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Public Service Commission

Office of Auditing and Performance Analysis Bureau of Auditing Miami District Office

Auditor's Report

Florida Public Utilities Company Petition for Rate Increase

Twelve Months Ended September 30, 2013

Docket No. 140025-EI Audit Control No. 14-119-4-1 July 6, 2014

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Purpose

To: Florida Public Service Commission

We have performed the procedures described later in this report to meet the agreed-upon objectives set forth by the Division of Economics in its audit service request dated April 29, 2014. We have applied these procedures to the attached schedules prepared by Florida Public Utilities Company in support of its filing for rate relief in Docket No. 140025-EI.

This audit was performed following General Standards and Fieldwork Standards found in the AICPA Statements on Standards for Attestation Engagements. Our report is based on agreed-upon procedures. The report is intended only for internal Commission use.

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Objectives and Procedures

General

Definitions

FPUC/Utility refers to Florida Public Utilities Company.
CUC/Parent refers to Chesapeake Utilities Corporation.
FERC refers to the Federal Energy Regulatory Commission.
USoA refers to the FERC Uniform System of Accounts as adopted by Commission Rule 25-6.014 – Records and Reports in General, Florida Administrative Code. (F.A.C.).

Background

FPUC filed a petition for a permanent rate increase on April 28, 2014. The Utility is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to our jurisdiction. FPUC provides transmission and distribution service to approximately 31,000 retail customers in portions of Jackson and Nassau counties.

The Utility's last petition for rate relief was granted in Docket No. 070304-EI, in Order No. PSC-08-0327-FOF-EI, Petition for Rate Increase, issued May 19, 2008 which established historical rate base and capital structure balances for the Utility as of December 31, 2006.

Rate Base

Plant in Service

Objectives: The objectives were to determine whether Plant in Service (PIS) exists and is owned by the utility, additions are authentic and recorded at original cost, proper retirements were made when a replacement asset was put in service, PIS is properly classified in compliance with the USoA, and to recalculate the 13-month average balance for PIS as of September 30, 2013.

Procedures: We verified, based on a sample of PIS additions, retirements and adjustments for selected plant accounts, that the Utility's PIS is properly recorded for the period January 1, 2007 through September 30, 2013. We recalculated a sample of 13-month average balances for PIS included in the filing. Finding 1 discusses our recommended adjustment to the average PIS balance as of September 30, 2013.

Property Held for Future Use

Objectives: The objectives were to determine the nature and purpose of utility properties recorded as Plant Held for Future Use (PHFU), to disclose material additions or changes to the Utility's planned use for such properties, and to recalculate the 13-month average balance for PHFU as of September 30, 2013.

Procedures: We verified, based on inquires and examination that the Utility's general ledger does not reflect a PHFU balance.

Construction Work in Progress

Objectives: The objectives were to determine the nature and purpose of utility projects recorded as Construction Work in Process (CWIP), whether projects that are eligible to accrue Allowance for Funds Used During Construction (AFUDC) are excluded from rate base pursuant to Commission Rule 25-6.0141, F.A.C. – Allowance for Funds Used During Construction, and to recalculate the 13-month average balance for CWIP as of September 30, 2013.

Procedures: We verified, based on a sample of CWIP projects included in the filing, that the CWIP balance is properly stated as of September 30, 2013. We reviewed utility documents describing each project sampled to determine whether it was eligible to accrue AFUDC. No projects accrued AFUDC. We recalculated a sample of 13-month average balances for CWIP included in the filing. No exceptions were noted.

Accumulated Depreciation

Objectives: The objectives were to determine whether accruals, retirements and adjustments to Accumulated Depreciation (AD) are properly recorded in compliance with the USoA, to verify that the Utility used the depreciation rates established in Commission Order Nos. PSC-08-0094-PAA-EI, issued February 14, 2008 and PSC-12-0106-PAA-EI – 2011, issued February 13, 2012, and to recalculate the 13-month average balance for AD as of September 30, 2013.

Procedures: We verified, based on a sample of selected AD accounts, that the AD is properly recorded for the period January 1, 2007 through September 30, 2013, and the Utility properly restated and used the depreciation rates approved in the order cited above. We recalculated a sample of 13-month average balances for selected AD accounts included in the filing. Findings 1 and 2 discuss our recommended adjustments to average and year end AD balances as of September 30, 2013.

Working Capital

Objectives: The objectives were to determine whether the Working Capital (WC) account balances are properly stated based on Commission adjustments in the prior rate case in Order No. PSC-08-0327-FOF-EI, and the provisions of Commission Rule 25-6.0143, F.A.C. – Use of Accumulated Provision Accounts, and to recalculate the 13-month average balance for WC as of September 30, 2013.

Procedures: We verified, based on a sample of selected accounts, that the WC balance is properly stated, utility in nature, non-interest bearing and is consistent with the order cited above. We verified, based on a sample selected accounts, that the accumulated provision accounts year end balances comply with the Commission rule cited above. We recalculated a sample of 13-month average balances for selected WC accounts included in the filing. No exceptions were noted.

Capital Structure

<u>Equity</u>

Objectives: The objectives were to determine whether equity account balances represent actual equity, are properly recorded in compliance with the USoA and to recalculate the 13-month average balance for equity as of September 30, 2013.

