FLORIDA PUBLIC UTILITIES COMPANY

Docket No. 140025-EI

REBUTTAL TESTIMONY AND EXHIBITS

OF

PAUL R. MOUL

FLORIDA PUBLIC UTILITIES COMPANY
Rebuttal Testimony of Paul R. Moul
Table of Contents

INTRODUCTION

Q. **Please state your name, occupation and business address.**

A. My name is Paul R. Moul and I am Managing Consultant at the firm P. Moul & Associates. My business address is 251 Hopkins Road, Haddonfield, NJ 08033-3062.

Q. **Mr. Moul, have you previously submitted direct testimony in this proceeding?**

A. Yes. My direct testimony was submitted with the Company's case-in-chief on May 14, 2014.

Q. **What is the purpose of your rebuttal testimony?**

A. Florida Public Utilities Company ("FPUC" or the "Company") has requested that I comment on and rebut the testimony presented by Dr. J. Randall Woolridge, a witness appearing on behalf of the Office of Public Counsel ("OPC").

Q. **Please identify the principal areas of controversy concerning the rate of return issue in this proceeding.**

A. The three principal cost of capital areas in dispute in this case are the Company's: (1) cost of short term debt, (2) common equity ratio, and (3) cost of equity. Witness Woolridge proposes three adjustments to the cost of capital calculation provided in my direct testimony. Each adjustment has the effect of lowering FPUC's cost of capital. Collectively, witness Woolridge's three adjustments have the effect of reducing the Company's cost of capital from the 8.60% that I support to 6.80%, a difference of 180 basis points. A summary of each of the cost of capital proposals is attached as

Rebuttal Exhibit PRM-2, page 1.

THE COMPANY'S PROSPECTIVE COST OF SHORT TERM DEBT

Q. **Witness Woolridge has submitted an alternative cost of short-term debt cost rate. Is his proposal appropriate?**

A. No, for several reasons.

First, he rejects my use of a well-respected, independent third party source of interest rates without any analysis. He simply states that the forecasted rates "are simply not credible." I find this unsupported conclusion particularly ironic as witness Woolridge actually uses as part of his calculation of the short term debt cost rate one of the forecasts he characterizes as "simply not credible."

Second, two of the three data points Witness Woolridge uses to develop his short term debt cost rate are not forecasted interest rates but are current interest rates. Both of these current rates will be historical before the final rates in this case become effective. The use by witness Woolridge of current LIBOR rates is not proper given that the Company's rates are being set for the future. Forecasts, on the other hand, capture interest rates that will be in effect when the final rates will be in effect, and they reflect the trend toward higher interest rates as monetary policy becomes more normalized.

Q **Please elaborate on your observation that Witness Woolridge actually relied upon forecasted data that he summarily dismissed as not credible.**

A. As I explain at pages 21 and 22 of my direct testimony, in developing both my long term debt cost rate and my short term debt cost rates, I used Blue Chip Financial Forecasts' (Blue Chip) December 1, 2013 long-range forecasts of interest rates. To some extent, witness Woolridge also did so.

I used Blue Chip forecasts to verify the reasonableness of the long-term debt cost rates for the Company's planned long term debt issuances in 2014 and 2015. These planned issuances and their associated cost rates were used to develop FPUC's proposed parent company cost of debt of 4.90%. It should be noted that witness Woolridge accepts my long-term debt cost rate of 4.90% that was based, in part, on this Blue Chip Financial Forecast. ("I will use Mr. Moul's recommended cost rates for the parent company long-term debt." Woolridge Direct at p. 21, line 11)

As I also explained on page 22 of my direct testimony, I used the same Blue Chip to develop my forecast of the Company's short term debt cost rate. I took the Blue Chip forecasted values for LIBOR for the years, 2015, 2016, 2017 and 2018. FPUC expects that its rates in this case would be effective during that period. To that I added the 1.10% margin that the Company is required to pay above LIBOR according to its short-term credit facility.

Blue Chip's forecast for LIBOR ranged from 0.90% in 2015 to 4.00% for 2018. It was these forecasted rates that witness Woolridge rejected as not being credible. But he used the Blue Chip 2015 LIBOR rate of 0.90%, saying that he acknowledged "the

possibility that LIBOR rates will increase." So, witness Woolridge, relied upon a Blue Chip interest forecast of which he was critical.

Q **You have noted that witness Woolridge rejected the Blue Chip forecast as not credible. Does he explain his conclusion?**

A. No. In the absence of any analysis, I find witness Woolridge's position particularly troubling.

Witness Woolridge failed to acknowledge that the forecasts he claims as not being credible were from a highly respected source of interest rate forecasts. Blue Chip does not actually make forecasts of interest rates itself. Rather, Blue Chip conducts a monthly survey of noted economists from academic institutions, banking, brokerage, business consulting, financial institutions, investment advisory firms, and rating agencies. Presently, there are forty-eight (48) contributors to the Blue Chip survey (the list of contributors is contained in Exhibit No. PRM-2, page 2). Blue Chip takes the results of its monthly surveys and publishes the consensus of these individual forecasts. The major attributes of Blue Chip are its independence, the influence that it has on investors' expectations of future interest rates, and the objectivity of the survey that encompasses the wide range of viewpoints obtained from a broad sample of renowned economists. Witness Woolridge never mentions any of these attributes of Blue Chip nor challenges the objectivity of the consensus that it publishes.

Witness' Woolridge's lack of analysis does not stop with his failure to acknowledge

the validity of Blue Chip. He never attacks the methodology Blue Chip uses to conduct its survey, nor the members of the panel of economists that it surveys. Further, witness Woolridge never looks to other respected, independent third parties to buttress his dismissal of the Blue Chip forecasts. Witness Woolridge does not offer another forecasting entity's forecast of LIBOR rates or show that another source is superior to the panel of economists that Blue Chip uses. In short, he offers no analysis or alternative to Blue Chip. Instead, he offers his totally unsupported opinion in one brief sentence.

Q **The second reason you gave for the Commission to reject witness Woolridge's short-term debt cost was that two of the three data points he used in his calculation were not forecasts but then current short-term LIBOR rates. Please explain why this makes witness Woolridge's calculation faulty.**

A. Witness Woolridge uses current LIBOR rates (i.e., he blends a one-month and three-month LIBOR rate) that have already occurred. The Company's rates are being set for a number of years into the future. The short-term debt rates should reflect debt costs over that time period, not debt costs that existed in the past. Short-term interest rates change. By definition, current short rates will not be effective for more than a year. The two current rates witness Woolridge chose to use will exist only for the 1-month or 3-month periods following their measurement. Rather, to match the Company's costs with the rate effective period, forecasts of LIBOR rates should be employed.

Forecasts reflect the best estimate of what those rates will be when the rates to be set in this case are to be in effect. Blue Chip's forecasted LIBOR rates reflect the trend toward higher interest rates as monetary policy becomes more normalized. Blue Chip's forecast recognizes that debt costs are expected to trend upward from historically low levels, a fact pointed out by witness Woolridge. He, however, fails to adequately assess whether such historically low interest rates are likely to continue into the future. Based upon their consensus, Blue Chip's forecast recognizes that today's historically low interest rates will not continue into the indefinite future. Moreover, their forecast is consistent with the Company's internal forecast.

The Company's internal forecast expects short-term rates to increase over the next five years with a move to normalized monetary policy. The forecast for LIBOR was 40 bps plus 5 bps per month for 2014 and 2015 to an average 68 bps and 128 bps plus 110 bps. Moreover, the five year SWAP rate is 1.77%, which verifies the Company's LIBOR assumption.

Witness Woolridge's attack on the Blue Chip forecast rates that I used in my prefiled direct testimony has no basis. As further support for my use of the Blue Chip forecast, I have looked at other forecasts of interest rates. The comparisons are:

	2015	2016	2017	2018	Average
Blue Chip (LIBOR)					
December 1, 2013	0.90%	2.20%	3.30%	4.00%	2.60%
June 1, 2014	0.53%	2.10%	3.20%	3.80%	2.41%
Blue Chip (FedFunds)					
June 1, 2014	0.33%	1.80%	3.00%	3.60%	2.18%
Value Line (FedFunds)					
May 23, 2014	0.30%	2.00%	3.50%	4.00%	2.45%
EIA (FedFunds)					
December 2013	0.12%	1.53%	3.46%	3.93%	2.26%
Global Insight (FedFunds)					
Third Quarter 2013	0.37%	2.15%	3.83%	4.00%	2.59%

Even though the alternative projections by Value Line, EIA and Global Insight relate to forecasts of the Fed Funds rate, rather than LIBOR, they fully support the proposition that Blue Chip established. Namely, short-term interest rates will increase for the rate effective period. Therefore, it is entirely reasonable to use the Blue Chip forecasts for setting rates for FPUC. It is certainly more reasonable to use this forecast than witness Woolridge unsupported assertion.

CAPITAL STRUCTURE

Q. **How does the Company's capital structure proposal differ from that advocated by witness Woolridge?**

A. The Company has proposed its actual forecast capital structure for the future rate year. In contrast, witness Woolridge has proposed a hypothetical capital structure. His approach proposes a 50% common equity ratio and, for the significant amount of

equity capital he erases from the Company's capital structure, he replaces it with (imputes) additional capital having a lower cost of debt. In determining what type of debt he imputes, he apportions it between short-term debt and long-term debt according to the proportions contained in the Company's filing. Witness Woolridge's proposal should be rejected for several reasons.

First, the Company's actual capital structure should be used to establish rates. That reflects the mix of funds that currently supports the business and management's assessment of the mix of capital that is appropriate for the future when rates are in effect. A similar mix of funds was used by CPU to purchase FPUC, and that is the mix of funds used to make investments to serve FPUC's customers. As to witness Woolridge's guess that the Company's proposed capital structure may be associated with a relatively high level of unregulated business, this guess is incorrect. The assets of CUC that are rate regulated represented 85% of its total assets. As a consequence, the regulated side of CUC's businesses dominate its operations, and hence its financing decisions.

Second, the Company's actual capital structure is within the range of ratios previously accepted by the Commission. I have provided full justification for the common equity ratio proposed by the Company in my prefiled direct testimony. On the basis of the Company's small size and the fact that my Electric Group has a 57.58% common equity ratio based on their market capitalization, the Company's proposed common equity ratio is entirely reasonable. Moreover, the Commission has accepted common

equity ratios up to 59.1% in the March 17, 2010 rate case decision for Florida Power & Light (Docket No. 090130-E). As the Commission stated:

> "...we approve the capital structure shown on Schedule 2, attached to this order. This capital structure reflects an equity ratio as a percentage of investor capital of 59.1 percent for 2010. While this relative level of equity is near the top of the range of equity ratios of the IOUs owned by the companies in witness Avera's proxy group, it is still within the range of equity ratios of comparably rated IOUs. In addition, this equity ratio is consistent with the relative level of equity FPL has maintained, on an adjusted basis, over the past decade."

Third, viewing the data presented on page 2 of Exhibit JRW-5, the range of common equity ratios for witness Woolridge's proxy group extends to 54.67%, and his proxy companies are vastly larger than FPUC. On the basis of its very small size, a higher common equity ratio is required for the Company to offset its higher business risk (e.g., companies select their common equity ratios based on their business risk -- high business risk warrants a higher common equity ratio, while lower business risk will allow a lower common equity ratio). In addition, the Value Line reports provide the investor expected common equity ratios for the electric companies shown on page 2 of Exhibit JRW-5. Those ratios are tabulated below.

Ticker	Electric Group	Common Equity Ratio 2014	2015	2017-19
AEP	American Electric Power	48.5%	47.0%	48.0%
CNP	CenterPoint Energy	36.5%	37.5%	40.5%
CNL	Cleco Corp.	57.5%	57.5%	66.0%
D	Dominion Resources, Inc.	36.5%	38.5%	41.5%
Duk	Duke Energy Corp.	50.5%	49.5%	47.5%
ETR	Entergy Corp.	43.5%	41.0%	44.5%
NEE	NextEra Energy, Inc.	44.5%	47.0%	51.5%
OGE	OGE Energy Corp.	56.0%	58.0%	58.5%
SCG	SCANA Corp.	46.0%	45.5%	47.5%
SO	Southern Company	44.5%	43.0%	42.5%
TE	TECO Energy, Inc.	45.0%	44.0%	44.0%
	Average	46.3%	46.2%	48.4%

Source of Information: Value Line Investment Survey, May 23, 2014 and June 20, 2014

As shown above, the common equity ratios for these companies reach up to 66.0%. It is clear, that the common equity ratio proposed by the Company is reasonable because it falls within the range of common equity ratios that investors expect for the electric companies.

COST OF EQUITY

Q. **What cost of equity has been proposed by witness Woolridge?**

A. Witness Woolridge has proposed an unrealistically low range of 8.75% to 9.00% rate of return on common equity.

Q. **What has caused this to happen?**

A. Witness Woolridge has based his cost of equity proposal principally on the DCF model. He has supplemented his DCF findings with the CAPM, but his CAPM result is totally unrealistic, which witness Woolridge at least tacitly acknowledges by choosing a cost of equity range well above his CAPM results. The specific infirmities of his analyses include:

- The return level that will not be acceptable to the financial community.
- The determination of an unreasonable Discounted Cash Flow (DCF) cost rate.
- Failure to recognize flotation costs as a component of the cost of equity.
- CAPM results by witness Woolridge that do not come close to capturing investor expectations.
- Inadequate consideration of the results generated by other methods, such as the Risk Premium and Comparable Earnings methods.

Q. **How would the financial community react to the Commission's acceptance of the cost of equity proposed by witness Woolridge?**

A. The financial community would be extremely concerned, if not shocked, if the Commission set the Company's cost of equity at the level proposed by witness Woolridge. The rates of return on common equity of 8.75% to 9.00% proposed by witness Woolridge are seriously deficient and will not provide FPUC with the opportunity to earn its investor required cost of capital for the rate effective period. Technical disputes about methodology and data aside, witness Woolridge's proposed cost of equity is simply not representative of the returns investors can earn on other

investments of comparable risk, including investments in other utilities like FPUC. In this regard, it is worthwhile to establish a benchmark that compares the returns proposed by witness Woolridge. Regulatory Research Association ("RRA"), a service provided by SNL Financial, contains these data. The RRA report provides authorized rates of return by state commissions nationally. According to RRA, the average authorized return for electric utilities was 10.12% for 2014 through the second quarter. The range of returns was 9.20% to 12.00%.

To my knowledge, there have been no electric utilities for which the Commission authorized equity returns of 8.75% to 9.00% in modern times. In this regard, the Commission has set or accepted the following returns for Florida electric utilities.

