$5,389	22.0	\$432,674
	385 M&R Equipment - Industrial	\$99,570	\$61,783	11.5	\$1,145,055
	387 Other Equipment	\$0	\$0	0.0	\$0
	Total Distribution Plant	\$803,710	\$484,061	19.9	\$14,355,603
 GENERAL PLANT					
	390 Structures & Improvements	\$171,895	\$43,740	32.0	\$5,500,640
	391 Office Furniture	\$27,774	\$11,804	12.3	\$341,620
	391.3 Computer Equipment	\$6,500	\$2,092	6.9	\$44,850
	394 Tools, Shop, and Garage Equipment	\$5,926	\$3,751	8.0	\$47,408
	396 Power Operated Equipment	\$35,794	\$12,816	9.8	\$350,781
	397 Communication Equipment	\$0	\$0	0.0	\$0
	398 Misc. Equipment	\$13,647	\$4,722	6.8	\$92,800
	399 Computer Software	\$12,311	\$5,885	5.1	\$62,786
	Total General Plant	\$273,847	\$84,810	11.6	\$6,440,885
	Total Plant	\$1,077,557	\$568,871	16.0	\$20,796,489
				19.3	

* Investment and Reserve balances are as of January 1, 2009.

Attachment 8a

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
CALCULATION OF ACQUISITION PREMIUM
REVENUE REQUIREMENTS AND COMPARISON
TO OPERATING SAVINGS

Exhibit___(CM-4) - revised

Page 1 of 2

			2010	2011	2012	2013	2014	2015	2016	2017	
	\$	745,800	Average Premium	\$ 735,442	\$ 700,223	\$ 650,503	\$ 600,783	\$ 551,063	\$ 501,343	\$ 451,623	\$ 401,903
	\$	-	Non-Deductible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$	745,800	Deductible	\$ 725,083	\$ 675,363	\$ 625,643	\$ 575,923	\$ 526,203	\$ 476,483	\$ 426,763	\$ 377,043
	Cost Rate	Ratio	Weighted Cost								
Equity	11.50%	55.65%	6.40%	\$ 19,612	\$ 44,814	\$ 41,632	\$ 38,450	\$ 35,268	\$ 32,086	\$ 28,904	\$ 25,722
LT Debt	6.91%	25.87%	1.79%	\$ 5,485	\$ 12,534	\$ 11,644	\$ 10,754	\$ 9,864	\$ 8,974	\$ 8,084	\$ 7,194
LT Debt - Refinance	6.33%	3.15%	0.20%	\$ 613	\$ 1,400	\$ 1,301	\$ 1,202	\$ 1,102	\$ 1,003	\$ 903	\$ 804
ST Debt	1.24%	5.72%	0.07%	\$ 215	\$ 490	\$ 455	\$ 421	\$ 386	\$ 351	\$ 316	\$ 281
Cust Deposits	6.57%	3.36%	0.22%	\$ 674	\$ 1,540	\$ 1,431	\$ 1,322	\$ 1,212	\$ 1,103	\$ 994	\$ 884
Deferred Inc Tax	0.00%	6.25%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		100.00%	8.68%	\$ 26,599	\$ 60,779	\$ 56,464	\$ 52,148	\$ 47,832	\$ 43,517	\$ 39,201	\$ 34,885
Income Taxes		38.575%	4.02%	\$ 12,319	\$ 28,149	\$ 26,150	\$ 24,151	\$ 22,153	\$ 20,154	\$ 18,155	\$ 16,157
Pre-tax Return on Capital			12.70%	\$ 38,918	\$ 88,928	\$ 82,614	\$ 76,299	\$ 69,985	\$ 63,671	\$ 57,356	\$ 51,042
Amortization Expense (tax deductible)				\$ 20,717	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720
Amortization Expense (not tax deductible)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Gross-up				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement (Premium)				\$ 59,635	\$ 138,648	\$ 132,334	\$ 126,019	\$ 119,705	\$ 113,391	\$ 107,076	\$ 100,762
O&M Savings		0.00%		\$ 78,247	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792
Cost of Capital Savings		0.00%		\$ 923	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215
Total Savings				\$ 79,170	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007
Net Annual Savings				\$ 19,535	\$ 51,359	\$ 57,673	\$ 63,988	\$ 70,302	\$ 76,616	\$ 82,931	\$ 89,245
Cumulative Savings				\$ 19,535	\$ 70,893	\$ 128,567	\$ 192,555	\$ 262,856	\$ 339,473	\$ 422,404	\$ 511,649