Procedures: We traced the equity account balances to the general ledger. We recalculated the 13-month average balance for equity included in the filing. No exceptions were noted.

Long Term Debt

Objectives: The objectives were to determine whether Long-Term Debt (LTD) balances represent actual obligations of the utility, are properly recorded in compliance with the USoA, and to recalculate the 13-month average balance for LTD as of September 30, 2013.

Procedures: We reconciled the LTD balance to the general ledger. We traced the LTD obligations and the unamortized loss on reacquired debt balance to the original documents and verified the terms, conditions, redemption provisions and interest rates for each bond or note payable. We sampled and verified the cost of LTD. We recalculated the average cost rate and the 13-month average balance for LTD included in the filing. No exceptions were noted.

Short Term Debt

Objectives: The objectives were to determine whether Short Term Debt (STD) balances represent actual obligations of the utility, that they are properly recorded in compliance with the USoA, and to recalculate the 13-month average balance for STD as of September 30, 2013.

Procedures: We reconciled the STD balance to the general ledger. We traced the STD obligations to the supporting documents. We verified the average cost of STD. We recalculated the average cost rate and the 13-month average balance for STD included in the filing. No exceptions were noted.

Customer Deposits

Objectives: The objectives were to determine whether Customer Deposit (CD) balances represent actual obligations of the utility, are properly recorded in compliance with the USoA, and to recalculate the 13-month average balance for CD as of September 30, 2013.

Procedures: We reconciled the CD balance to the general ledger. We inquired and verified that the Utility is collecting, refunding and paying interest on CD based on Commission Rule 25-6.097 – Customer Deposits. We recalculated the average cost rate and the 13-month average balance for CD included in the filing. No exceptions were noted.

Accumulated Deferred Taxes

Objectives: The objectives were to determine whether Accumulated Deferred Income Tax (ADIT) balances are properly stated, are calculated based on the recorded differences between utility book and taxable income, and to recalculate the 13-month average balance for ADIT as of September 30, 2013.

Procedures: We reconciled the ADIT balances to the general ledger. We recalculated the 13-month average balance included in the filing. No exceptions were noted.

Investment Tax Credits

Objectives: The objectives were to determine whether Investment Tax Credits (ITC) are properly stated, reflect realized tax credits, and to recalculate the 13-month average balance for ITC as of September 30, 2013.

Procedures: We reconciled the ITC balances to the general ledger. We recalculated the average cost rate and the 13-month average balance for ITC included in the filing. No exceptions were noted.

Net Operating Income

Operating Revenue

Objectives: The objectives were to determine whether test year revenues are properly calculated and recorded in compliance with the USoA and are based on approved tariff rates.

Procedures: We reconciled revenues to the general ledger. We reviewed Commission audits of the Utility's cost recovery clauses, which included recalculations of a sample of customer bills, to ensure that the utility was using the base rates authorized in its approved tariff. We verified that unbilled revenues were calculated correctly. No exceptions were noted.

Operating Expense (O&M)

Objectives: The objectives were to determine whether test year O&M expenses are properly recorded in compliance with the USoA and were reasonable for ongoing utility operations.

Procedures: We verified, based on a sample of utility transactions for select O&M expense accounts, that O&M expense balances are adequately supported by source documentation, utility in nature and do not include non-utility items and are recorded consistent with the USoA. We reviewed samples of utility advertising expenses, legal fees, outside service expenses, sales expenses, customer service expenses and administrative and general service expenses to ensure that amounts supporting non-utility operations were removed. We reviewed a sample of intercompany allocations and charges to determine if expenses were allocated pursuant to Commission Rule 25-6.1351 – Cost Allocation and Affiliate Transactions, F.A.C. No exceptions were noted.

Depreciation & Amortization Expense

Objectives: The objectives were to determine whether test year depreciation expense is properly recorded in compliance with the USoA and to determine that depreciation expense accruals are calculated using the depreciation rates established in Commission Order No. PSC-12-0106-PAA-EI.

Procedures: We recalculated a sample of depreciation expense accruals for 2011 and the test year to verify that the utility is using the correct depreciation rates. Findings 1 and 2 discuss our recommended adjustments to the year end depreciation expense balance as of September 30, 2013.

Taxes Other than Income

Objective: The objective was to determine whether test year Taxes Other Than Income (TOTI) is properly recorded in compliance with the USoA.

Procedures: We verified that TOTI expenses are adequately supported by source documentation. No exceptions were noted.

Income Taxes

Objective: The objective was to determine whether test year Income Tax expense is properly recorded in compliance with the USoA.

Procedures: We traced federal and state income taxes to the general ledger. We reviewed bonus depreciation treatment for asset additions. We verified that adjustments to income tax expense are consistent with the USoA. Findings 1 and 2 discuss our recommended adjustments to the year end income tax balance as of September 30, 2013.

Other

Analytical Review

Objectives: The objective was to perform an analytical review of the Utility's rate case filing using prior years FERC Form 1 filings with the Commission.

Procedures: We developed a three-year (2010 -2012) analytical review that compared the annual percentage change for the FERC account balances. Accounts that exhibited significant activity or percentage change, as determined by the auditor, were randomly selected for additional review. No exceptions were noted.