Company	Case Identification	Date	Return on Equity Authorized
Gulf Power Company	D-110138-EI	2/27/2012	10.25%
Gulf Power Company	D-130140-EI	12/3/2013	10.25%
Florida Power & Light Company	D-120015-EI	1/14/2013	10.50%
Florida Power & Light Company	D-080677-EI	6/10/2009	10.00%
Duke Energy Florida, Inc.	D-090079-EI	6/10/2009	10.50%
Duke Energy Florida, Inc.	D-120022-EI	3/8/2012	NA
Tampa Electric Company	D-130040-EI	9/30/2013	10.25%
Tampa Electric Company	D-080317-EI	4/30/2009	11.25%

Q. **Are there other objective indications of the level of returns expected by investors which shows that the proposed cost of equity by witness Woolridge is much too low?**

A. Yes. These are revealed by the returns forecast by Value Line. As revealed by the

returns provided below, investors expect the companies in the Electric Group to achieve returns well above those proposed by witness Woolridge.

Ticker	Electric Group	Return on Common Equity 2014	2015	2017-19
AEP	American Electric Power	10.0%	9.5%	10.0%
CNP	CenterPoint Energy	11.0%	11.5%	13.0%
CNL	Cleco Corp.	9.0%	10.5%	10.5%
D	Dominion Resources, Inc.	17.0%	17.0%	15.0%
DUK	Duke Energy Corp.	7.5%	8.0%	8.0%
ETR	Entergy Corp.	11.0%	9.0%	10.0%
NEE	NextEra Energy, Inc.	11.5%	11.0%	12.0%
OGE	OGE Energy Corp.	12.5%	12.0%	12.0%
SCG	SCANA Corp.	10.5%	10.0%	10.0%
SO	Southern Company	13.0%	12.5%	12.5%
TE	TECO Energy, Inc.	9.5%	9.5%	12.0%
	Average	11.1%	11.0%	11.4%

Source of Information: Value Line Investment Survey, May 23, 2014 and June 20, 2014

Q. **What have you concluded about the types of returns that investors expect to be realized by FPUC as a result of this proceeding?**

A. Investors will expect returns higher than those proposed by witness Woolridge. The RRA report shows a 10.12% return, prior Commission orders show an average return of 10.43%, and the returns forecast by Value Line average 11.0% to 11.4%. This evidence clearly shows that investors expect much higher returns than those proposed by witness Woolridge.

DISCOUNTED CASH FLOW

Q. **Witness Woolridge and you have used the DCF model to measure the cost of equity. What is your position concerning the usefulness of the DCF method?**

A. In my view, the use of more than one method provides a superior foundation for the cost of equity determination. This is particularly true today given the wide swings in share values and the overall financial market uncertainty. Since all cost of equity methods contain certain unrealistic and overly restrictive assumptions, the use of more than one method will capture the multiplicity of factors that motivate investors to commit capital to an enterprise (i.e., current income, capital appreciation, preservation of capital, level of risk bearing, etc.).

Q. **What form of the DCF model has been employed in this case?**

A. The constant growth form of the DCF model has been used by witness Woolridge and me. It must be recognized, however, that this form of the DCF method employs assumptions which are simply not realistic. For example, according to the theory of the constant growth form of the DCF, future earnings per share, dividends per share, book value per share, and price per share will all appreciate at the same constant rate absent any change in dividend payout and price-earnings multiple. There is no evidence that these conditions actually prevail in the equity markets.

DCF GROWTH RATE

Q. **As to the DCF growth component, what financial variables should be given greatest weight when assessing investor expectations?**

A. The theory of the DCF holds that the value of a firm's equity (i.e., share price) will grow at the same rate as earnings per share and dividend growth will equal earnings growth with a constant payout ratio. Therefore, to properly reflect investor expectations within the limitations of the DCF model, earnings per share growth, which is the basis for the capital gains yield and the source of dividend payments, must be emphasized. The reason that earnings per share growth is the primary determinant of investor expectations rests with the fact that the capital gains yield (i.e., price appreciation) will track earnings growth with a constant price earnings multiple (another key assumption of the DCF model). It is also important to recognize that analysts' forecasts significantly influence investor growth expectations as apparently witness Woolridge acknowledges. Finally, it is instructive to note that Professor Myron Gordon, the foremost proponent of the DCF model in public utility rate cases, has established that the best measure of growth for use in the DCF model is forecasts of earnings per share growth.[1] For these reasons, earnings per share forecasts must be given primary weight.

Q. **Witness Woolridge has questioned the reliability of analysts' forecasts of earnings per share growth in the DCF model. Do you agree?**

A. No, I do not. Indeed, witness Woolridge uses analysts' forecasts extensively in his

[1] "Choice Among Methods of Estimating Share Yield," The Journal of Portfolio Management, Spring 1989 by Gordon, Gordon & Gould.

DCF analysis.

Q. **Do you agree with witness Woolridge's view that analysts' forecasts of earnings per share contain some form of bias?**

A. I find inadequate support for this assertion. With the final judgment entered on October 31, 2003 in the Global Research Analyst Settlement ("GRAS")[2], which resolved the equity research analysts practices at major investment banks that had been accused of conflicts of interest, Wall Street firms have separated their research and investment banking services. I find witness Woolridge's criticism of analysts' forecasts somewhat perplexing because he provides extensive evidence of analysts' forecasts (see pages 4 and 5 of Exhibit JRW-10) in his DCF analysis. I also do not understand why Witness Woolridge would have difficulty accepting analysts' forecasts because the Claus and Thomas study, included as his first entry under the heading "Ex Ante Models (Puzzle Research)" on page 5 of Exhibit JRW-11, used analysts' earnings forecasts taken from I/B/E/S, now part of Thomson Financial that witness Woolridge reports as the Yahoo growth estimates (see page 5 of Exhibit JRW-10).

Moreover, it matters not what witness Woolridge may think about the analysts' forecasts. Rather, what is important is what investors actually use in their decisions regarding the purchase, sale or holding of stocks. That is to say, even if there were some bias in the forecasts which suggested that some downward adjustment might be

[2] SEC v. Bear, Stearns & Co., Inc., No. 03 Civ. 2937, 2003 U.S. Dist. LEXIS 19359 (S.D.N.Y. Oct. 31, 2003)

appropriate, the price of stock would likewise require a downward adjustment to remove the influence of the same bias that is reflected in the price that was established with the actual analysts' forecasts. The bottom line is that the growth rate must be synchronized with the price that investors establish when valuing a stock. Otherwise, the DCF result would be mis-specified.

Q. **Witness Woolridge has also provided dividends per share growth rates published by Value Line on page 4 of Exhibit JRW-10. Are these growth rates useful in the DCF?**

A. No. The Value Line forecast growth rates of 4.8% in dividends per share (see page 4 of Exhibit JRW-10) are below the growth in earnings (i.e., Yahoo, Zacks, and Reuters). The reason dividends per share growth are less than the earnings growth is that the dividend payout ratios are forecast to decline. This is shown by the Value Line data presented below.

Ticker	Electric Group	All Div'ds to Net Prof 2014	2015	2017-19
AEP	American Electric Power	60%	63%	64%
CNP	CenterPoint Energy	83%	83%	79%
CNL	Cleco Corp.	62%	54%	57%
D	Dominion Resources, Inc.	69%	68%	70%
Duk	Duke Energy Corp.	71%	68%	64%
ETR	Entergy Corp.	53%	63%	59%
NEE	NextEra Energy, Inc.	55%	57%	57%
OGE	OGE Energy Corp.	45%	49%	53%
SCG	SCANA Corp.	58%	58%	55%
SO	Southern Company	73%	74%	72%
TE	TECO Energy, Inc.	87%	83%	65%
	Average	65%	65%	63%

Source of Information: Value Line Investment Survey, May 23, 2014 and June 20, 2014

For this reason, earnings growth should be emphasized.

Q. **Witness Woolridge also appears to have considered, and perhaps to have given some weight to, historical growth rates in earnings, dividends, and book value. Please comment.**

A. History cannot be ignored. However, in developing a forecast of future earnings growth, an analyst would first apprise himself/herself of the historical performance of a company. Hence, there is no need to count historical growth rates a second time, because historical performance is already reflected in analysts' forecasts which reflect an assessment of how the future will diverge from historical performance.

Q. **Did witness Woolridge also consider retention growth?**

A. Yes. However, the retention growth formula was misapplied on page 4 of his Exhibit JRW-10. Those misapplications are discussed below.

Q. **Apart from these theoretical deficiencies, has witness Woolridge properly determined retention growth?**

A. No. Witness Woolridge has relied upon the Value Line forecasts of year-end. Value Line defines "return on equity" as follows:

> Percent Earned Common Equity – net profit less preferred dividends divided by common equity (i.e., net worth less preferred equity at liquidation or redemption value), expressed as a percentage. See Percent Earned Total Capital.

Without an adjustment to convert the Value Line forecast returns from year-end to average book values, there is a downward bias in the results. This is because with an increasing book value driven by retention growth, the average book value will be less than the year-end book value. For that reason, the Federal Energy Regulatory Commission ("FERC") adjusts the year-end returns to derive the average yearly return, using the formula 2 (1 + G) / (2 + G) (see 92 FERC ¶ 61,070). Generally speaking, this adjustment increases the retention growth rate.

Q. **Has witness Woolridge included external financing growth in his internal growth analyses?**

A. No. This omission results in a further downward bias in his growth rate analysis. Forecasts by Value Line indicate that future growth from external stock financing will

add to the growth in equity. This would result in an internal/external growth rate higher than that developed by witness Woolridge.

Q. **What growth rate would be indicated using average book values and external financing growth?**

A. I have used a variant of the FERC's adjustment procedure to clearly show the numerical components that produce the average book value per share. I have reported the results of my analysis on Exhibit No. PRM-2, page 3. Here, the use of the average book value in the calculation provides an 11.51% forecast return on average book common equity, a return higher than the 11.4% return on year-end book value, which was used by witness Woolridge on page 4 of Exhibit JRW-10. I also show on Exhibit No. PRM-2, page 3 that the external growth is 0.87%. Combined, the growth from both internal and external factors produces a growth rate of 5.02%, as shown on Exhibit No. PRM-2, page 3. This growth rate exceeds substantially the 4.1% internal growth rate calculated by witness Woolridge on page 4 of Exhibit JRW-10.

FLOTATION COSTS

Q. Witness Woolridge has failed to modify his DCF results for the flotation costs. Has the omission of this adjustment resulted in an understatement of the required rate of return on common equity?

A. Yes. I should note that witness Woolridge's position concerning flotation costs is inconsistent with the Value Line forecasts (see Exhibit No. PRM-2, page 3) that show electric companies will be issuing new common stock in the future. Moreover,

historically the companies that comprise my Electric Group have issued significant quantities of new equity (see page 11 of Exhibit No. PRM-1) that accompanies my prefiled direct testimony. As explained in my prefiled direct testimony, these companies made twenty-six issues of new common stock during the period 2007 to 2011. And Value Line indicates they will continue to do so in the future.

In response to witness Woolridge's arguments, the relative market price of stock in relation to the book value of stock ratio has no bearing on whether a flotation cost adjustment is proper. These costs are incurred regardless of the relationship of the stock price to book value. As to the issue of the underwriting spread, witness Woolridge is wrong to argue that this is not a legitimate flotation cost. The underwriting spread is represented the difference between the market price of stock and the gross proceeds realized by a company for selling new stock. It is what the investment bankers retain which is not available to a company and reflects a true flotation cost. This is because the utility can only invest the net proceeds received from a stock offering in its rate base after the underwriting spread and out-of-pocket expenses have been paid. That is to say, the rate base investment from a common stock offering can only be made with the net proceeds and not the price of stock paid by investors. As to witness Woolridge's argument about brokerage fees paid by investors to transact a purchase or sale of stock, they are entirely irrelevant to the issue. It is only the amounts realized by the utility after the impact of the underwriting spread and out-of-pocket expenses that affects the net proceeds that are available to invest in rate base.

Q **What is your reaction to witness Woolridge's recommendation that if the Company experiences equity issuance costs, they should "be treated as a cost of service?"**

A. After arguing for several pages that flotation costs do not exist, he suggests that equity issuance costs (more commonly called "flotation costs") should be treated as a cost of service item rather than as an adjustment to the cost of equity. What is interesting is witness Woolridge's implicit concession that flotation costs may exist. Whether the adjustment for flotation costs becomes part of the cost of equity or whether those costs are part of the "cost of service," both treatments impact the Company's revenue requirements. It is important to realize that the cost of raising equity is a cost just like the cost of issuing debt but those costs are not included in O&M expense. They become part of the embedded cost of debt when setting rates. Similarly, flotation costs traditionally become part of the cost of equity. Witness Woolridge seems to be arguing over the recovery mechanism associated with recovering flotation costs. However, the Company has not requested flotation costs in determining net operating income, so, if they are not recognized in the cost of equity, they would be denied recovery. Cost of equity treatment of flotation costs is the only equitable approach in this case.

RISK PREMIUM METHOD

Q. **Do you agree with witness Woolridge's rejection of the Risk Premium method in determining the cost of equity?**

A. No. In my opinion, the Risk Premium results should be given serious consideration. The Risk Premium method is straight-forward, understandable and has intuitive appeal because it is based on a company's own borrowing rate. The utility's borrowing rate provides the foundation for its cost of equity which must be higher than the cost of debt in recognition of the higher risk of equity. So, while witness Woolridge declines to use the Risk Premium approach to measure the Company's cost of equity, it is an approach which provides a direct and complete reflection of a utility's risk and return because it considers additional factors not reflected in the beta measure of systematic risk used in the CAPM.

Q. **Please continue with your response to witness Woolridge's criticisms of the risk premium approach.**

A. As a preliminary matter, witness Woolridge's observation that the yield that I used on A-rated public utility bonds is higher than the current yield on those bonds misses the point. My yield reflects the forecast trend toward higher yields. As such, witness Woolridge provides a mismatched comparison that is not relevant for the prospective cost of equity. Concerning his arguments on pages 62-63, witness Woolridge seems troubled with use of the yield on A-rated public utility bonds because they contain interest rate risk and default risk. These are invalid criticisms because common stock investors are faced with these same risks. Moreover, if the compensation for these

risks were removed from the yield on A-rated public utility bonds, then the resulting risk premium would be larger when computed from a smaller base yield applicable to Treasury bonds, for instance.

As to the historical relationship between stock and bond return, it is an enduring one. His criticisms are invalid because: (1) common stock investors are subject to changing levels of interest rates because a primary determinant of the cost of equity is the level of interest rates (especially for utility stocks), and (2) the credit risk associated with a company's bonds is also a major concern for common stock investors (e.g., default on a company's bonds would adversely affect the common stockholders).