Attachment 8a

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
 CALCULATION OF ACQUISITION PREMIUM
 REVENUE REQUIREMENTS AND COMPARISON
 TO OPERATING SAVINGS

Exhibit (CM-4) - revised

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			2018	2019	2020	2021	2022	2022	2023	2024	
	\$	745,800	Average Premium	\$ 352,183	\$ 302,463	\$ 252,743	\$ 203,023	\$ 153,303	\$ 103,583	\$ 53,863	\$ 14,502
	\$	-	Non-Deductible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$	745,800	Deductible	\$ 327,323	\$ 277,603	\$ 227,883	\$ 178,163	\$ 128,443	\$ 78,723	\$ 29,003	\$ -
	Cost Rate	Ratio	Weighted Cost								
Equity	11.50%	55.65%	6.40%	\$ 22,540	\$ 19,358	\$ 16,176	\$ 12,993	\$ 9,811	\$ 6,629	\$ 3,447	\$ 541
LT Debt	6.91%	25.87%	1.79%	\$ 6,304	\$ 5,414	\$ 4,524	\$ 3,634	\$ 2,744	\$ 1,854	\$ 964	\$ 151
LT Debt - Refinance	6.33%	3.15%	0.20%	\$ 704	\$ 605	\$ 505	\$ 406	\$ 307	\$ 207	\$ 108	\$ 17
ST Debt	1.24%	5.72%	0.07%	\$ 247	\$ 212	\$ 177	\$ 142	\$ 107	\$ 73	\$ 38	\$ 6
Cust Deposits	6.57%	3.36%	0.22%	\$ 775	\$ 665	\$ 556	\$ 447	\$ 337	\$ 228	\$ 118	\$ 19
Deferred Inc Tax	0.00%	6.25%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		100.00%	8.68%	\$ 30,569	\$ 26,254	\$ 21,938	\$ 17,622	\$ 13,307	\$ 8,991	\$ 4,675	\$ 734
Income Taxes		38.575%	4.02%	\$ 14,158	\$ 12,159	\$ 10,160	\$ 8,162	\$ 6,163	\$ 4,164	\$ 2,165	\$ 340
Pre-tax Return on Capital			12.70%	\$ 44,727	\$ 38,413	\$ 32,098	\$ 25,784	\$ 19,470	\$ 13,155	\$ 6,840	\$ 1,074
Amortization Expense (tax deductible)				\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 49,720	\$ 29,003
Amortization Expense (not tax deductible)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Gross-up				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement (Premium)				\$ 94,447	\$ 88,133	\$ 81,818	\$ 75,504	\$ 69,190	\$ 62,875	\$ 56,560	\$ 30,077
O&M Savings	0.00%			\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 109,545
Cost of Capital Savings	0.00%			\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 1,292
Total Savings				\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 110,837
Net Annual Savings				\$ 95,560	\$ 101,874	\$ 108,189	\$ 114,503	\$ 120,817	\$ 127,132	\$ 133,447	\$ 80,760
Cumulative Savings				\$ 607,208	\$ 709,082	\$ 817,271	\$ 931,774	\$ 1,052,591	\$ 1,179,723	\$ 1,313,170	\$ 1,393,930