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External Audits

Objectives: The objective was to determine whether there were any exceptions or disclosures in the Parente Beard, LLC external audits of the Utility's FERC Form 1 filing.

Procedures: We reviewed the 2010-2013 FERC independent audit reports for FPUC, that were issued on August 12, 2011, July 30, 2012 and June 20, 2013, respectively. We reviewed selected correspondences and communications between CUC/FPUC Audit Committee and its external auditors for the above audit engagements. No issues affecting the instant proceeding or exceptions were noted.

Internal Audits

Objectives: The objective was to determine whether there were any exceptions or disclosures in CUC/FPUC internal audits of utility operations.

Procedures: We reviewed a summary index of audits performed by the Utility's internal audit group for the period 2010 through June 2014. We selected and reviewed a sample of internal audit reports based on the subject matter of the investigation and its relevance to our audit work. No issues affecting the instant proceeding or exceptions were noted.

Board of Director Meetings

Objectives: The objective was to review the minutes of the FPUC and CUC Board of Directors (BOD).

Procedures: We reviewed the respective BOD meeting minutes for FPUC and CUC through June 2014, for activities or issues that could affect FPUC in the instant proceeding No issues affecting the instant proceeding or exceptions were noted.

Audit Findings

Finding 1: Adjustments to the Filing – Non-Regulated Operations

Audit Analysis: The Utility's filing includes adjustments to Rate Base on Schedule B-1 and Net Operating Income (NOI) on Schedule C-2 to remove the non regulated use of common assets attributed to FPUC's gas propane operations.

The supporting documentation provided by the Utility to audit staff did not reconcile to the amounts the Utility removed for non regulated operations. The Utility subsequently provided to audit staff an updated schedule that shows the correct adjustments to the filing. The corrected adjustment is consistent with the non-utility calculation that was approved in Order No. PSC-08-0237-FOF-EI.

Septer	nber 30, 2013 - <u>Rate Base Adjus</u>	tments Debit(Credit)	
Non Regulated	Adjustment to MFR	Utility Revision	Correction to Filing
13-Month Avg.			
Plant In Service	(\$350,667)	(\$352,858)	(\$2,191)
Acc. Dep.	<u>127,930</u>	<u>139,174</u>	<u>11,244</u>
Net Adjustment	(\$222,737)	(\$213,684)	\$9,053
Ser	otember 30, 2013 -NOI Adjustm	ents Debit(Credit)	
Non Regulated	Adjustment to MFR	Utility Revision	Correction to Filing
Test Year			
Depreciation Expense	(\$10,768)	(\$10,379)	\$389

Effect on the General Ledger: None.

Effect on the Filing: Average Rate Base should be increased by \$9,053, Depreciation Expense should be increased by \$389, and Income Tax Expense should be reduced by \$150 (\$389 x 38.575% tax rate) as of September 30, 2013.

Finding 2: Adjustments to the Filing – Depreciation Expense and Accumulated Depreciation

Audit Analysis: The Utility's filing includes adjustments to Rate Base on Schedule B-1 and Net Operating Income (NOI) on Schedule C-2.

The Utility stated that the adjustment was needed because incorrect depreciation rates for two plant in service accounts (Account No. 101.3922 - Light Duty Trucks and Vans and Account No. 101.3923 - Heavy Duty Trucks and Bobtails) were used from January 1, 2012 through September 30, 2013.

We recalculated depreciation accruals for Accounts 101.3922 and 101.3923 using depreciation rates authorized in Order No. PSC-12-0065-PAA-EI. Our calculations indicate that additional adjustments are needed to correct the Utility adjustment because the depreciation rates that the Utility used to calculate its adjustment differed from those authorized in the Order. In addition, the Utility's adjustment did not include an adjustment to Depreciation Expense for the two Fernandina Division transportation accounts.

The audit staff's adjustment to test year depreciation expense on Schedule C-2 is shown below.

Septemb	er 30, 2013 - R	ate Base Adjust	ments Debit(Cr	edit)	
Vehicle Depreciation	As Filed	Utility Adjustment	Adjusted Utility	Audit Adjustment	Per Audit
13 Month Avg.					
Accumulated Depreciation	(\$1,870,360)	(\$78,363)	(\$1,948,723)	\$33,831	(\$1,914,892)
As of September 30, 2013					
Accumulated Depreciation	(\$1,963,034)	(\$113,312)	(\$2,076,346)	\$11,468	(\$2,064,878)
Septe	mber 30, 2013 -	- NOI Adjustme	nts Debit(Cred	it)	
		Utility	Adjusted	Audit	
Vehicle Depreciation	As Filed	Adjustment	Utility	Adjustment	Per Audit
Test Year					
Depreciation Expense	\$195,509	\$66,818	\$262,327	\$27,857	\$290,184
Less Overhead Capital Accrual					
(a)	(73,381)	(25,079)	(98,460)	(10,456)	(108,916)
Net Depreciation Expense	\$122,128	\$41,739	\$163,867	\$17,401	\$181,268

Table 1

Our supporting calculations are reflected in Table 2.