Q. **Please address the alphabetic medley of criticisms of the risk premium approach listed by witness Woolridge in his Appendix D (i.e., Exhibit JRW-16).**

A. Most of these require only a brief response. I will address each, in turn.

As to item (A), (biased historical returns) the capital losses concerning historical bond returns were non-existent for long-term government bonds (used by witness Woolridge as a proxy for bond yields). Over the period 1926-2013, capital appreciation (rather than capital losses) was 0.2% as the geometric mean and 0.6% as the arithmetic mean. Hence, his claim of losses is not correct.

Witness Woolridge also does not identify the magnitude of any difference between the published yield and investor expected returns on bonds. With bond portfolio

immunization strategies, a desired rate of return can be achieved over a fixed investment horizon when the duration of a bond portfolio equals the investment horizon. Strategies such as these point to the extremely high probability of realizing expected returns on public utility bonds from issuance to maturity, absent default. Consequently, witness Woolridge's reasoning provides no basis to reject my risk premium approach.

As to item (B) (the arithmetic vs. geometric mean returns), witness Woolridge criticizes my use of arithmetic means in applying the risk premium method. However, as stated in the 2003 Yearbook published by Ibbotson Associates:

> The arithmetic mean is the rate of return which, when compounded over multiple periods, gives the mean of the probability distribution of ending wealth values....This makes the arithmetic mean return appropriate for forecasting, discounting, and computing the cost of capital. The discount rate that equates expected (mean) future values with the present value of an investment is that investment's cost of capital. The logic of using the discount rate as the cost of capital is reinforced by noting that investors will discount his expected (mean) ending wealth values from an investment back to the present using the arithmetic mean, for the reason given above. They will, Therefore, require such an expected (mean) return prospectively (that is, in the present looking toward the future) to commit his capital to the investment.

In the 2006 Yearbook, Ibbotson added:

> A simple example illustrates the difference between geometric and arithmetic means. Suppose $1.00 was invested in a large company stock portfolio that experiences successive annual returns of +50 percent and -50 percent. At the end of the first year, the portfolio is worth $1.50. At the end of the second year, the portfolio is worth $0.75. The annual arithmetic mean is 0.0 percent, whereas the annual geometric mean is -13.4 percent.

Both are calculated as follows:

$$r_A = \frac{1}{2}(0.50 - 0.50) = 0.0, \textit{ and}$$

$$r_G = \left[\frac{0.75}{1.00}\right]^{\frac{1}{2}} - 1 = -0.134$$

> The geometric mean is backward-looking, measuring the change in wealth over more than one period. On the other hand, the arithmetic mean better represents a typical performance over single periods.

> In general, the geometric mean for any time period is less than or equal to the arithmetic mean. The two means are equal only for a return series that is constant (i.e., the same return in every period). For a non-constant series, the difference between the two is positively related to the variability or standard deviation of the returns. For example, in Table 6-7, the difference between the arithmetic and geometric mean is much larger for risky large company stocks than it is for nearly riskless Treasury bills.

As to item (C) (the large error in measuring the equity premium using historical returns), witness Woolridge points to the relatively high standard deviation of the historically measured risk premium as an indication of possible forecasting error. But, he misinterprets the relatively high standard deviation. Rather, the relatively high standard deviation is a reflection of the basic riskiness of common stocks. Since common stocks are more risky than bonds or other low risk investments, then the standard deviation should be relatively high, because common stocks provide more

uncertain returns as compared to more certain returns for lower risk bonds. If as witness Woolridge asserts, the common equity risk premium is unreliable because the standard deviation is relatively high, then he is repudiating the basic riskiness of common stocks.

As to item (D) (unattainable and biased historical stock returns), with the proliferation of stock-index mutual funds and exchange-traded funds ("ETF") that are designed to replicate the returns on major indexes, the overall market returns are attainable. While there may be transaction costs associated with both stock-index mutual funds (which are minimal for low cost managers, such as The Vanguard Group) and ETFs (which can be purchased and sold through discount on-line brokerage accounts), witness Woolridge's criticisms are misplaced.

As to item (E) (company survivorship bias), the survivorship issue is not a valid criticism because the historical returns contain the results of the companies that comprised the index in each year. That is to say, as companies entered and exited the index, the market performance in each year reflected the companies in the index each year. Obviously, Microsoft Corporation had no impact on the S&P 500 return in 1960, nor does Nash-Kelvinator Corporation impact the returns of the S&P 500 in 2013. But, these companies did provide returns to investors in the years that they were included in the index.

As to item (F) (The "Peso Problem" – U.S. stock market survivorship bias), witness

Woolridge provides no quantification of the impact of the "peso problem" on the historical return. Just as higher than expected returns may have been experienced in the past, so too lower than expected returns also were experienced. Further, the possibility of "highly improbable returns" (e.g., positive or negative) is the reason that long time series are used in the risk premium analysis.

CAPITAL ASSET PRICING MODEL

Q. **Do you have concerns regarding the application of the CAPM by witness Woolridge?**

A. As a preliminary matter, witness Woolridge produced a 7.5% and 7.6% CAPM results that are simply not credible. This is especially true in the circumstance where the yield on Baa rated public utility bonds were 4.90% for the six-months ended June 2014. The cost of equity simply must be higher than the cost of debt by a meaningful margin, which is not the case with witness Woolridge's CAPM. Witness Woolridge's CAPM analysis understates the cost of equity for a number of reasons: (i) his use of a wholly unrealistic market premium, (ii) his failure to make a size adjustment, and (iii) his failure to adjust his CAPM result for flotation costs. Ultimately, witness Woolridge appears to give little or no weight to his CAPM analysis, adopting a return on equity range that is well above his CAPM results. His ultimate recommended return on equity suggests that he does not deem his CAPM returns to be credible.

Q. **How has witness Woolridge approached the risk-fee rate of return component of the CAPM?**

A. Both witness Woolridge and I have used the yield on 30-year Treasury bonds for the risk-free rate of return component of the CAPM. Unlike my approach, which included forecasts of these yields, witness Woolridge relied excessively on recent data when he selected a 4.0% risk-free rate of return. Rather, the Blue Chip forecasts indicate higher yields on Treasury obligations for the future. The June 1, 2014 Blue Chip shows the yield on 30-year Treasury bonds increasing from 3.69% in the first quarter of 2014 to 4.3% in the third quarter of 2015. Of course, this forecasted interest rate increase for Treasury Bills is consistent with the long term bond rate increase consensus forecasted by Blue Chip that I and witness Woolridge relied upon in setting FPUC's cost of long term debt.

Q. **What are your observations regarding witness Woolridge's use of the geometric mean?**

A. Witness Woolridge has incorrectly considered the geometric mean when analyzing historical returns (see page 5 of Exhibit JRW-11). The theoretical foundation of the CAPM requires that the arithmetic mean must be used because it conforms to the single period specification of the model and it provides a representation of all probable outcomes and has a measurable variance. As explained above, the geometric mean, which consists merely of a rate of return taken from two data points and cannot provide a reasonable representation of the market risk premium in the context of the CAPM. In short, the arithmetic mean provides an unbiased estimate, captures all

probable outcomes, and has a measurable variance. I have covered this issue in additional detail above.

Q. **Do you have additional observations concerning the CAPM as applied by witness Woolridge?**

A. Yes. It appears to me that witness Woolridge has substantially misstated the return on the market as a whole from which he calculates his market premium (i.e., *Rm-Rf,* where *Rm* is the return on the market as a whole and *Rf* is the risk-free rate of return). The returns he provides, such as 7.50% (see page 1 of Exhibit JRW-C1), cannot possibly be correct. What witness Woolridge shows on his bar graph on page 1 of Exhibit JRW-C1 is that the S&P 500 has a DCF return that is comprised of a 2.10% dividend yield and 5.40% (2.65% + 2.75%) growth rate. Such an assumption is totally unrealistic.

To bring some perspective to the growth rate assumed by witness Woolridge, forecast growth rates are available for the Value Line Composite of 996 industrial, retail and transportation companies that include 80 of Value Line's 99 industry groups and excludes financial services, utilities and non-North American companies.[3] In its forecast, Value Line projects growth for the Industrial Composite of 7.0% for earnings per share, 11.0% for dividends per share, 7.0% for book value per share, and 12.0% for percent retained to common equity. An average of these four growth rates is 9.25% (7.0% + 11.0% + 7.0% + 12.0% = 37.0% ÷ 4). When combined with the 2.1%

[3] Value Line Selection & Opinion (Part 2), dated November 1, 2013.

dividend yield published by Value Line, the return for the Value Line Composite is 11.35%, not 7.5% as witness Woolridge postulates.

Q. **Are there other reasons to believe that the 7.5% market return determined by witness Woolridge is unrealistic?**

A. Yes. A 7.5% overall return for the market is less than the DCF return that witness Woolridge calculates for his purportedly less risky electric group (see page 1 of Exhibit JRW-10). It is simply inconceivable that the return on the stock market as a whole is only 7.5% if the return for his electric utility proxy group is 8.75% and 9.00%. It is apparent that his total market return is incorrect.

Q. **Witness Woolridge also questions the need to further adjust the CAPM results for size differences. Please comment.**

A. Witness Woolridge's arguments (see pages 71-73) revolve around the purported distinction between regulated utilities and unregulated industrial companies. But, the Wong article employed data going back into the 1960s. Enormous changes have occurred in the industry since the 1960s that have fundamentally changed the utility business. The Wong article also noted that betas for the non-regulated companies were larger than the betas of the utilities. This, however, is not a revelation, because history shows that utilities generally have lower betas than many other companies. This fact does not invalidate the additional risk associated with small size.

The Wong article further concludes that size cannot be explained in terms of beta.

Again, this should not be a surprise. Beta is not the tool that should be employed to make that determination. Indeed, beta is a measure of systematic risk and it does not provide the means to identify the return necessary to compensate for the additional risk of small size. In contrast, the famous Fama/French study (see "The Cross-Section of Expected Stock Returns," The Journal of Finance, June 1992) identified size as a separate factor that helps explain returns. Further, the article by Dr. Thomas Zepp presented research on water utilities that support a small firm effect in the utility industry.[4]

COMPARABLE EARNINGS

Q. **Witness Woolridge also ignores Comparable Earnings approach in his cost of equity analysis. Please comment.**

A. The underlying premise of the Comparable Earnings method is that regulation should emulate results obtained by firms operating in competitive markets and that a utility must be given an opportunity cost of capital equal to that which could be earned if one invested in firms of comparable risk. For non-regulated firms, the cost of capital concept is used to determine whether the expected marginal returns on new projects will be greater than the cost of capital, i.e., the cost of capital provides the hurdle rate at which new projects can be justified, and therefore undertaken. Because the Comparable Earnings method is derived from a firm's overall performance (i.e., its average return), the approach blends returns on a variety of projects that have produced returns above and below the cost of capital during the measurement period.

[4] Zepp, Thomas M. (2002) "Utility stocks and the size effect: revisited". Economics and Finance Quarterly, 43, 578-582.

Further, given the 10-year time frame (i.e., five years historical and five years projected) considered by my study, it is unlikely that the earned returns of non-regulated firms would diverge significantly from their cost of capital. I have used this approach in connection with the other market models (i.e., DCF, Risk Premium, and CAPM) and the combined results of all methods fulfill established standards of a fair rate of return, i.e. namely, comparability and capital attraction. The Hope decision by the United States Supreme Court defined these requirements as follows:

> ...the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.

The Comparable Earnings approach satisfies the Supreme Court's comparability standard. In addition, the financial community has expressed the view[5] that the regulatory process must consider the returns that are being achieved in the non-regulated sector to ensure that regulated companies can compete effectively in the capital markets.

THE COMMISSION'S PRIOR ASSESSMENT OF WITNESS WOOLRIDGE

Q **Is there any other information available to the Commission which it might consider in assessing witness Woolridge's recommended return on equity range of 8.75% and 9.00%?**

A. Yes. It would be informative for the Commission to consider how it has addressed Mr. Woolridge's rate of return testimony in prior electric utility cases.

[5] "Electric: The Case for ROE Reform," John E. Olson First Vice President, Merrill Lynch & Co., October 11, 1994.

Q **Have you presented such a summary in this case?**

A. Yes. Witness Woolridge has testified before this Commission in at least eight electric utility rate proceeding since 2005. Page 4 of Exhibit PRM-2, is a summary of those case showing the Docket No., witness Woolridge's recommended return on equity, the allowed return on equity approved by the Commission, and the differential between what witness Woolridge recommended and what the Commission concluded was proper.

From this exhibit four observations are readily apparent:

1. Over the course of a decade the equity markets have been influenced by a wide variety of fundamentals, yet witness Woolridge has recommended rates of return for Florida electric utilities within a narrow band of 100 basis point, i.e., between 8.75% and 9.75%.
2. The Commission has never accepted Dr. Woolridge's recommended ROE in an electric utility rate case.
3. The Commission has consistently authorized a ROE well above Dr. Woolridge's recommendation.
4. The average ROE allowance by the Commission has been 1.52% above Dr. Woolridge's recommendation.

SUMMARY

Q. **Please summarize your rebuttal testimony.**

A. There are three disputed cost of capital issues in this case. They focus on the appropriate cost for short term debt related to the future period when the rates are to be effective; the proper common equity ratio and resulting capital structure to be used to set rates, and FPUC's cost of equity.

The short term debt cost rate should be based upon a forecast rather than current interest rates. The only forecast before the Commission is revealed by a well-respected, independent source relied upon by investors. After summarily dismissing it as not being credible, witness Woolridge relied in part upon this forecast. The short term debt cost consistent with this forecast is 3.60% at the time of the Company's filing.

The Company's own capital structure should be used to set customer rates. These are the sources of capital actually employed to provide service. These are the sources of capital that have been invested by investors in the enterprise. Arbitrarily altering the overall return by using a hypothetical capital structure and imputing debt that is not being used to fund operations is unwarranted.

Witness Woolridge significantly understates the Company's cost of common equity. Rather, the Commission should use the evidence that I have developed, the returns previously authorized by the Commission and other state regulatory commissions, the

types of returns that investors expect electric utilities to realize and its prior assessment of witness Woolridge's testimony to develop FPUC's allowed return on equity. That allowed return should be the 11.25% I recommended on direct and not the unreasonably low range suggested by Witness Woolridge.

Q. **Does this conclude your Prepared Rebuttal Testimony?**

A. Yes.

Docket No. 140025-EI

AFFIDAVIT

STATE OF NEW JERSEY

COUNTY OF CAMDEN

BEFORE ME, the undersigned authority, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Paul R. Moul, who being duly sworn, deposed and stated that he/she is the Managing Consultant of P. Moul & Associates and that the foregoing testimony is true and correct to the best of his information, knowledge, and belief. He is personally known to me.