Attachment 8b

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
CALCULATION OF ACQUISITION PREMIUM
REVENUE REQUIREMENTS AND COMPARISON
TO OPERATING SAVINGS

Exhibit___(CM-4) - revised

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			2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
	\$ 745,800	Average Premium	\$ 738,031	\$ 711,617	\$ 674,327	\$ 637,037	\$ 599,747	\$ 562,457	\$ 525,167	\$ 487,877	\$ 450,587	\$ 413,297	\$ 376,007	
	\$ -	Non-Deductible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	\$ 745,800	Deductible	\$ 730,262	\$ 692,972	\$ 655,682	\$ 618,392	\$ 581,102	\$ 543,812	\$ 506,522	\$ 469,232	\$ 431,942	\$ 394,652	\$ 357,362	
	Cost Rate	Ratio	Weighted Cost											
Equity	11.50%	55.65%	6.40%	\$ 19,681	\$ 45,543	\$ 43,157	\$ 40,770	\$ 38,384	\$ 35,997	\$ 33,611	\$ 31,224	\$ 28,838	\$ 26,451	\$ 24,064
LT Debt	6.91%	25.87%	1.79%	\$ 5,504	\$ 12,738	\$ 12,070	\$ 11,403	\$ 10,735	\$ 10,068	\$ 9,400	\$ 8,733	\$ 8,066	\$ 7,398	\$ 6,731
LT Debt - Refinance	6.33%	3.15%	0.20%	\$ 615	\$ 1,423	\$ 1,349	\$ 1,274	\$ 1,199	\$ 1,125	\$ 1,050	\$ 976	\$ 901	\$ 827	\$ 752
ST Debt	1.24%	5.72%	0.07%	\$ 215	\$ 498	\$ 472	\$ 446	\$ 420	\$ 394	\$ 368	\$ 342	\$ 315	\$ 289	\$ 263
Cust Deposits	6.57%	3.36%	0.22%	\$ 677	\$ 1,566	\$ 1,484	\$ 1,401	\$ 1,319	\$ 1,237	\$ 1,155	\$ 1,073	\$ 991	\$ 909	\$ 827
Deferred Inc Tax	0.00%	6.25%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		100.00%	8.68%	\$ 26,692	\$ 61,768	\$ 58,532	\$ 55,295	\$ 52,058	\$ 48,821	\$ 45,584	\$ 42,348	\$ 39,111	\$ 35,874	\$ 32,637
Income Taxes		38.575%	4.02%	\$ 12,362	\$ 28,607	\$ 27,108	\$ 25,609	\$ 24,110	\$ 22,611	\$ 21,112	\$ 19,613	\$ 18,114	\$ 16,615	\$ 15,115
Pre-tax Return on Capital			12.70%	\$ 39,054	\$ 90,375	\$ 85,640	\$ 80,904	\$ 76,168	\$ 71,432	\$ 66,696	\$ 61,961	\$ 57,225	\$ 52,489	\$ 47,752
Amortization Expense (tax deductible)				\$ 15,538	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290
Amortization Expense (not tax deductible)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Gross-up				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement (Premium)				\$ 54,592	\$ 127,665	\$ 122,930	\$ 118,194	\$ 113,458	\$ 108,722	\$ 103,986	\$ 99,251	\$ 94,515	\$ 89,779	\$ 85,042
O&M Savings		0.00%		\$ 78,247	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792
Cost of Capital Savings		0.00%		\$ 923	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215
Total Savings				\$ 79,170	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007
Net Annual Savings				\$ 24,578	\$ 62,342	\$ 67,077	\$ 71,813	\$ 76,549	\$ 81,285	\$ 86,021	\$ 90,756	\$ 95,492	\$ 100,228	\$ 104,965
Cumulative Savings				\$ 24,578	\$ 86,919	\$ 153,997	\$ 225,810	\$ 302,359	\$ 383,644	\$ 469,664	\$ 560,420	\$ 655,912	\$ 756,140	\$ 861,105