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<u>Table 2</u>

	Adjustment to Transpor			
Month	NetChange	Current AD End Bal	Dep Expense Adj.	Adjusted AD End Bal
Dec-ll	· ·	(\$ 1,870,785)		(\$ 1,870,785)
Jan-12	(\$45,857)	(1,916,642)	(\$ 5,166)	(1,92 L808)
Feb-12	(35,442)	(1,952,084)	(5,166)	(1,962,416)
M a r- 12	54,020	(1,898,063)	(5,166)	(1,913,561
Apr-12	(2 1,2 57)	(1,9 i9,32 i)	(5,166)	(1,939,985)
M a y-12	(2,924)	(1,922,245)	(5,166)	(1,948,075)
J un - 12	2 18,037	(1,704,207)	(5,166)	(1,735,203)
J ul-12	(65,900)	(1,770,107)	(5,166)	(1,806,269)
Aug-12	(2 1,727)	(1,79 L834)	(5,166)	(1,833,162)
Sep-12	(30,64 l)	(1,822,475)	(5,166)	(1,868,969)
Oct-12	54,916	(1,767,558)	(5,166)	(1,8 19,2 18)
N o v - 12	(37,922)	(1,805,480)	(5,166)	(1,862,306)
Dec-12	(18,143)	(1,823,623)	(5,166)	(1,885,615)
Jan-13	(14,077)	(1,837,700)	(5,166)	(1,904,858)
Feb-13	(14,077)	(1,85 L777)	(5,166)	(1,924,101)
Mar-13	(14.077)	(1,865,855)	(5,166)	(1,943,345)
Apr-13	(14,077)	(1,879,932)	(5,166)	(1,962,588)
May-13	(22,499)	(1,902,431)	(5,166)	(1,990,253)
Jun-13	(14,305)	(1,916,736)	(5,166)	(2,009,724)
Jul-13	(14,305)	(1,93 1,04 1)	(7,902)	(2,031,931)
Aug-13	(15,996)	(1,947,038)	(6,211)	(2,054,139)
Sep-13	(15,996)	(1,963,034)	(6,211)	(2,076,346)
Total Adjustment (De	ec lito Sep 13)		(\$ 113,312)	
Depreciation Expense	se Adjustment (Oct 12 to Sep 13) 🔽	(\$ 66,818)	
	djustment (Sep 12 to Sep 13)	(\$ 1,870,360)	(\$ 78,363)	(\$ 1,948,722)
Per Audit	Adjustment to Transpor	tation Accumulated De	preciation & Deprec	iation Expense
Month	NetChange	Current AD End Bal	Dep Expense Adj.	Adjusted AD End Bal
Dec-ll		(\$ 1,870,785)		(\$ 1,870,785)
Jan-12	(\$ 45,857)	(1,916,642)	(\$ 1,157)	(1,917,799)
Feb-12	(35,442)	(1,952,084)	(1,892)	(1,955,133)
Mar-12	54,020	(1,898,063)	12.5	(1,900,988

Feb-12	(35,442)	(1,952,084)	(1,892)	(1,955,133)
Mar-12	54,020	(1,898,063)	12 5	(1,900,988)
Apr-12	(21,257)	(1,9 19,32 1)	(925)	(1,923,170)
M a y-12	(2,924)	(1,922,245)	(3,733)	(1,929,828)
J un-12	218,037	(1,704,207)	1,891	(1,709,899)
Jul-12	(65,900)	(1,770,107)	(259)	(1,776,058)
Aug-12	(21,727)	(1,791,834)	(674)	(1,798,458)
Sep-12	(30,641)	(1,822,475)	(544)	(1,829,643)
Oc1-12	54,916	(1,767,558)	61	(1,774,666)
No v-12	(37,922)	(1,805,480)	(163)	(1,8 12,7 5 1)
Dec-12	(18,143)	(1,823,623)	(5,168)	(1,836,061)
Jan-13	(14,077)	(1,837,700)	(9,233)	(1,859,371)
Feb-13	(14,077)	(1,851,777)	(9,233)	(1,882,682)
Mar-13	(14,077)	(1,865,855)	(9,233)	(1,905,992)
Apr-13	(14,077)	(1,879,932)	(9,347)	(1,929,417)
May-13	(22,499)	(1,902,431)	(9,233)	(1,96 L 14 9)
J un-13	(14,305)	(1,916,736)	(10,60 l)	(1,986,055)
J ul-13	(14,305)	(1,931,041)	(11,969)	(2,012,330)
Aug-13	(15,996)	(1,947,038)	(10,278)	(2,038,604)
Sep-13	(15,996)	(1,963,034)	(10,278)	(2,064,878)
TotalAdjustment (Dec 11 to Sep 13)			(\$ 101,844)	
Depreciation Expense Adjustment (O	t 12 to Sep 13)	r	(\$94,675)	
13-Month Average Adjustment (Sep 12	to Sep 13)	(\$ 1,870,360) 🏴	(\$44,532)	(\$ 1,914,892)

Accumulated Depreciation Adjustment	Per Utility	Per Audit	Correction
Year End Correction	(\$ 113,312)	(\$ 101,844)	\$ 11,468
B-Month Average Correction	(\$ 78,363)	(\$44,532)	\$ 33,830
Depreciation Expense Adjustment	Per Utility	Per Audit	Correction
Depreciation Expense Adjustment Depreciation Expense Correction	(\$ 66,818)	(\$ 94,675)	(\$ 27,857)

(Small differences are due to rounding)

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Effect on the General Ledger: The Utility should determine the appropriate adjustments to the general ledger.