Sworn to and subscribed before me this 4th day of August, 2014.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 4th day of August, 2014.

Ruby Marie Tucker

Notary Public
State of New Jersey

My Commission Expires: May 12, 2019

Florida Public Utilities Company
Recommended Cost of Capital

Panel 1 -Dr. Woolridge at 50% Equity Capital Structure

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short Term Debt	7.78%	1.65%	0.13%
Long Term Debt – Legacy	1.30%	12.74%	0.17%
Long Term Debt – Parent Company	40.92%	4.90%	2.01%
Common Equity	50.00%	9.00%	4.50%
Total	100.00%		6.80%

Panel 2 - Dr. Woolridge at 58.21% Equity Capital Structure

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short Term Debt	6.50%	1.65%	0.11%
Long Term Debt – Legacy	1.09%	12.74%	0.14%
Long Term Debt – Parent Company	34.21%	4.90%	1.68%
Common Equity	58.21%	8.75%	5.09%
Total	100%		7.02%

Panel 3 - Mr. Moul at 58.21% Capital Structure

Capital Source	Capitalization Ratio	Cost Rate	Weighted Cost Rate
Short Term Debt	6.50%	3.70%	0.24%
Long Term Debt – Legacy	1.09%	12.74%	0.14%
Long Term Debt – Parent Company	34.21%	4.90%	1.68%
Common Equity	58.21%	11.25%	6.55%
Total	100%		8.60%

Agreements

1. **Long Term Debt – Legacy cost rate**
2. **Long Term Debt – Parent Company cost rate**

Disagreements

1. **Short Term Debt cost rate**
2. **Equity cost rate**
3. **Equity Ratio and the resulting capital structure**

BLUE CHIP FORECASTERS

CONTRIBUTORS TO DOMESTIC SURVEY

Action Economics, LLC, Boulder, CO
Michael Englund

AIG, New York, NY
Katharine Wolchik

Bank of America Merrill Lynch, New York, NY
Ethan Harris

Bank of Tokyo-Mitsubishi UFJ, Ltd., New York, NY
Christopher S. Rupkey

Barclays, New York, NY
Dean Maki

BMO Capital Markets Economics, Toronto, Canada
Douglas Porter

BNP Paribas Americas, New York, NY
Laura Rosner, Yelena Shulyatyeva and Bricklin Dwyer

Chase Wealth Management, New York, NY
Anthony Chan

Chmura Economics & Analytics, Richmond, VA
Christine Chmura and Xiaobing Shuai

ClearView Economics, LLC, Cleveland, OH
Kenneth T. Mayland

Comerica, Dallas, TX
Robert A. Dye

Cycledata Corp., San Diego, CA
Robert S. Powers

Daiwa Capital Markets America, New York, NY
Michael Moran

DePrince & Associates, Murfreesburo, TN
Albert E. DePrince Jr.

Economist Intelligence Unit, New York, NY
Leo Abruzzese and Jan Friederich

Fannie Mae, Washington, DC
Douglas Duncan

Georgia State University, Atlanta, GA
Rajeev Dhawan

GLC Financial Economics, Providence, RI
Gary L. Ciminero

Goldman, Sachs & Co., New York, NY
Jan Hatzius

High Frequency Economics, Valhalla NY
James O'Sullivan

J.P. Morgan Chase, New York, NY
Bruce Kasman and Robert Mellman

Kellner Economic Advisers, Port Washington, NY
Irwin L. Kellner

Loomis, Sayles & Company, L.P., Bloomfield, MI
Brian Horrigan

MacroFin Analytics, Wayne, NJ
Parul Jain

Mesirow Financial, Chicago, IL
Diane Swonk

Moody's Analytics, West Chester, PA
Mark M. Zandi

Moody's Capital Markets Group, New York, NY
John Lonski

Naroff Economic Advisors, Philadelphia, PA
Joel L. Naroff

National Association of Realtors, Washington, DC
S. Lawrence Yun

Nomura Securities International, Inc., New York, NY
Lewis Alexander

Oxford Economics, Wayne, PA
Lea Tyler

Pierpont Securities, Stamford, CT
Stephen Stanley

PNC Financial Services Group, Pittsburgh, PA
Stuart G. Hoffman

RBC Capital Markets, New York, NY
Thomas Porcelli

RBS, Greenwich, CT
Michelle Girard

RDQ Economics, New York, NY
John Ryding and Conrad DeQuadros

RidgeWorth Capital Management, Richmond, VA
Alan Gayle

Scotiabank Group, Toronto, Canada
Aron Gampel and Dr. Warren Jestin

Societe Generale, NY, New York
Stephen W. Gallagher

Standard & Poor's Corp., New York, NY
Beth Ann Bovino

Stone Harbor Investment Partners, LP, New York, NY
Brian Keyser

SunTrust Banks, Inc., Atlanta, GA
Gregory L. Miller

Swiss Re, New York, NY
Kurt Karl

The Northern Trust Company, Chicago, IL
Carl Tannenbaum and Asha G. Bangalore

UBS, New York, NY
Maury Harris, Samuel Coffin and Kevin Cummins

Wells Capital Management, San Francisco, CA
Gary Schlossberg

Wells Fargo, Charlotte, NC
John Silvia and Mark Vitner

Woodworth Holdings, Ltd., Summit, NJ
Jay N. Woodworth

CONTRIBUTORS TO INTERNATIONAL SURVEY

Barclays Capital, New York, NY

BNP Paribas Americas, New York, NY

ING Financial Markets, London, England

Mizuho Research Institute, Tokyo, Japan

Moody's Analytics, West Chester, PA

Moody's Capital Markets Group, New York, NY

Nomura Securities International, New York, NY

Scotiabank Group, Toronto, Canada

Societe Generale, New York, NY

UBS, New York, NY

Wells Fargo, Charlotte, NC

Electric Group

Internal Growth ("b x r") 3 to 5 Year Projections

Company	Dividends Per Share	Earnings Per Share	Book Value Per Share	Prior Y/E Book Value	Average Book Value	ROE	Payout Ratio	Retention Rate	Internal Growth Rate
American Electric Power	$2.50	$4.00	$40.25	$38.75	$39.50	10.13%	62.50%	37.50%	3.80%
CenterPoint Energy	$1.15	$1.45	$11.25	$10.95	$11.10	13.06%	79.31%	20.69%	2.70%
Cleco Corp.	$2.00	$3.50	$32.75	$31.25	$32.00	10.94%	57.14%	42.86%	4.69%
Dominion Resources, Inc.	$2.80	$4.00	$27.00	$25.80	$26.40	15.15%	70.00%	30.00%	4.55%
Duke Energy Corp.	$3.40	$5.25	$65.00	$63.15	$64.08	8.19%	64.76%	35.24%	2.89%
Entergy Corp.	$3.80	$6.50	$66.75	$64.05	$65.40	9.94%	58.46%	41.54%	4.13%
NextEra Energy, Inc.	$3.90	$6.75	$57.75	$54.90	$56.33	11.98%	57.78%	42.22%	5.06%
OGE Energy Corp.	$1.35	$2.50	$21.00	$19.85	$20.43	12.24%	54.00%	46.00%	5.63%
SCANA Corp.	$2.35	$4.25	$43.30	$41.40	$42.35	10.04%	55.29%	44.71%	4.49%
Southern Company	$2.36	$3.25	$26.25	$25.36	$25.81	12.59%	72.62%	27.38%	3.45%
TECO Energy, Inc.	$0.95	$1.45	$12.00	$11.50	$11.75	12.34%	65.52%	34.48%	4.26%
Average						**11.51%**	**63.40%**	**36.60%**	**4.15%**

External Growth ("s x v") 3 to 5 Year Projections

Company	2013 Book Value per Share	Stock Price	1-(B/P)	Common Shares Outst'g 2013	Common Shares Outst'g 2017-19	Com Shs. Growth x M/B	External Growth Rate	"b times r" plus "s times v"
American Electric Power	$32.98	$53.46	0.3831	487.78	498.00	0.67%	0.26%	4.05%
CenterPoint Energy	$10.09	$23.89	0.5776	429.00	434.00	0.55%	0.32%	3.02%
Cleco Corp.	$26.24	$51.85	0.4939	60.45	60.50	0.03%	0.01%	4.70%
Dominion Resources, Inc.	$20.02	$69.80	0.7132	581.50	625.00	5.07%	3.62%	8.16%
Duke Energy Corp.	$58.54	$71.72	0.1838	706.00	711.00	0.17%	0.03%	2.92%
Entergy Corp.	$54.00	$78.28	0.3102	178.37	179.50	0.18%	0.06%	4.18%
NextEra Energy, Inc.	$41.47	$96.08	0.5684	435.00	470.00	3.61%	2.05%	7.11%
OGE Energy Corp.	$15.30	$36.54	0.5813	198.50	204.00	1.31%	0.76%	6.39%
SCANA Corp.	$33.08	$51.62	0.3592	141.00	157.50	3.49%	1.25%	5.74%
Southern Company	$21.43	$43.31	0.5052	887.09	940.00	2.36%	1.19%	4.64%
TECO Energy, Inc.	$10.74	$17.13	0.3730	217.30	218.00	0.10%	0.04%	4.29%
Average							**0.87%**	**5.02%**

Source of Information: Value Line Investment Survey, May 23, 2014 and June 20, 2014

Dr. Woolridge's ROE Record
FPSC Electric Utility Rate Cases
2005-2014

Docket No.	Company	Woolridge Rec	FPSC Allowed	Difference
130140-EI	Gulf	9.00%	10.25%	1.25%
130040-EI	TECO	8.75%	10.25%	1.50%
120015-EI	FPL	9.00%	10.50%	1.50%
110138-EI	Gulf	9.15%	10.25%	1.10%
080677-EI	FPL	9.50%	10.00%	.50%
080317-EI	TECO	9.75%	11.25%	1.50%
070304-EI	FPUC	9.15%	11.00%	1.85%
050045-EI	FPL	8.80%	11.75%	2.95%

1. Dr. Woolridge has a very narrow range of recommendations over the course of a decade with varying equity markets

2. The Commission has never accepted Dr. Woolridge's recommended ROE.

3. The Commission has consistently authorized a ROE above Dr. Woolridge's recommendation.

4. The average differential ROE allowance above Dr. Woolridge's recommendation is 1.52%.

Redacted

FLORIDA PUBLIC UTILITIES COMPANY

Docket No. 140025-EI

REBUTTAL TESTIMONY

OF

Jeffry M. Householder

Q. Please state your name, affiliation, business address.

A. My name is Jeffry M. Householder. I am the President of Florida Public Utilities Company ("FPU" or "the Company"). My business address is 911 South 8th Street, Fernandina Beach, Florida 32034.

Q. Are you the same Jeffry M. Householder who filed direct testimony in this proceeding?

A. Yes.

Q. Please state the purpose of your rebuttal testimony.

A. The purpose of my testimony is to comment on the direct testimony of witnesses Ramas and Woolridge filed on behalf of the Office of Public Counsel ("OPC") in this proceeding.

Q. Please summarize the key issues and areas that you will address in your rebuttal testimony.

A. My rebuttal testimony will focus on the substantive negative impact to the Company, its ratepayers and shareholders that would occur if the OPC base or alternative rate recommendations were adopted by the Commission. I will comment on the Company's efforts to hold costs down, while at the same time expanding its

capabilities to provide better service to customers, negotiate more favorable wholesale power agreements, and increase system operational reliability. I will comment on the benefit to ratepayers associated with the Company's incentive pay plans for management and other employees. Finally, I will touch on the risks inherent in operating a small non-generating electric utility and the unreasonableness of the OPC ROE recommendation in that regard. Other Company rebuttal witnesses will address these topics in greater detail. However, I believe that it is important for me, as President of the Company, to summarize the grave concern we have with many of OPC's positions.

Q. What was your reaction to OPC's direct testimony recommendation that FPU's base rate increase be limited to $1,996,096?

A. I was astounded and disappointed that OPC would find such a low overall increase to be appropriate. The proposed OPC rate increase would negatively impact service capabilities and system reliability as well as deny the Company the ability to earn a fair and reasonable return on its electric system investments. This recommendation is inconsistent with sound regulatory policy. An award at the proposed OPC level would virtually assure that the Company would experience subpar returns and be forced to file for relief again soon after the conclusion of this case. That is <u>not</u> in the best interests of our customers.

Upon reviewing OPC's specific recommendations, I was somewhat encouraged that there were at least some areas of apparent agreement. With the exception of other revenue late fees, there were no proposed OPC adjustments to the Company's revenue forecast. As other rebuttal witnesses will describe, the Company takes issue with several of OPC's rate base adjustments; however, the significant system replacement and reliability improvement investments made by the Company since its last case were appropriately included.

Unfortunately, OPC fails to recognize the value to customers of the expanded corporate services provided by Chesapeake ("CUC"). They cavalierly dismiss the customer benefits resulting from the adoption of modern employee compensation plans that include both operational and financial performance incentives. Finally, OPC's proposed ROE level of 9.0% is not only technically unsupportable, but also would, without a doubt, affect the Company's ability to attract capital at reasonable rates. Again, that is not in the best interest of our customers.

Q. Please provide an overview of the Company's current operating and financial situation.

A. As described in my direct testimony, it has been seven years since the Company's last rate case. During that time the Company's marginal revenues have not grown. As is the case with most U.S. electric utilities, revenues have been generally flat or declining over the past decade. The recent "Great Recession" further eroded

revenues as new construction growth stopped and as customers increased conservation efforts. In spite of our efforts to control costs, expenses for maintenance, personnel, gasoline, and health benefits, have continued to increase.

Regardless of the upward pressure on costs and declining or stagnant demand, the Company takes its obligation to provide quality service extremely seriously. We operate reliably, assuring customers of quality service. The Company did not cut corners in its efforts to operate reliably. Equipment and facility maintenance was increased. Significant investments were made to improve, replace and upgrade substation, transmission and distribution facilities. Our system reliability and customer survey results speak to the success of these investments. In addition, we have been attentive to improving customer service, metering, GIS mapping, storm hardening and many other operational activities.

None of these physical improvements result in sustained customer benefits without an engaged, professional workforce. Several of the cost increases OPC is recommending against are directly related to attracting and retaining qualified employees in a competitive marketplace. Other necessary expense increases are associated with expanded IT and HR services, along with increased planning and business development services. In my view, these are appropriate costs required to meet the service needs of our customers and ultimately hold down future rate increases. For instance, we are already seeing that more efficient technology has enabled greater, more efficient communication with our consumers.