Attachment 8b

FLORIDA PUBLIC UTILITIES COMPANY - INDIANTOWN DIVISION
 CALCULATION OF ACQUISITION PREMIUM
 REVENUE REQUIREMENTS AND COMPARISON
 TO OPERATING SAVINGS

Exhibit (CM-4) - revised

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			2021	2022	2022	2023	2024	2025	2026	2027	2028	2029	
	\$	745,800	Average Premium	\$ 338,717	\$ 301,427	\$ 264,137	\$ 226,847	\$ 189,557	\$ 152,267	\$ 114,977	\$ 77,687	\$ 40,397	\$ 10,876
	\$	-	Non-Deductible	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	\$	745,800	Deductible	\$ 320,072	\$ 282,782	\$ 245,492	\$ 208,202	\$ 170,912	\$ 133,622	\$ 96,332	\$ 59,042	\$ 21,752	\$ -
	Cost Rate	Ratio	Weighted Cost										
Equity	11.50%	55.65%	6.40%	\$ 21,678	\$ 19,291	\$ 16,905	\$ 14,518	\$ 12,132	\$ 9,745	\$ 7,359	\$ 4,972	\$ 2,585	\$ 406
LT Debt	6.91%	25.87%	1.79%	\$ 6,063	\$ 5,396	\$ 4,728	\$ 4,061	\$ 3,393	\$ 2,726	\$ 2,058	\$ 1,391	\$ 723	\$ 114
LT Debt - Refinance	6.33%	3.15%	0.20%	\$ 677	\$ 603	\$ 528	\$ 454	\$ 379	\$ 305	\$ 230	\$ 155	\$ 81	\$ 13
5T Debt	1.24%	5.72%	0.07%	\$ 237	\$ 211	\$ 185	\$ 159	\$ 133	\$ 107	\$ 80	\$ 54	\$ 28	\$ 4
Cust Deposits	6.57%	3.36%	0.22%	\$ 745	\$ 663	\$ 581	\$ 499	\$ 417	\$ 335	\$ 253	\$ 171	\$ 89	\$ 14
Deferred Inc Tax	0.00%	6.25%	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal		100.00%	8.68%	\$ 29,401	\$ 26,164	\$ 22,927	\$ 19,690	\$ 16,454	\$ 13,217	\$ 9,980	\$ 6,743	\$ 3,506	\$ 551
Income Taxes		38.575%	4.02%	\$ 13,616	\$ 12,117	\$ 10,618	\$ 9,119	\$ 7,620	\$ 6,121	\$ 4,622	\$ 3,123	\$ 1,624	\$ 255
Pre-tax Return on Capital			12.70%	\$ 43,017	\$ 38,281	\$ 33,545	\$ 28,809	\$ 24,074	\$ 19,338	\$ 14,602	\$ 9,866	\$ 5,130	\$ 806
Amortization Expense (tax deductible)				\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 37,290	\$ 21,752
Amortization Expense (not tax deductible)				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Gross-up				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Requirement (Premium)				\$ 80,307	\$ 75,571	\$ 70,835	\$ 66,099	\$ 61,364	\$ 56,628	\$ 51,892	\$ 47,156	\$ 42,420	\$ 22,558
O&M Savings		0.00%		\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 187,792	\$ 109,545
Cost of Capital Savings		0.00%		\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 2,215	\$ 1,292
Total Savings				\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 190,007	\$ 110,837
Net Annual Savings				\$ 109,700	\$ 114,436	\$ 119,172	\$ 123,908	\$ 128,643	\$ 133,379	\$ 138,115	\$ 142,851	\$ 147,587	\$ 88,279
Cumulative Savings				\$ 970,805	\$ 1,085,241	\$ 1,204,413	\$ 1,328,321	\$ 1,456,964	\$ 1,590,344	\$ 1,728,459	\$ 1,871,309	\$ 2,018,896	\$ 2,107,175