Effect on the Filing: Average Rate Base should be increased by \$33,831, Depreciation Expense should be increased by \$17,401, and Income Tax Expense should be reduced by \$6,713 (\$17,401 x 38.575% tax rate) as of September 30, 2013.

<u>Exhibits</u>

Exhibit 1: Rate Base

ORIDA PUBLIC SERVICE COMMISSION			PLANATION:	 Provide a schedule of th	BUSTED RATE BAS			Type of Data Shown:		Page 1 of 3
MPANY: Florida Public Utilities Company Consolidated Electric Division ICKET NO.: 140025-El		-		for the test year, the priv year, Provide the detail	r year and the most	recent historical		Projected Test Ye Projected Test Ye Projected Test Ye Historical Test Ye Witness: Martin	6/30/14	
	(1)	(2) Accumulated	(3)	(4)	(5)	(ĉ)	(D	(\$)	(9)	(10)
e	Plant n Servce	Provision for Deprecation and Amortzation	Net Plant in Service (1 - 2)	CWIP - No AFUDC	Plant Held For Future Use	Nuclear Fuel - No AFUDC (Net)	Net Utilty Plant	Working Capital Allowance	Ocher Rate Base Rems	Total Rate Base
1 System Per Books (B-3) 2 Juriscisconal Factors	98,498.911 100%		47,138,927 100%	3,102,154	0	0	£0,240,981 100%	931,653 100%	100%	51,172.83 100
3 Juriscictonal Per Books	96,426,911	(49,358,064)	47,138,827	3,102,154	•	· · · · ·	50,240,961	231,553	•	51,172.83
Adjustments: Non-Regulated Propane Operations Correct Vehicle Depreciation Rate	(350,667)	127,930 (78,363)	(<u>222,737)</u> (78,363)				(222,737) (78,363)			(<u>222</u> ,7) (78,30
Eliminate Fuel Uncerrecovery Eliminate Non-Unity Receivables Record Regulatory Liab Record Regulatory Liab Record Amort. Of Pension Reg. Liab Record Amort. Of Tax Gross Up Record Amort. Of Tax Gross Up Record. Of Tax Record Amort. Of Tax Gross Up Record. Of Tax Record Amort. Of Tax Gross Up Recor	x					•		(227,971) 4,248 (723,059) 515,355 114,114 (103,150)		(227,9) 4,2- (723,0) 815,3, 114,1 (103,1)
27 26 Total Adjustments 29	(350.667)	49,567	(301,100)		•		(301,100)	(120,452)	•	(421,55
30 Adjusted Jurisdictional	90.148.244	(49.308.517)	48.837,727	3.102.154	•	•	49.939.881	511,401	•	50,751,29

Exhibit 2: Capital Structure

icheduk	e D-1a			COST OF CA	PITAL - 13-MC	NTH AVERAGE	-				Page 1 of 3	
	A PUBLIC SERVICE COMMIS NY: Florida Public Utilities Cor Consolidated Electric Divisio	пралу	EXPLANATION:			ionth average of and historical ba		for	-	×	Type of Data Shown Projected Test Year Prior Year Ended 9/ Historic Year Ended	Ended 9/30/18 30/14
OCKE	"NO: 140025-EI			HISTORICAL	YEAR, 2013				-	^	Witness: Martin, Mo	
		(A)	(8)	(C)	(D)	(Ē)	(F)	(G)	(H)	(1)	(L)	(K)
		•••		(-)	1 -7	(_/	.,	(-)				C - F
Line		Company Total	Specific	Pro Rata	System	Jurisdictional	Pro-Rata	Jurisdictional		Cost	Weighted	Interest
No.	Class of Capital	Per Books	Adjustments	Adjustments	Adjusted	Factor	Allocation	Capital Structure	Ratio	Rate	Cost Rate	Expens
				Requ	datory Capital	Structure, 201	3					
1	Long Term Debt	98,985,401			96,965,401	100%	8.93%	6.341,483	0.1250	6.06%	0.76%	384.5
COMPANY COCKET # COCKET # COCK	Long Term Debt - FPU only	11,546,122			11,548,122	100%	20.01%	3,349,530	0.0660	11.64%	0.77%	389.7
3	Short Term Debt	62,767.311			62,767.311	100%	8.93%	5,605,681	0.1105	1.23%	0.14%	68,9
4	Preferred Stock	0			0	100%	8.93%	0	0.0000	0.00%	0.00%	
5	Common Equity	263,424,629	4,845,817		268,270,446	100%	8.93%	23,958,860	0.4721	11.00%	5.19%	
8	Customer Deposits	3,420,956			3,420,958	100%		3,420,950	0.0874	2.30%	0.15%	78,5
7	Deferred Income Taxes	8,074.438			8,074,438	100%		8,074,438	D.1591	0.00%	0.00%	
8	ITC-Zero Cost	0 356			0	100% 100%		0 356	0.0000	0.00% 8.69%	0.00%	
₩ 10	ITC- Weighted Cost	300			356	100%		300	0.0000	8.09%	0.00%	
	TOTAL	448,199,211	4,845,817	-	451.045.028	-		50.751,282	1.0000		7.01%	921,7
12				•		•						
14		Company Total		Cost	Weighted							
15	Class of Capital	Per Books	Ratio	Rate	Cost Rate	_						
-								Pro-Rata Factors:				
		Conventional Capi			1.34%	-		Rate Base			50,751,282	
	Long Term Debt Long Term Debt-FPU only	96,965.401 11,546,122	0.2208	0.05% 11.64%	1.34%			Direct Components			50,751,282 11,495,748	
	Short Term Debt	62,767,311	0.0203	1.23%	0.31%			Pred Components			39,255,534	
	Preferred Stock	02,707,311	0.0000	0.00%	0.00%			Pro-rata Factor			8.93%	
	Common Equity	268.270.446	0.0103	11.25%	0.87%							
	TOTAL	439,549,280	1,0000	11.407.0	8.09%	-		Non Bearlo FPUC Av	erage Rate Bas	e	96.062,479	
				2		3		Electric FPUC Averac	-	-	39,255,534	
25								Net			135,318.013	
28								ProRata FFUC Factor			29.01%	