The Company's commitments to physical system improvements and expenses that strengthen our service capabilities in the face of a weak economy have steadily reduced returns. **In fact, the Company has under-earned every year since the 2008 rate case.** So, while FPUC's customers have not suffered, FPUC's investors have suffered.

Year 2014 will be the sixth year that the Company will have earned below the level the Commission last determined was fair for FPUC. So, for six years, while customers have enjoyed increased reliability and benefitted from the Company continuing to add investment to serve them, the investors who have provided the equity funds necessary to improve customer reliability and service have increasingly earned lower and lower returns. All those returns are unfair under the Commission's last rate determination. This failure to achieve a return that is fair to investors cannot continue. Eventually, it will affect our ability to serve customers.

At the end of June 2014, FPU's average return on equity had dropped to 3.60%. The forecast return on equity without rate relief by the end of the projected test year is negative (-) 1.46%. If anything, the OPC recommended base rate increases would only marginally improve that result, but they would fall far short of a fair and reasonable return level. It is past time for our investors to be treated as fairly as our customers. If they are not, then they will decline to continue financing or charge us

higher costs for their funds, either of which would seriously and adversely affect our customers and the service provided by the Company.

Q. Why did the Company delay filing for new rates until 2014?

A. We always strive to balance the impacts of any actions we take between ratepayers and shareholders. As our return on equity began to decline, we contemplated filing for higher rates, but we held off in part because we knew that our customers were also facing stress from a struggling economy. While we refrained from seeking an increase in base rates, our wholesale power costs began to increase in 2008, following a decade in which we had benefitted from some of the lowest power costs in the state. So, we decided not to seek base rate relief on top of the rise of wholesale power costs our customers were facing. By 2014, our total power costs were generally back in line with the regional providers in both FPU divisions, and we could not justify staying out any longer.

Q. You stated above that the recommended OPC rate increase level would negatively impact the Company's service capabilities and reliability; please elaborate.

A. The FPU electric system earnings are a material part of the CUC corporate earnings. Market analysts follow the electric unit's performance and will be interested in the result of the rate filing. To the extent the Company does not receive a base rate increase that produces a fair and reasonable return, it is likely that such a result

would be noted by analysts influential in evaluating CUC securities. Such evaluations could have a negative impact on CUC's overall ability to raise capital at attractive rates, including the capital FPU uses to make system improvements, address reliability, and customer service investments. To be clear, I'm not suggesting we would lose the ability to raise capital, but the costs would likely be higher; costs that would ultimately would be borne by ratepayers.

Q. Are there costs that cannot reasonably, be eliminated or deferred?

A. Yes. We would never compromise the safety of our distribution system or put employees in an unsafe situation. Following the merger, CUC expanded the FPU safety and compliance program. Last year three CUC business units, including FPU, won an American Gas Association safety award. FPU won in the combination utility (gas and electric) category. As noted in my direct testimony, safety is our foremost Service Standard and takes priority over anything else, including financial results.

It would also be difficult to cut existing operations staff. The electric division has fewer total employees today than it did ten years ago. However, a level of rates consistent with either of OPC's recommendations would force us to consider such drastic and unproductive measures. Finally, we operate the distribution system in accordance with applicable codes and regulations and would continue to do so.

Q. Has the Company made an effort to control costs?

A. As noted in my direct testimony, the Company has already taken numerous steps to increase operational efficiency and reduce costs in the electric system. We have reduced total employees, reallocated certain engineering and management costs to other operating units and renegotiated power supply contracts, labor contracts and other services agreements. Each of these actions has resulted in cost savings. Even with these cost savings, we are earning abysmally low returns that are well below the level required by investors and recognized as fair by this Commission.

Q. What are the practical implications if the OPC recommendation is adopted?

A. The consequence of OPC's recommendation is very negative. All companies make resource allocation decisions based on both operational and financial conditions. As described above, certain activities must be performed without fail. However, there are many non-critical maintenance items that can be deferred and completed over longer time intervals, (vegetation maintenance, vehicle and equipment maintenance, etc). In addition, many system investments can be deferred (pole replacements, substation equipment upgrades, underground distribution, etc.). Each of these maintenance and system investment deferral decisions has a consequence on the reliability and performance of the distribution system. Each decision negatively affects customers. Such cost reductions counter our desire to enhance system

reliability. Moreover, cost-cutting in the storm hardening area would be inconsistent with the Commission's desire to ensure adequate storm hardening practices.

Other cost reductions could be realized by slowing the Company's current continuous improvement efforts related to customer service. Subsequent to the merger, CUC and FPU have worked hard to elevate the customer experience in the electric utility. Additional Customer Care representatives have been retained. Telephone systems upgrades are in place. Improvements to self-serve options via the Company's web site have been implemented. Remodeled payment centers have been completed in both operating divisions. A new Outage Management System is in place to provide better customer information during service interruptions. A professional, utility-focused after hours contact service has been retained to ensure reliable 24-hour contact service. Although we have made great progress, much remains to be done. In the absence of appropriate base rates, several planned future customer service improvements would likely be deferred.

Q. How does the reduced cost structure described above compare with the operating practices of the electric utility prior to the CUC FPU merger?

A. Prior to the merger with CUC, FPU was experiencing some financial distress. Management was exercising substantial cost control practices for both operating expenses and capital investments. Capital for non-revenue producing replacement or

upgrade projects was extremely limited. Investments in equipment and facilities were deferred. Maintenance schedules had slipped. Important operating analyses were postponed (for example, relay coordination studies), IT, telephone and business operating systems (outage management, GIS/mapping, CAD design, etc.) were antiquated. There was virtually no strategic planning process. Business development and growth efforts were minimal at best. Opportunities to expand the customer base or develop innovative power supply opportunities were not pursued. It appeared the Company was operating on a day-to-day reactionary basis with no clear objectives or strategy to improve service delivery to customers. It is not surprising that in such an operating culture the Company was experiencing numerous employee issues, customer complaints and community difficulties.

Q. Do you believe the CUC merger has corrected these deficiencies?

A. I believe the CUC merger has started the Company down a path where continuous improvement is now part of the culture and service excellence standards govern our every action. As noted in the Company's direct testimony, we have made significant investments to improve system operation and reliability. Our customer service activities are much better, as evidenced by the reduction in customer complaints received by the Commission. Our relationships with the communities we serve are greatly improved. For example, I would note that we won a franchise dispute in our NW Division by receiving 70% of the vote in a public referendum. Employees are engaged and eager to serve customers. We negotiated a multi-million dollar

reduction in our purchase power costs. Our customers directly benefitted from this reduction in rates. The Company's strategic and planning efforts are beginning to pay dividends; new opportunities for further power cost reductions and reliability improvements are under review. We still have a long way to go to achieve the level of service I think is reasonable. I would hate to see us stop the improvement momentum, but the OPC proposed base rates put us at risk of doing just that. Accepting OPC's argument results in poor returns that prevent us from making all of the necessary capital investment to enhance service to a standard expected of us from our customers.

Q. OPC seems to be particularly focused on corporate cost allocation increases and the Company's performance incentive compensation programs. Can you comment on these issues?

A. Yes. Other Company rebuttal witnesses will address specific costs, but I would like to provide summary comments. As describe above, there is a substantial difference in the operating philosophy of FPU prior to the merger compared to FPU today. The availability of CUC capital at reasonable costs has made a remarkable difference not only to our system performance, but also in the attitudes of the employees delivering services to customers. The Company is actively working to build the systems, processes and facilities needed to operate a modern, efficient and reliable electric system. As we move forward, it is entirely appropriate that we would require a level of resources beyond that found in FPU prior to the merger.

OPC expresses a concern that costs are greater than the historic trend levels based on A&G expenses in the 2008 rate case. Of course they are. They should be. They need to be. OPC, or at least its witnesses, ignore the fact that FPU was in many ways failing under the historic cost structure. OPC makes no mention of the significant improvements in service and community relations achieved under CUC's ownership. FPU's historic cost structure funded an inadequate number of HR employees and resources, a limited IT staff largely focused on keeping the billing system running and a corporate communications employee providing sales advertising support. Planning activities were focused more on cost elimination than on growth and innovation.

CUC recognizes the importance of the above functions in support of a healthy, efficient and growing company. Rather than duplicating A&G staff in each of its business units, CUC management has consolidated certain functions at the corporate level and allocated costs to business units accordingly. The increased cost allocations to FPU reflect increased service levels requested by the business unit. Several examples may be helpful. Deployment of more computers to operational employees has increased the need for IT support services. Telephone system improvements are handled by the corporate IT group. The significant increase in cyber security awareness and protection has also increased IT costs. In HR, it was impossible to continue to appropriately address employment issues for 300+ employees scattered

across six Florida operating divisions (both electric and gas) with an inadequate amount of HR employees and resources. The corporate communications cost allocations include activities specific to Florida, but also reflect FPU's position as part of a larger corporate entity with greater public exposure. FPU's ratepayers reap the benefits of that association, and they should bear the related costs. The same is true of other corporate services such as accounting, finance and safety.

Q. What about the strategic planning and business development costs?

A. First, I think OPC has failed to appreciate the substantive services provided to FPU by these corporate groups. Strategic planning is fundamental to the CUC corporate culture and long pre-dates the FPU merger. The annual planning exercise and periodic updates are central to the operational excellence, growth and financial stability CUC has enjoyed for decades. This is not strategic planning solely for the purpose of growing revenue. A multitude of operational system improvements, service enhancements and procedural efficiency determinations result from the planning process. In addition, a continuous review of the code, regulatory, financial and market environments in which we operate is prepared. The corporate Strategic Planning group is actively involved in developing the business unit plans, and they serve as valuable resources for research, compiling and analyzing data and assessing industry and market trends.

The New Energy Development department was formed principally to look for new business opportunities. However, given the skill sets and expertise of the associated employees, FPU utilizes their services in a variety of ways. The development of financial models to evaluate electric-related opportunities and projects is largely performed by this department. As an example, FPU recently began an examination of several alternatives to our current wholesale power providers. One of these alternatives is [redacted] The New Energy Development group assisted in the evaluation of this alternative. Beyond the utilization of the group for specific electric system projects, I believe the recovery of a portion of their costs in rates is appropriate. A healthy, growing corporation provides better and ultimately lower cost services to customers. Developing new business opportunities is fundamental to such growth. As the corporation grows, fixed costs can be allocated over a larger base, effectively holding down cost increases for all business units. Managed growth promotes financial stability, increases capital access at lower cost and contributes to an engaged and motivated workforce. One only need look back prior to the CUC FPU merger for an example of what happens in a non-growth, financial distress environment. The cost allocations for New Business Development are appropriate and should be allowed.

Q. OPC suggests that a portion of the CUC and FPU employee incentive compensation programs should be denied since the program'S financial goals,

in OPC's view, focus on shareholder benefits and not ratepayer benefits. Please comment.

A. I reject the presumption that ratepayers fail to benefit when a Company's financial targets are achieved. A financially healthy, growing company provides great benefit to ratepayers. The example I sited earlier, the comparison of FPU prior to the merger to FPU subsequent to the merger, is an obvious example. Service levels improve and investments are made to continually upgrade facilities improving system performance; therefore, employees are more attentive to customers and myriad other operational improvements are implemented. That is not the case in a company that is struggling financially. Beyond the operational benefits, a financially sound company finds it easier and cheaper to raise capital and requires fewer rate increases – both to the ultimate benefit of ratepayers.

I would also argue that the OPC's suggested "ratepayer goals" (safety, customer service survey targets, etc.) are as important to meeting shareholder expectations as the financial goals are to meeting ratepayer expectations. Our investors expect to see safety and customer satisfaction. They realize we are in a service business. So, the goals that OPC maintains are ratepayer goals are also goals shared by our investors.

Similarly, market competitive compensation plans with performance incentives benefit customers every bit as much as they do shareholders. The total employee compensation targets, including base and incentive pay, are designed to be competitive with other employers in the markets we serve. We need to be competitive to retain our existing employees and hire new employees due to attrition such as retirement. We have quite an investment in our employees, an investment designed to serve our customers. If we fail to be competitive with our compensation, then it is our customers who will suffer from lost employees that we could have kept with properly designed, competitive compensation practices. The CUC HR Department conducts periodic studies to assess given market pay rates for comparable positions. Our compensation plan reflects market practices; more importantly, it serves our customers. Therefore, the cost of the CUC executive and FPU IPP incentive compensation programs should be fully recovered.

Q. OPC has recommended a 9% ROE and an imputed reduction in capital structure equity. Can you comment on this proposal?

A. Yes. First, OPC appears to hold the view that FPU's risk is less than that of other electric companies given that FPU does not own and operate power generation. I have not found that to be the case. FPU is unlike any other Florida IOU. It is currently dependent on third party providers for wholesale power. No other Florida IOU, and few municipal systems, depend fully on the wholesale electricity market to provide long-term, load following, full requirements power. The Company has

experienced significant cost increases in its wholesale power agreements due to fuel volatility, changes in environmental regulatory requirements imposed after contract execution, and weather conditions that spiked demand quantities. The Company has limited ability to negotiate power supply agreements that transfer these risks to the supplier. In both divisions the Company has experienced significant customer and local government outcry at wholesale power cost increases passed through the fuel clause. In one instance, a municipality initiated legal action and a referendum seeking to terminate its franchise and force the sale of the Company's distribution system. It doesn't get much riskier than that. The risk I have outlined is greater than the risk faced by investor owned utilities that own their own generation.

The Company's electric system is small. For that matter, CUC is small compared to the very large electric IOU systems operating in Florida. Small companies are inherently more risky than larger companies. The limited ability to absorb customer and load loss (especially of larger core accounts), general lack of revenue diversity, economic slowdowns that affect growth or retention, and the wholesale power pricing considerations discussed above all define increased risks for small companies. With that said our obligation to provide quality service is no less important because we are a smaller company. All customers are important. We value our customers and will provide quality service regardless of the size of our

customer base or the size of our company. To suggest that we have less risk short changes our customers. Again, this is not consistent with sound regulatory policy.

Finally, the OPC recommended ROE is inconsistent with recently authorized ROE levels for other Florida electric IOUs. They also propose an additional adjustment to arbitrarily lower FPU's equity percentage in its capital structure. Our capital structure is the capital that is invested in our Company. Investors who have invested their capital expect returns commensurate with the type of capital they have invested. OPC's suggestion that the Commission disregard a significant amount of equity capital actually invested and replace it with lower cost debt, is nothing more than a back door means of reducing the earned return on equity below the already unconscionably low level recommended by their witness. Adoption of OPC's recommendations would further erode the Company's ability to earn a fair and reasonable return on its investments.

Q. Please summarize your testimony on the impacts of receiving only what OPC recommends.

A. OPC's position is not grounded in sound economic or regulatory policies. The company has gone to great lengths to delay this filing as long as possible. It can delay no longer. Apparently, OPC is fine with returns well below what even their witness testifies is reasonable. Our investors tell us we cannot continue earning

returns well below their expectations. But it is not our investors who have the last word here. We know that if we cannot attract capital or attract capital at reasonable rates, it is ultimately our customers who will suffer. Our investors can move their money elsewhere, but it is our investors who would be left with negative impacts on quality of service, reliability and customer dissatisfaction. So, a reasonable level of a rate increase is necessary to serve our customers as well as our investors.

The impact of higher capital investment in the business, and unavoidable but necessary cost increases, have lowered our returns to unacceptable levels. If the OPC recommended $1,996,096 were to be granted in this case, the Company would remain millions of dollars below the base rate revenue level needed to meet the service expectations of customers, let alone the return expectations of shareholders. The Company would have few realistic opportunities to reduce operational expenses and investments to mitigate the negative effects on earnings. The few steps that could be taken would have long term negative impacts on customers.

The Company would have little choice but to immediately begin preparing another request for rate relief, resulting in more rate case expense for the Company. Ultimately, this is not a good result for our customers who would bear this associated increased cost.

Q. Does this conclude your testimony?

A. Not quite. FPU strives to provide quality service to its customers. We are active in the community, and we promote economic development to better the communities we serve and grow our customer base. We are proud of our commitment to our customers. We have dedicated employees in these companies and through our employees and our management team including CUC, we have successfully kept our budgets lean. In fact, we have deferred this request as long as possible because of our hard work to do our best with what we had. The time has come to increase our rates to enable us to make the continued improvements that will continue to assure quality service. We can no longer defer our request for this increase in base revenues. OPC's recommendation has the same result – it only delays what has to happen – thereby, making it more expensive for the consumer in the long term. That is not in the best interest of our customers. This concludes my testimony.

Docket No. 140025-EI

AFFIDAVIT

STATE OF FLORIDA

COUNTY OF NASSAU

BEFORE ME, the undersigned authority, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Jeffry Householder, who being duly sworn, deposed and stated that he is the sponsor of rebuttal testimony and that the foregoing testimony is true and correct to the best of his information, knowledge, and belief. He/She is personally known to me.

Sworn to and subscribed before me this 5th day of August, 2014.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 5th day of August, 2014.

Linda J. Gamble
Notary Public
State of Florida, at Large

My Commission Expires:
January 30, 2015

FLORIDA PUBLIC UTILITIES COMPANY
Docket No. 140025-EI

REBUTTAL TESTIMONY and EXHIBITS
OF
CHERYL M. MARTIN

Q. Please state your name, affiliation, position, and business address.

A. My name is Cheryl Martin. I am the Director of Regulatory Affairs for Florida Public Utilities Company (FPU) including the Florida Division of Chesapeake Utilities (Central Florida Gas or CFG), Peninsula Pipeline, and Eight Flags Energy, LLC (Eight Flags). My address is Florida Public Utilities Company, 911 South 8th Street, Fernandina Beach, Fl 32034.

Q. **Are you the same Cheryl Martin who filed direct testimony in this proceeding?**

A. Yes.

Q. Please state the purpose of your rebuttal testimony.

A. The purpose of my testimony is to respond to certain issues raised in the direct testimony of Donna Ramas filed on behalf of the Office of Public Counsel ("OPC") in this proceeding. Additionally, I will respond to the direct testimony of Jeffery Small filed on behalf of the Florida Public Service Commission Staff ("PSC staff") in this proceeding.

Q. **Please summarize the key issues and areas that you will address in your rebuttal testimony.**

A. In particular, I will address specific issues raised by OPC Witness Ramas related to the income statement and balance sheet as it relates to our Rate Proceeding and MFR filing. Specifically, I will address the following topic areas as outlined below:

1. Overall ROR (Ramas, page 4 and 79-80; DMR-2; DMR-3)

Balance Sheet

2. eCIS project in CWIP (Ramas, pages 4 – 9)

3. Accumulated Depreciation error (Ramas, pages 9 -11)

4. Deferred Rate Case Expense in Working Capital (Ramas, pages 11- 15)

5. Cash in Working Capital (Ramas, pages 15 – 16)

Income Statement

6. Forfeited Discounts/ Late Fees in Revenues (Ramas, pages 17 – 18)

7. Severance Costs (Ramas, pages 19 – 20)

8. Payroll Costs related to Severance Costs (Ramas, pages 20 – 21)

9. Marianna Litigation Bonus Payout (Ramas, pages 21 – 22)

10. IPP Bonus (Ramas, pages 25 – 26)

11. PTO (Ramas, pages 36 - 37)

12. General Liability Regulatory Asset (Ramas, pages 38 – 39)

13. General Liability Reserve (Ramas, pages 40 – 42)

14. Tree Trimming Expense (Ramas, pages 43 – 45)

15. Events (Ramas, pages 48 – 50, 52 - 53)

16. Property Tax Expense (Ramas, pages 76 – 78)

17. Interest Sync (Ramas, pages 78 – 79)

Other

18. Error in OPC witness Exhibits (DMR – 2 and 3)

Response to FPSC staff Audit report and Testimony

19. Finding 1 (Small, pages 6 – 7)

20. Finding 2 (Small, page 7)

Q. Do you have any exhibits to which you will refer in your rebuttal testimony?

A. Yes. A summary of those exhibits follows:

CMM-9	ROR Summary and Revenue Deficiency as of June 30, 2014
CMM-10	Severance Pay/ Vacancy Related Payroll
CMM-11	PTO Vacation Pay Liability
CMM-12	Summary of Revised Revenue Requirement

Q. Are the recommendations by OPC witness Ramas for a revenue requirement of $1,996,096 with an Overall Required Rate of Return of 5.56%, as reflected on Exhibit DMR-2 page 1, or her alternative recommendation of a revenue requirement of $2,314,651 with an overall Required Rate of Return of 5.74%, as reflected on Exhibit DMR-3, page 1, fair or appropriate?

A. No, absolutely not. If accepted, neither alternative would allow the Company to earn a fair and reasonable rate of return on its investment, which would impair the Company's operations and long-term financial position in myriad ways. That is not in the best interest of our customers. The Company has demonstrated that the revenue requirement and overall required rate of return are significantly greater than has been suggested by both OPC witnesses Ramas and Woolridge. The Company has presented its MFRs, testimony, and responses to numerous interrogatory and production of documents that further support our initial filing and revenue request.

1. Overall ROR

Q. Are the current rate levels of the Company adequate to support the ongoing

financial viability of the Company in a manner that will ensure it is able to provide service to its customers?

A. No, not at all. To the contrary, based on our most recent earnings surveillance report at June 30, 2014, the Company is clearly in need of rate relief and is earning well below the allowable rate of return, see Exhibit CMM-9, Surveillance Report June 30, 2014 and Revenue Deficiency at June 30, 2014. As of June 30, 2014, the Florida Public Utilities Company Electric Operations is earning an Average Rate of Return of 3.34%. The midpoint allowable rate of return is 6.69%. Using the net operating income multiplier and allowable ROR in our MFR filing (Schedule A-1), as updated for the rate base and NOI from our actual year-end Surveillance Report, the revenue deficiency at June 30, 2014, is $4,010,097. This indicates that the Company continues to earn a return well below its allowable rate of return. For the projected test year ending September 30, 2015, the Company will be even further below its allowable rate of return as it continues to decline.

2. eCIS Project in CWIP

Q. Does the Company agree with the conclusion of OPC witness Ramas, as discussed on Pages 5 and 6 of her testimony, that the Company has failed to demonstrate that the appropriate eCIS project estimate is $13.6 million, not the $8.5 million that was a prior estimate?

A. No. As also explained in the Company's responses to the OPC's Interrogatories Nos. 94 and 96, the eCIS project team revised its estimates of the total project costs, to include any costs beyond 2014. The newest, most accurate

estimate is $13.6 million. This estimate was provided by the Consultant, Five Point Partners LLC.

The table below provides specifics regarding the remaining costs expected in the eCIS project. As we proceed with the remaining implementation effort, we continue to monitor and revise this project estimate. It is possible that the actual costs may exceed this estimate; however, this is the most current estimate available.

Estimated itemized listing of remaining projected costs by cost type:

Table CMM 1.0

Cost Type	**TOTAL Project Estimate**	**Remaining Costs to be spent on Project**
Infrastructure	$340,000	$0
Application License	$510,000	$0
Application Maintenance	$170,000	$0
Application Services	$1,360,000	$360,000
SI Services	$5,100,000	$2,550,000
Third Party Services	$1,360,000	$1,360,000
Utility Services	$2,890,000	$1,445,000
Utility Expenses	$510,000	$510,000
Other Products and Services	$1,360,000	$1,360,000
Total	**$13,600,000**	**$7,585,000**

Because the consultant has revised the estimate for the eCIS project, the Company will update its internal budget for 2015 to reflect this or any new revised estimate for the eCIS project once it has been finalized.

Q. Related to the testimony provided by OPC witness Ramas on page 7 of her testimony, did the Company fully explain why the vendor was chosen for the eCIS project?

A. Yes, in response to OPC's Interrogatory No. 98, the Company described in detail how the Company selected the eCIS system it is implementing. As stated in that response, at the time the project was started, the eCIS system was currently in use within the Company and the project was considered an upgrade from ECIS to eCIS+ with the current vendor. The eCIS software had been well-established at FPU prior to Chesapeake's acquisition. FPU and the vendor had formed a long term relationship as well and the vendor had the most knowledge of our current system. After the acquisition, Chesapeake decided to implement the eCIS system to its Florida division (d/b/a Central Florida Gas or CFG), FPU's sister natural gas system, for consistency and efficiency in the customer billing process for regulated entities in Florida. CFG was successfully migrated over to the eCIS system, giving the Company a better understanding of the eCIS system. After many discussions with the vendor, demonstrations, and visits with companies outside of our Corporation using the most current version, it was determined that an upgrade would meet our desired goals and would be the most beneficial from a cost stand point versus a completely new system implementation.

Q. Should the Company be allowed to recover the requested $13.6 million in rate base rather than the amount suggested by the OPC witness Ramas on page 9 of her testimony?

A. Yes. The Company is currently in the process of fully implementing a billing system across the Corporation for use in the regulated utilities. The Company has updated its estimate and is moving forward with a full implementation of the eCIS system. At this time the system is expected to cost $13.6 million, and will be in service by October 2016. An adjustment is simply not warranted based upon the difference between an initial estimate and a revised estimate. This is an ongoing project with prudently incurred costs. The project directly benefits our customers. As such, the best, most recent estimate of the project's costs is the amount that should be allowed for recovery in rate base.

3. Accumulated Depreciation Error

Q. Do you agree with witness Ramas' recommended adjustment to reduce rate base by $260,824 for vehicle retirements on page 11, lines 11 through 16?

A. Yes, I do. The Company duplicated the retirement for Transportation Equipment-Heavy Trucks in the MFR for the projected test year ended 2015, which we agree was an error. Since this was a retirement, it was a debit to accumulated depreciation in the MFR's. Therefore, rate base in the MFR's was overstated by the $260,834 and should be reduced. It is also important to mention while this adjustment to rate base is appropriate, there are also additional items that require an increase to rate base as a result of the audit performed by the Commission's Staff and presented by Commission Staff witness Small, which

will be discussed later in my testimony.

4. Deferred Rate Case Expense in Working Capital

Q. Do you agree with witness Ramas' recommended adjustment on page 14, lines 21 through 25 and page 15, lines 1 through 7, to remove deferred rate case expense from rate base in this case?

A. No. The Company's position in this case is consistent with the Commission's prior policy statements on this issue with regard to FPU's electric division. Specifically, in the 1993 FPUC Electric Rate Case, Docket No. 930400-EI, Order No. PSC-94-0170-FOF-EI, pages 9 and 10, the Commission stated:

> We believe that the company should be given the opportunity to recover prudently incurred costs. Not including the unamortized portion of rate case expense in working capital is a partial disallowance. It is analogous to allowing depreciation expense, but not allowing a return on rate base. Rate case expense is a cost of doing business not unlike other administrative costs. Further, PSC rules, such as the MFR rule, influence the level of rate case expense. We believe that if it is determined that rate case expense is prudent and reasonable; the company should be allowed to earn a return on the unamortized balance. Rate case expense is a necessary expense of doing business in the regulated arena. As such a utility should be allowed to earn a return on its unamortized balance.

Although witness Ramas referenced another Commission Order involving our natural gas division in which the deferred rate case balance was not allowed, it is important to note that the referenced Order was a proposed agency action decision, which was ultimately protested by the OPC. Ultimately, that case was

resolved through a stipulation and settlement between the OPC and the Company.

Q. Do you agree with Witness Ramas' statement on page 15, lines 2 and 3, that "it would be unfair for customers to pay a return on the rate case costs incurred by the Company in this case when the costs are being used to increase customer rates" or that the exclusion shares the costs of the rate case with the shareholders?

A. No, I do not. Rate case proceedings are the only means available to regulated utilities for the recovery of cost increases incurred while operating in the regulated business environment. The Company does not staff at a level that allows it to prepare the full rate case proceedings with internal staff. If the Company were staffed at such a level, the associated staffing costs would normally be allowed for recovery in the Company's Operating and Maintenance ("O&M") expenses. The Company instead utilizes consultants on an "as needed" basis, and has only incurred prudent, necessary expenditures as part of rate case expense. The Company has found that incurring periodic costs for rate case expense results in overall lower costs than would otherwise be incurred if the Company staffed at a level that allowed preparation of a full rate proceeding using only internal resources. As such, expenses incurred for rate case proceedings must be considered an ordinary, prudent and necessary cost of doing business in the regulated utility environment. Therefore, the related, unrecovered deferred portion of such costs should not be excluded from working capital.

Q. Have there been electric and gas cases where the Commission has allowed deferred rate case costs in the working capital allowance?

A. Yes. In fact, disallowing recovery of deferred rate case costs would be entirely inconsistent with a series of long-standing Commission decisions relating to FPU. For instance, the Commission's final order in the 2007 FPUC Electric rate case, Order No. PSC-08-0327-FOF-EI, page 33, issued in combined Dockets Nos. 070300-EI and 070304-EI, states:

> Our practice in prior rate cases, including FPUC's is to allow one-half of the rate case expense in Working Capital. Based on the above, we find that the appropriate balance of deferred debit rate case expense to be included in Working Capital is $303,400.