Supporting Schedules: B-1 (2013), B-3 (2013), D-3, D-4a, D-6, D-6

Recap Schedules:

Exhibit 3: Net Operating Income

(1) (2) (3) (4) (5) (6) (7) Agisted Non- Per Books Total Company Electric Electric Junsdictional Ansunt Adjusted Junsdictional Ansunt Adjusted Ansunt	Consc	ORIDA PUBLIC SERVICE COMMISSION DMPANY: FLORIDA PUBLIC UTILITIES Ionsolidated Electric Division DCKET NO.: 140025-El		EXPLANATION	XPLANATION: Provide the calculation of jurisdictional net operating income for the test year, the prior year and the most recent historical year.				e of Data Shown: Projected Test Year En Prior Year Ended 9/30/ Histoncal Test Year End ress: Martin	4
Non- ine Total Total Company bio. Non- Total Company Per Books Non- Ubility Total Bectric (1)+(2) Juntificitical Juntificitical Adjustments Juntificitical Adjustments Juntificitical Adjustments Juntificitical Adjustments Juntificitical Adjustments Juntificitical (3)+(4) Juntificitical Adjustments Juntificitical (3)+(4) 1 Operating Revenues: 3 State of Electricity 65.053.438 65.053.438 (68.732.617) 16.320.620 2 Sales of Electricity 65.053.438 65.053.438 100% 65.053.438 (68.732.617) 16.320.620 3 Other Operating Revenues 61.007.0399 81.607.9399 100% 81.907.0399 100% 17.017.501 6 Operating Expenses: Puel -			(1)	(2)	(3)	(4)	(5)	(8)	(7) Adjusted	
1 Operating Revenues: 2 54/4 65.053.436 65.053.436 (68.732,617) 10.320.620 3 Other Operating Revenues (3.145.498) (3.145.498) 3.422.695 667.071 4 Total Operating Revenues (3.167.639) (3.145.498) 3.422.695 667.071 4 Total Operating Revenues (3.167.639) (3.145.498) 3.422.695 667.071 5 Operating Expense: 7 Operating Expense: 7 (4.800.048) 17.017.891 6 Operating Expense: 7 0.943.308.304 100% 81.807.939 (64.980.048) 17.017.891 7 Operation & Maintenance: 7 100% 82.288.122 100% 81.807.839 10.958.0760 9 Purphased Power 58.288.122 59.288.122 100% 8.023.251 81.403 10.958.0760 10 Other 8.932.351 9.092.351 100% 8.023.251 81.403 10.958.0760 11 Depresation & 3.093.304 3.308.304 10.758.9 3.208.204 10.958.0760 10.958.0760 10.958.0760 12				Electric	Electric		Amount	Adjustments	Junsdictional Amount	
2 Šales č Escivity 65.053.436 65.053.439 (65.732.017) 16.320.820 3 Other Operating Revenues (3.145.498) (3.145.498) 3.942.566 097.071 4 Total Operating Revenues 81.807.939 100% (3.145.498) 3.942.566 097.071 6 Operating Expenses: 0 0.07.939 100% 61.807.839 (64.690.048) 17.017.691 7 Operating Expenses: 0 0 100% 63.288,122 (69.288,122) 0 - 7 Deprecision & Maintenance: - 100% 63.288,122 (69.288,122) - - - 9 Fuel - 100% 63.2361 10.90% 3.308.234 (10.768) 3.297.636 10 Other 9.832.351 9.823.251 100% 8.308.204 (10.768) 3.297.636 12 Amonization (244.216) (100% 8.308.304 (10.768) 3.297.636 12 Income Taxes 198.866 199.866 100% 6.500.132 (55.62.138) 947.306 13 <td< td=""><td>.</td><td></td><td></td><td>Calify</td><td></td><td></td><td></td><td>(00,000,01)</td><td></td><td></td></td<>	.			Calify				(00,000,01)		
3 Other Operating Revenues (3.145.468) (3.145.469) 100% (3.145.469) 3.842.565 697.071 4 Total Operating Revenues 81.607.939 (81.607.939) (64.890.048) 17.017.881 6 Operating Expenses: 0 0 81.607.939 (64.890.048) 17.017.881 7 Operating Expenses: 0 0 81.607.939 (64.890.048) 17.017.881 7 Operating Expenses: 0 982.281,122 98.288,122 100% 6.82.281 0 0.500.760 9 Purblased Power 6.82.261 9.632.351 100% 6.82.251 648.400 10.560.760 10 Depremissioning Expense 0.632.351 100% 122.4160 (110.000) (404.216) 10 Depremissioning Expense 0.500.132 100% 0.500.132 (5.652.138) 947.968 15 Income Taxes 0.500.132 100% 0.500.132 (5.82.138) 947.968 15 Income Taxes 0.500.132 100% 10	1	Operating Revenues:								