The above is likewise consistent with Commission Order No. PSC-04-1110-PAA-GU, issued in the 2004 FPUC Natural Gas Rate Case, Docket No. 040216-GU, at page 27, in which the Commission stated:

> In addition, one-half of the unamortized rate case expense ... shall be included in unamortized rate case expense in working capital for the projected test year.

This is also consistent with Commission Order No. PSC-04-0369-AS-EI, issued in the 2003 FPUC Electric rate case, Docket No. 030438-EI, and Commission Order No. PSC-95-0518-FOF-GU, issued in the 1994 FPUC Natural Gas case, Docket 940620-GU, in which the Commission also allowed recovery of one-half of the unamortized rate case expense.

Q. Is allowing one-half of deferred rate case expense in working capital appropriate?

A. Yes. Allowing one-half of the deferred expense takes into account the fact that, at the end of the amortization period, the deferred expense account will be zero. Therefore, the Company's inclusion of the $346,028 consisting of one-half of unamortized deferred rate case costs is appropriate.

5. Cash in Working Capital

Q: Does the Company agree with the recommendation of OPC witness Ramas on page 16, that an adjustment should be made to reduce cash included in working capital?

A. No. The cash amount suggested by witness Ramas of $100,000 is not sufficient to meet the Company's day to day cash requirements. The Company has appropriately projected cash for the projected test year based on trending the actual electric thirteen-month historical average balance of cash at September 30, 2013, which is $501,251. When escalated by customer growth, the amount for the projected thirteen month-average cash balance would be $504,312 at September 30, 2015.

The Company maintains sufficient cash for use on a day-to-day basis. The amount of cash in working capital is intended to provide for the current requirements, not for any long-term capital requirements. The Company has a cash management system that provides for an automatic pay down of short-term debt once deposits are cleared from the customers' banks. When a customer's

payment is received, the accounts receivable is reduced and cash is increased. However, those funds have not yet cleared the customer's bank, and they remain in the Florida depository account until they are available to transfer into Chesapeake's main bank account for use in paying down the short-term debt.

Again, the Company's cash needs fluctuate on a daily basis as result of fuel costs, payroll costs, and other operating costs that the Company pays with cash. . Using a thirteen-month average provides a reliable, conservative basis to normalize the cash balance and the cash requirements for use in rate base. Thus, considering the cash management programs the Company has in place, a thirteen-month average balance of cash on a historic basis, increased for customer growth, does provide a good estimate of the amount necessary for use in working capital.

Q. Does the Company agree with witness Ramas on page 16, that the cash balance has increased significantly since the last rate proceeding?

A. No. Although the thirteen-month average cash projected in this rate proceeding represents an increase above what was approved in the last rate proceeding, the Order in that same proceeding, Order No. PSC-08-0327-FOF-EI, page 25, recognizes that the prior period cash in the 2006 historic year for that same case was $247,509. By way of demonstration, when an average increase of 3% is applied to that 2006 historic period amount to account for inflation and customer growth over the intervening 9 years, cash for the projected test year 2015 would be $322,940 simply as a result of escalating the prior 2006 rate case amount. This

clearly demonstrates that the cash balance expected in our projected test year ending September 30, 2015 has not increased "significantly" over the prior rate proceeding.

7. Severance:

Q. Do you agree with witness Ramas, at page 19, that the historic test year and projected test year expenses include costs for employee payouts?

A. No. Witness Ramas is incorrect. In preparing the MFRs, the Company assumed that the severance costs in the historic year offset the lack of payroll and related benefits expenses while the positions were vacant in the same historic year. Therefore, in projecting the test year ended September 30, 2015, the assumption was made that severance costs were excluded and that only salaries and related benefits for the replacements of positions remain. In other words, the payroll projected for the test year is reflective of actual compensation paid for active employees.

The Company did not provide a separate audit trail reflecting the removal of the employee payouts followed by recording the additional payroll that resulted from the temporary vacancies created by said positions. While these items were not shown on the "Over and Under" adjustments on MFR Schedule C-7, the amounts were expected to offset each other so that total payroll as projected for the test year was appropriate. Although the Company accounted for employee changes that occurred during the historic test year for new hires, organizational changes, or revised employee allocations on MFR Schedule C-7, none of those employee

changes were related to the temporary vacancies associated with the voluntary exit program.

Upon additional review, the Company does agree that, looking at these items separately, an adjustment could be made to reduce O&M expenses for the difference between the severances paid and payroll shortfalls during the historic year due to the temporary vacancies created by the severances. A detailed analysis calculating the impact of the severance costs and the temporary vacancies associated with these payouts, for the historical test year and projected test year, along with more detailed information regarding the specific positions involved in the temporary vacancies due to the severance, is set forth on Exhibit CMM-10 and the amounts are summarized below.

	HTY 09/2013	PTY 09/2015
Reverse Severance Payouts	($119,669)	($127,628)
Add Vacant Positions to C-7	$ 83,802	$ 89,364
Total Adjustment	($ 35,867)	($ 38,264)

Q. **Do you agree that the severance costs should be removed from the projected test year as recommended by witness Ramas on page 21?**

A. No. Although the Company's severance costs were not a "dollar for dollar" offset by the reduction in payroll, as demonstrated on Exhibit CMM-10, it is not appropriate to remove the full value of the severance costs from the projected test year, as recommended by witness Ramas on page 21. These costs were, in fact,

offset by payroll associated with the temporary vacancies that existed at the time of the voluntary exit program. Therefore, the projected test year expenses should be reduced by only $38,264, which is the difference between the projected test year expenses of ($127,628) and the payroll increase for the vacancies $89,364.

8. Forfeited Discounts/Late Fee Revenues

Q. Do you agree with OPC's witness Ramas on pages 17 and 18, that the amount of revenues included in Account 450 – Forfeited Discounts for late payment revenues in the test year should be increased by $55,349?

A. No. The net effect to revenues during the historic year would have been zero. Specifically, the refunds were made in conjunction with an extraordinary event that caused an increase in late fees due to an issue with the payment remittance envelopes, which was a problem outside of our customers' control. Consequently, subsequent refunds were made to customers for those same late fees. The details of the event are that, in March 2013, the Company experienced a delay in receiving mail (namely bill payments) due to an error regarding the P.O. Box address printed on customers' payment remittance envelopes. A decision was made to refund all late payment charge fees associated with this event for this time period, because this event was beyond the customer's control. As such, it was not appropriate for us to charge our customers late fees. To remedy the event, late fees were refunded in recognition that this was an extraordinary event. The actual historic test year late payment revenues of $380,000 are, therefore, an accurate reflection of the historic test period.

Q. Can you further explain why it would not be appropriate to increase late fees for the refund made associated with the abnormal mail event?

A. It would not be appropriate to increase the late fees for the refunds that were given to customers as a result of this extraordinary event, because the refunded amounts were already booked to revenues as a result of this abnormal event. In other words, since this mail delay was not normal late fee revenues were already booked to revenues, before any refunds were made to customers. As such, late fee revenues were overstated by $55,000 for the mail delay. The refunds made to customers as a result of this mail delay, simply reduced the overstated revenues. Consequently, the refund to customers had the effect of normalizing the late fee revenues on the Company's books. Thus, using the net amount of late fees in the historic year for projection purposes as a basis for the projected test year is appropriate. This requires no adjustment, because the effect of the adjusted late fees was to exclude the abnormal event. To make an adjustment to add the refunds to late fee revenues would be erroneous and would result in overstated late fee revenues for the mail delay event.

9. Marianna Litigation Bonus Payout

Q. Was witness Ramas correct on Page 22, with respect to the Bonuses paid to employees in the Marianna division?

A. No, the Company should not be required to adjust its projected test year for the removal of incentive pay. Although the goals surrounding the incentive pay may change from year to year, employees are eligible to earn incentive pay each year

if they meet or exceed established goals.

Some employees received a portion of their incentive pay during the historic year, primarily as a result of additional efforts required during the litigation and settlement process associated with the Company's franchise dispute initiated by the City of Marianna. The total associated with bonuses for this effort is approximately $24,000. To be clear, no salaries or benefits, such as bonuses, were recovered as part of the litigation cost regulatory asset established in Docket No. 120227-EI.

Consistent with our Performance Plan, these bonuses were appropriate in that they provided an incentive and reward to those employees who helped the Company achieve one of its annual goals, which in this instance was retention of the Marianna service area. Making a portion of "pay" part of an incentive plan based on achieving goals is effective in ensuring that our employees meet the highest of standards in performance. Moreover, in this instance, the high standards of performance that were achieved enabled the Company to retain a significant portion of its Northwest service area, the loss of which would have had serious implications on the Company as a whole, including its remaining ratepayers, due to the allocation of costs over a smaller customer base.

10. Incentive Pay Plan ("IPP") Bonus

Q. Do you agree with witness Ramas' testimony on page 32 that an adjustment to the IPP expense is necessary for the projected test year 2015 for the FPUC

electric operations?

A. No. Adjusting the IPP expense, and penalizing the Company for properly compensating employees in order to retain skilled employees and attract similar new employees, is neither fair nor reasonable. Our overall compensation package, including both base salary and IPP bonus, is comparable to the market levels. In order to ensure it remains consistent with the market, our Human Resources ("HR") department, with the assistance of outside consultants, periodically reviews the compensation plans to insure we remain competitive in our ability to retain and attract skilled employees.

As also noted in the rebuttal testimony of Company witness Kim, an incentive pay plan is an important component of compensation. Incentive pay, which is variable pay, is not a guarantee and, is at risk until such time as both the Company and the employee achieve the goals associated with the variable pay. If the organization did not have a variable pay program, then, in order to attract future employees as well as to retain current employees, the organization would be forced to raise base pay rates to remain competitive. The Company would also lose an effective tool for motivating employees to use their best efforts to achieve organizational goals.

Although a portion of the IPP is based on achieving financial targets and goals, this still directly benefits the customers in our electric operations, which the Commission has recognized in prior cases. In my experience, the IPP helps ensure that we keep focused on the Company's critical objectives, such as customer service and safety, achieving financial targets, keeping costs low,

attracting new customers, and making our business processes as efficient as possible, all of which directly benefit our customers.

The Company is also providing the rebuttal testimony of witness Jim Moss, which includes additional support for our Incentive Pay Plan, as well as our overall employee compensation package.

11. Paid Time Off ("PTO")

Q. Do you agree with witness Ramas' testimony at pages 36 and 37 that the one-time reversal of PTO should not have been removed from the historic year?

A. No. As previously addressed in our initial filing, beginning on page 33 of my direct testimony, a one-time reversal of the total accumulated PTO liability on the books in the historic year period was booked in the 2013 calendar year. The accumulation of this liability occurred over the last several decades. As such, the one-time reversal that occurred during the historic year relates to prior period expenses and does not belong in the historic year. The Company removed the PTO expense reversal in the historic year, because this liability had been accumulated over many years since the very inception of the old PTO policy. Thus, the reversal that occurred during the historic year actually removed in one calendar year a liability that had accumulated over several decades. This is properly characterized as a prior period adjustment, and as such, does not belong

in the historic year for purposes of reviewing expenses or for purposes of trending expenses forward to project the September 30, 2015 test year payroll expenses.

Q. Do you agree with OPC witness Ramas' suggestion beginning at page 36 that the PTO expense associated with the reversal of the old PTO policy should be established as a Regulatory Liability, amortized, and returned to customers through reduced O&M expenses in this rate proceeding?

A. No. Although the former PTO policy was in place during the prior rate proceeding, only the normal change in vacation pay expense was used to determine the expense embedded in the current base rates. The change in expense associated with PTO expense in the projected 2015 test year accurately reflects what will be incurred as expense. Also, it is critical to note that the entire liability was not previously recovered in base rates nor was it ever established as a regulatory asset. The initial recognition of the liability was made as a result of an interpretation made by the external auditors of FPU under GAAP. At that time, FPU made a one-time accrual to reflect the liability of the PTO reserve, and FPU did not receive recovery for that initial recognition. As the reserve changed each year, an accrual was made to reflect the change in PTO reserve. Because the initial liability related to the PTO amount was never established as a regulatory asset nor recovered in base rates, it would not now be appropriate to create a regulatory liability and allow for amortization.

Q. Are any additional adjustments necessary to address any remaining portion of the PTO liability?

A. No. Although a portion of the PTO liability was included in the last projected test year (2008), it was only for the portion of the liability that changed during the last historic year (2006) multiplied by the projection factor. For Electric, the amount of PTO expense in the prior 2006 case historic test year was $16,107, which accounted for the change in vacation pay expense embedded in O&M expenses. When this amount is trended to the prior projected test year (2008), the projected amount would have been $18,732. Please see Exhibit CMM-11, which is an analysis detailing this amount and previously provided to OPC in response to discovery requests.

Under the old PTO policy, the amount to be paid on the liability was accrued in advance of the year it would be paid. As such, accrued vacation pay was built up over a long period well after the initial recognition on the liability. Each year, only the additional hours earned in the upcoming year, in total, by the employees at the new rate of pay, were added to the vacation pay liability reserve and expensed in that year. The amount would then be expensed based on the current year's payroll.

Upon changing the PTO policy, a one-time credit to the books was made in order to reverse the accrued vacation pay liability. Because this was done to address a multi-year accrued liability, as explained, this reversal is truly a prior period adjustment for which no further adjustment should be made. Again, to be clear,

the initial recognition of the liability was never embedded in base rates. Moreover, this reversal occurred over the calendar year 2013 and was reversed in a manner to follow the use of the vacation pay that year. As a result, instead of booking an expense for the vacation pay during 2013, the Company utilized the reserve for this year only. Going forward, however, the Company will expense vacation pay as earned in the same calendar year and will only recognize a vacation pay liability for that same calendar year, as it is earned, minus any vacation pay taken.

Furthermore, creation of a regulatory liability associated with the PTO liability that was reversed during 2013 would create a significant financial reporting issue for the Company with respect to this amount. If the Commission determines that O & M expenses should be reduced for a portion of this prior expense, the recovery amount should be adjusted, but in no event should the Company be required to establish a regulatory liability for this PTO policy change.

12. General Liability Regulatory Asset

Q. Do you agree with Witness Ramas' position regarding the large liability claim paid during the 2013/2014 calendar year period?

A. No. Witness Ramas indicates in her testimony beginning at page 39 that the Company did not sufficiently support the large claim paid. In response to discovery, the Company did, however, provide copies of the actual invoices paid to the insurance carrier for the deductible portion of the liability claim. Without disclosing protected information, the Company can confirm that the "one large insurance claim" referenced in the Direct Testimony of Matthew Kim stems from

an electric incident that occurred in July 2012 and that the final payment pursuant to a confidential Settlement Agreement was made in February 2014 related to this matter. The Company paid a total of $250,000 on this claim.