4 Total Operating Revenues ¹ / ₂ 107,030 ¹ / ₂ 17,017,501 6 Operation & Naintensance: ¹ / ₂ 127 ¹ / ₂ 07,030	2	Sales of Electricity			85,053,436		85.053.438		16,320,820	
6 Operation & Maintenance: 7 Operation & Maintenance: 8 Fuel 9 Purbased Power 58,289,122 56,289,122 100% 68,328,122 (59,288,122) 10 Operation & Maintenance: 9,907,438 9,692,351 100% 6,932,351 648,409 10,560,760 11 Depreciation 3,308,304 3,308,304 100% 3,308,304 (10,769) 3,207,538 12 Amortization (244,216) (244,216) 100% (244,216) (10,000) (404,218) 13 Decommissioning Expense - 100% 6,500,132 (5,552,138) 947,098 15 Income Taxes 198,866 109,866 100% 128,774 1,218,774 16 Deferred income Taxes-Net 12,218,774 1,218,774 1,218,774 1,218,774 1,218,774 16 Deferred income Taxes 79,149,711 79,149,711 100% - (2,522) . (2,522) 16 Gain/Los an Disposal of Plant <td>з</td> <td>Other Operating Revenues</td> <td>(3.145,498)</td> <td></td> <td>(3.145,498)</td> <td>100%</td> <td>(3.145,498)</td> <td>3.842,569</td> <td>697.071</td> <td></td>	з	Other Operating Revenues	(3.145,498)		(3.145,498)	100%	(3.145,498)	3.842,569	697.071	
Operation & Maintenance: Fuel 100% - - - 0 Purphased Power 58,289,122 58,289,122 100% 59,288,122 (59,288,122) - - 10 Other 0.332,351 0.932,351 100% 6,622,351 648,409 10,580,760 11 Depreciation 3.303,304 3.309,304 100% 6,622,351 648,409 10,580,760 12 Amortzation (294,216) (100% 6,602,132 (100% 100% (294,216) (110,000) (404,216) 13 Decommissioning Expense 100% 6,500,132 100% 6,500,132 (5,552,138) 947,998 15 Income Taxes 199,866 100% 1,218,774 1,218,	4 5	Total Operating Revenues	81.907.939		81.007,939	100%	81.907.939	(64,890,048)	17.017,691	
8 Fuel - 100% - </td <td>6</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td>	6									
9 Purchased Power 58,288,122 58,288,122 100% 68,288,122 (68,288,122) - 10 Other 9,632,351 9,632,351 100% 8,032,351 644,409 10,560,760 11 Depreciation 3,303,304 3,308,304 100% 3,308,304 (10,769) 3,207,538 12 Amorization (294,216) (294,216) 100% 3,308,304 (110,000) (404,216) 13 Decommissioning Expense - 100% - - - 14 Taxes Other Than Income Taxes 6,500,132 6,600,132 100% 6,502,132 (5,52,13) 0,47,936 15 Income Taxes 199,865 100% 1,218,774 - 1,218,774 14 Taxes Other Than Income Taxes-Net 1,218,774 1,218,774 - 1,218,774 15 Income Taxes 16,262,100 (2,622) - (2,622) - (2,622) 16 Total Operating Expenses 79,149,711 70,149,711 (6	7									
0 Other 9,932,351 9,932,351 100% 9,632,351 648,400 10,960,760 11 Depreciation 3,309,304 3,309,304 100% 3,308,304 (10,768) 3,207,536 12 Amortzation (204,216) (204,216) (204,216) (100% 3,308,304 (10,768) 3,207,536 13 Decommissioning Expense - 100% (204,216) (100% (204,216) (100% (404,216) 14 Taxes Other Than Income Taxes 6,500,132 0.600,132 (6,552,138) 0.47,998 15 Income Taxes 199,826 199,866 100% 1,218,774 - 1,218,774 16 Deferred Income Taxes.Net 1,218,774 1,218,774 - 1,218,774 - 1,218,774 17 Investment Tax Credit-Net (2,622) (2,622) 100% - - - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622)	•							-	•	
11 Depreciation 3.308,304 3.008,304 100% 3.308,304 (10,768) 3.297,538 12 Amortization (294,216) 100% (224,216) (110,003) (404,218) 13 Decommissioning Expense - 100% (294,216) (10,768) 3.297,538 14 Taxes Other Than Income Taxes 6,500,132 6,600,132 100% 6,500,132 (5,552,138) 947,998 15 Income Taxes 199,866 100% 6,500,132 (5,552,138) 947,998 15 Income Taxes 199,866 100% 6,500,132 (5,752,138) 947,998 15 Income Taxes 199,866 100% 6,500,132 (5,752,138) 947,998 16 Deferred Income Taxes-Net 1,218,774 1,218,774 - 1,218,774 17 Investment Tax Credit-Net (2,622) (2,622) - (2,622) - (2,622) 16 (Gain/Loss on Disposal of Plant - - - - - - 20 - - - - -									•	
12 Amortization (294,216) (294,216) 100% (294,216) (110,000) (404,216) 13 Decommissioning Expense - 100% - - - 14 Taxes Other Than Income Taxes 6,500,132 6,600,132 100% 6,600,132 (5,552,138) 947,998 14 Taxes Other Than Income Taxes 6,500,132 6,600,132 100% 6,600,132 (5,552,138) 947,998 15 Income Taxes 199,866 100% 6,600,132 (5,552,138) 947,998 16 Deferred Income Taxes-Net 1,218,774 1,218,774 - 1,218,774 17 Investment Tax Credit-Net (2,622) (2,622) 100% (2,622) - (2,622) 16 (Gain/Morson Bisposal of Plant - - - - - - 19 Total Operating Income 2,758,226 2,759,228 100% 2,758,229 (805,552) 1,952,675 21 Net Operating Income 2,758,226 2,759,228 100% 2,758,229 (805,552) 1,952,675 23 </td <td></td>										
13 Decommissioning Expense 100% -										
14 Taxes Other Than Income Taxes 6,500,132 6,500,132 100% 6,500,132 (5,552,138) 947,998 15 Income Taxes 199,886 199,886 100% 169,888 (771,879) (573,013) 16 Deferred Income Taxes-Net 1,218,774 1.218,774 100% 1,218,774 - 1,218,774 17 Investment Tax (2,622) (2,622) 100% (2,622) - (2,622) 18 (Gain)Loss on Disposal of Plant - - 100% - (2,622) (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - (2,622) - - (2,622) - (2,622) -			(294,216)		(294,216)		(294,216)	(110,000)	(404,216)	
15 Income Taxes 199,885 199,885 109% 168,885 (771,879) (573,013) 16 Deferred (roome Taxes-Net 1,218,774 1,218,774 100% 1,218,774 1,218,774 17 Investment Tax Credit-Net (2,622) (2,622) 100% (2,622) - (2,622) 19 Total Operating Expenses 79,149,711 79,149,711 100% 70,149,711 (64,084,495) 15,065,216 20 2.759,228 2.759,228 100% 2.758,228 (805,552) 1,052,675 23 24 25 26 2768,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 100% 2.758,228 10% 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675 1.952,675					-		-	•	•	
16 Deferred income Taxes-Net 1,218,774 1,218,774 100% 1,218,774 - 1,218,774 17 investment Tax Credit-Net (2,622) (2,622) 100% (2,622) (2,622) 18 (Gain)Loss on Disposal of Plant - 100% (2,622) (2,622) 19 Total Operating Expenses 79,149,711 79,149,711 100% 79,149,711 20 - - 2,759,228 2,759,228 100% 2,759,228 15,065,216 21 Net Operating Income 2,759,228 2,759,228 100% 2,759,228 (805,552) 1,052,675 23 - - - - - - 1,052,675 24 - - - - - - - 25 - - - - - - - 26 - - - - - - - - 29 - - - - - - - - - 27 - - - - - - - - - - - - - - - -										
17 Investment Tax Credit-Net (2,622) (2,622) 100% (2,622) (2,622) 19 (Gain)Loss on Disposal of Plant 100% 70,149,711 100% 70,149,711 19 Total Operating Expenses 70,149,711 70,149,711 100% 70,149,711 20 21 Net Operating Income 2,758,228 2,758,228 (805,552) 1,852,675 21 Net Operating Income 2,758,228 2,758,228 (805,552) 1,852,675 22 23 24 25 26 27 27 23 24 25 28 29 20 27								(771.879)		
18 (Gain)Loss on Disposal of Plant 100% 70,149,711 100% 70,149,711 15,065,216 19 Total Operating Expenses 70,149,711 70,149,711 100% 70,149,711 (64,084,495) 15,065,216 20 100% 2,758,228 100% 2,758,228 (605,552) 1,952,675 21 Net Operating Income 2,759,226 2,759,228 100% 2,758,228 (605,552) 1,952,675 23 24 25 26 27 28 29 28 29 27 28 29 29 27 28 29 29 27 28 29 29 28 29 29 27 28 29 2								•		
19 Total Operating Expenses 79,149,711 79,149,711 100% 79,149,711 (64,084,405) 15,065,216 20			(2.622)		(2.622)		(2,622)	•	(2,622)	
20 21 Net Operating Income 2.759,226 2.759,228 100% 2.758,228 (805,552) 1.952,675 22 23 24 25 25 20 27 28 29					.		<u> </u>	:	<u> </u>	
22 23 23 24 25 28 27 28 28 29 29 29 29 29 29 29 29 29 29 29 29 29		Total Operating Expenses	79,149,711		79,149,711	100%	79,149,711	(64,084,495)	15,065,216	
23 24 25 20 27 28 29		Net Operating Income	2,753,228		2.759.228	100%	2.758.228	(805,552)	1,952,675	
25 20 27 28 29	23									
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