The Company is precluded by the confidentiality provisions of the referenced Settlement Agreement from providing further specifics of the event or terms of the Settlement Agreement. Providing this additional information could constitute a breach of the Agreement. To be clear, it was the Company's insurance company that determined the terms of the settlement arrangement with the claimant. FPU can only provide such information if it is otherwise ordered to do so by a court or agency of competent jurisdiction.

Witness Ramas suggests that the Company did not provide sufficient evidence that the cost related to an electric matter; however, to the extent allowed by the confidential settlement agreement, the Company confirms the details outlined above.

With regard to the Company's request to be allowed to establish a regulatory asset for purposes of amortizing the referenced large electric general liability claim that was paid over a 2013/2014 time period in the amount of $250,000, the Company should be allowed to establish this asset and amortize it in expense over a five-year period for purposes of setting base rates. The five-year period is the normal period between rate proceedings, and as such, this period for amortizing the expense is appropriate for rate setting purposes as well. The amount paid in settlement of the claim is appropriate for recovery in that it is an amount

prudently paid out to settle a claim against the Company involving its electric division. The Company did not receive recovery for this type of expense in its prior rate proceeding.

13. Self Insurance Reserve for General Liability Claims

Q. In addition to establishment of a regulatory asset and amortization of the historic year claim over a five-year period, the Company requested establishment of a general liability reserve to cover future claims. Do you agree with witness Ramas' conclusion at page 42 regarding the amount that should be allowed annually for purposes of establishing a reserve or amount of general liability expense?

A. No. The Company instead believes that the large claim that has been incurred in recent history should be used as a basis to establish a reserve for future claims. This claim should be averaged over five years, rather than the five and a half years suggested by witness Ramas. In addition, although witness Ramas looked at the average of small claims over the last 5½ years, those claims embedded in the average should have been inflated to today's dollars. The Company does agree with witness Ramas that history can be used as a basis to estimate the annual expense; however, the average annual amount of general liability expense she recommends of $54,289, page 42 of her testimony, is not the average that would be expected annually over the next five years. The Company has estimated that on average over five years claims will be $70,000 annually.

Certainly, the Commission will retain the right to adjust the future accruals for

this reserve if accruals are either too large or too small to cover future claims; but, for the initial establishment of the reserve, the Company has proposed a reasonable basis for that initial five-year period. The Company's request is consistent with the similar reserve request already in place and approved by the Commission for FPUC Natural Gas. This reserve amount would cover future general liability claims. Therefore, the Company seeks approval to accrue $50,000 per year to cover large claims, and $20,000 of smaller claims on an annual basis for the basis of the self-insurance reserve. This expense has been reflected in O&M expenses as a direct projection.

Q. **Does the Company agree with the OPC witness Ramas' assessment at page 41 that establishment of a GL reserve would result in less scrutiny on claims charged to this reserve?**

A. No. To the contrary, the claims charged to this reserve would be subject to an audit and review by the Commission's staff. Specifically, the Company anticipates that the Staff would review claims charged to the reserve in the Company's next rate proceeding. I also strongly disagree with the suggestion at page 41, line 10 of her testimony that the Company may charge amounts over the level covered by insurance to this reserve in error. There is simply no basis for this assumption and the witness makes no attempt to propose one. At best, this appears to be an attempt by the witness to persuade a result based solely on her opinion as to the best approach, with no analytical or other objective analysis or experience to sustain it.

Again, the establishment of a reserve of this type and level is consistent with that which has been previously approved for the Company's natural gas division, is consistent with reserves established for other Florida utilities, and is in line with industry practice. Moreover, it is a prudent approach to risk; in the event that a substantial claim is filed, the Company will be prepared financially. It is impossible to avoid all risk, but establishing a general liability reserve will protect against unnecessary risk, which ultimately, protects both the Company and its ratepayers.

As always, the Commission's Staff will have the ability and opportunity to review any charges covered by this reserve in future proceedings. As such, there is appropriate regulatory protection and assurance that the Company will properly utilize the reserve for future electric claims. Contrary to witness Ramas' assertions, I believe that the establishment of a liability reserve for future claims provides greater regulatory protection, as compared to allowing a specific level of expenses embedded in the base rates, because the reserve mechanism provides the Commission and its staff with a better defined avenue to scrutinize specific charges against the reserve in future proceedings.

Q. What is the total amount of General Liability expense that should be allowed for purposes of setting base rates in the projected test year ending September 30, 2015?

A. The Company should be allowed $50,000 for purposes of amortizing a regulatory asset associated with a large claim paid to the insurance company for the

deductible of a claim paid during the 2013/2014 time period. In addition, for purposes of establishing a reserve to cover future general liability claims, the Company should be allowed a total of $70,000 annually, composed of $20,000 annually to cover small claims, and $50,000 per year to cover larger claims.

14. Tree Trimming

Q. Describe the methodology used by the Company to project tree trimming expense.

A. Due to the monthly fluctuations of this expense, the Company determined that the straight-forward methodology for making this projection was to use an estimate to normalize the average annual amount or typical monthly expense for tree trimming. Based on Company experience, it was determined that the historic year should be adjusted by $50,500 to normalize the tree trimming expenses for the projected test year. The difference between the historical year amount ($828,915) and the normalized historic expense ($879,466), or $50,500, was added as an "Over and Under" adjustment on MFR Schedule C-7 after trending.

Q. **Is the Company's proposed level of tree trimming expense for the 2015 projected test year reasonable?**

A. Yes. The Company expects this trend to continue as the Company continues to comply with the PSC requirements for tree trimming along all main lines every three (3) years and along all lateral lines every five (5) years. During 2013, the Company was able to accomplish all required tree trimming work scheduled for the vegetation management cycle, in addition to responding to all "hot spot

"trimming and danger tree removals reported during the year. We have also improved our trimming methods, which has resulted in improvements in our reliability indices. The number of outages after storms and high wind events has decreased noticeably as a direct result.

Q. Do you agree then with witness Ramas' proposed adjustment to remove the $50,500 normalization adjustment from the projected test year, as reflected at page 45 of her testimony?

A. No. The Company's proposed level of tree trimming expense for the projected test year is reasonable based on the Company's expectations about the amount of tree trimming required.

15. Events

Q. Do you agree with Witness Ramas' recommended adjustment for the Winter Event on page 70 line 15 through 17?

A. No, I do not. The Winter Events include presentations by the officers and senior managers of the Company and are used to show appreciation to the employees, inform them of the status of the Company as a whole, and acknowledge them for their achievements and impacts to the Company. In addition, motivational presentations are made to encourage employees to continue to provide great customer service, both at an internal and external level, and to identify and implement further customer experience enhancements. Employees are recognized for meeting these goals at the events. In addition, these meetings give the employees an opportunity to network with their peers and strengthen

relationships, which improve teamwork, and customer service.

According to Witness Ramas' testimony, there are more economical ways and locations for employee appreciation and informative events than those used by the Company. On this basis, she recommends that the entire expense associated with the Winter Event be removed from the historic test year. However, the cost of the Winter Event included in the projected test year, $17,968, when divided by the 69 full time equivalent electric employees, amounts to a mere $260 per person for this key event. This is a very small amount for an event that can be considered both an employee benefit and Company motivational tool, which does ultimately have a beneficial impact for customers.

Disallowing this expense would remove an effective and relatively inexpensive tool from the Company's toolbox. In fact, it removes two: (1) an effective employee communications, motivational, and morale tool; and (2) an additional compensation tool for attracting and retaining qualified employees. As such, I believe that witness Ramas' recommendation should be rejected.

16. Property Tax Expense

Q. Do you agree with witness Ramas' recommended adjustment to property tax on page 78, line 7?

A. No. Witness Ramas recommended increasing the property tax expense by the annual average percentage change since 2010. Increases in the property tax basis are, however, governed by the property appraiser's value assessments, which may

or may not follow the market. In addition, land and buildings are valued separately from other property. The Company recognizes that property taxes will usually follow trends in plant. To the extent, however that the general real estate market tends to impact property values the Company believes that the property taxes could, potentially, exceed plant trends as the real estate market rebounds from the recent historical decline.

In addition, witness Ramas has acknowledged in her testimony that a new building could put upward pressure on property tax expense. She has made the further assumption that the building, which is projected to be sold, should offset the impact of the new building for property tax purposes. This assumption is not valid, and the witness offers no basis for it.

Witness Ramas' analysis is flawed for a couple of reasons. First, the cost of the old building is not equivalent to the cost of the new building. The retired building, which was not at all adequate to meet the needs of the Company, and was very old, is appraised at only 16% of the cost of the new building. Second, the County can assess new construction higher than old construction. In the Company's experience throughout its Florida operations, many Counties increase property tax values and assessments due merely to shortfalls in their respective budgets. According to a December 14, 2010 article by Cindy Perman of CNBC, this is one of the biggest reasons why, even in an economic downturn and housing-market crash, property taxes can rise.

Therefore, the Company believes that property taxes will increase, not only by the amount of property subject to property taxes, but also by any rate increases imposed by various municipalities. As such, the inflation factor, multiplied by the plant growth factor, is the most accurate basis upon which to reflect the expected increases imposed by taxing authorities on property taxes. As the Company noted in its response to OPC's Interrogatory Number 45, both the taxable basis and the tax paid have increased each year. Expected deficits in municipal and state budgets increase the likelihood of even higher property tax assessment rates, which we have not taken into consideration in this projection. When all these factors are considered, it is clear that the Company's approach to making the property tax projection is more properly grounded in real-life factors that impact the tax assessment changes, as compared to the approach of witness Ramas. Therefore, witness Ramas' recommended adjustment should not be made. Instead, the Commission should conclude that the appropriate property tax projection is the $690,483 included in the Company's filing.

17. Interest Sync

Q. Do you agree with Witness Ramas' adjustment to Interest Sync calculations in Exhibits DMR-2 page 23 and DMR-3 page 3?

A. Witness Ramas' calculations are based on adjustments to rate base and the weighted cost of debt proposed by OPC. The interest synchronization is a fall-out issue, which needs to be computed once rate base and cost of capital are finalized. The interest synchronization adjustment of $(457,129) in the filing is correct if no adjustments are required to rate base or cost of capital.

18. Other

Q. Did you find a problem with Witness Ramas' Summary of Adjustments on DMR-2, page 7?

A. Yes. On line 10, witness Ramas removed $55,500 for the tree trimming normalization adjustment. However, in her testimony on page 43, line 22 and in the Over and Under adjustment detail in the Company's filing, the amount of the normalization is $50,500. After taxes, the net effect of the difference is $3,071. This difference also changes the calculation of increase in base rate revenues on DMR-2 page 1. The correct amount for Line 8, column (B) would be $2,030,129 and line 10 would be $1,999,167.

Response to FPSC Staff Audit Report and Testimony

19. Audit Finding 1

Q. Do you agree with witness Small's adjustment for Audit Finding No. 1 on page 6 lines 21 through 25 and page 7 lines 1 and 2?

A. Yes, the Company agrees that the adjustment to the filing to remove non-regulated operations should be corrected, which results in an increase in rate base of $9,053, an increase in depreciation expense of $389, and a reduction to income tax of $150.

20. Audit Finding 2

Q. Do you agree with witness Small's adjustment for Audit Finding No. 2 on page 7 lines 3 through 11?

A. Yes, the incorrect vehicle depreciation rates were used. An adjustment made to

the filing to correct the rates was incorrect. The audit report concluded that, as a result, rate base was understated by $33,831, depreciation expense was understated by $17,401, and income tax expense over-stated by $6,713. Based on the general ledger balances, it appears the audit report is correct.

Q. Please summarize the Company's position of what rate base, net income, cost of capital, and revenue requirement should be for the projected test year ending September 30, 2015?

A. The Company has determined that some adjustments are necessary to its original filing, including those recommended by witness Small, as well as some recommended by witness Ramas. We have prepared an exhibit summarizing those adjustments and the impact to the revenue requirement, which is attached to my testimony as Exhibit CMM-12. The adjusted revenue requirement necessary for the projected test year ending September 30, 2015 is now $5,806,219, a reduction of $45,952 from the Company's original request.

Q. Does this conclude your rebuttal testimony?

A. Yes.

Docket No. 140025-EI

AFFIDAVIT

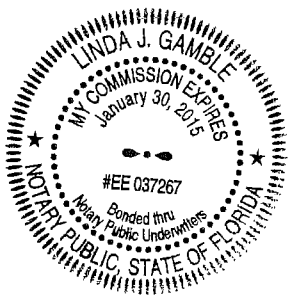
STATE OF FLORIDA

COUNTY OF NASSAU

BEFORE ME, the undersigned authority, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Cheryl Martin, who being duly sworn, deposed and stated that she is the sponsor of rebuttal testimony and that the foregoing testimony is true and correct to the best of her information, knowledge, and belief. He/She is personally known to me.

Sworn to and subscribed before me this 5th day of August, 2014.

In Witness Whereof, I have hereunto set my hand and seal in the State and County aforesaid as of this 5th day of August, 2014.



Linda J. Gamble
Notary Public
State of Florida, at Large

My Commission Expires:
January 30, 2015

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC
RATE OF RETURN REPORT SUMMARY
June 30, 2014
DOCKET NO.: 140025-EI

I. AVERAGE RATE OF RETURN (JURISDICTIONAL)	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
NET OPERATING INCOME	$ 1,738,773	$139,039	$1,877,812	$0	$1,877,812
AVERAGE RATE BASE	$56,847,619	($696,386)	$56,151,233	$0	$56,151,233
AVERAGE RATE OF RETURN	3.06%		3.34%		3.34%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	$1,738,773	$111,088	$1,849,861	$0	$1,849,861
YEAR-END RATE BASE	$62,665,923	($2,709,973)	$59,955,949	$0	$59,955,949
YEAR-END RATE OF RETURN	2.77%		3.09%		3.09%

III. REQUIRED RATES OF RETURN
AVERAGE CAPITAL STRUCTURE
(FPSC ADJUSTED BASIS)

LOW	6.24%
MIDPOINT	6.69%
HIGH	7.14%

IV. FINANCIAL INTEGRITY INDICATORS

A. TIE WITH AFUDC	3.64
B. TIE WITHOUT AFUDC	3.64
C. AFUDC TO NET INCOME	0.00
D. INTERNALLY GENERATED FUNDS	70.76
E. LTD TO TOTAL INVESTOR FUNDS	24.44
F. STD TO TOTAL INVESTOR FUNDS	17.71
G. RETURN ON COMMON EQUITY	3.60

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- Regulatory Affairs

Signature

Date

FULL REVENUE REQUIREMENTS INCREASE REQUESTED

FLORIDA PUBLIC SERVICE COMMISSION

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division
DOCKET NO.: 140025-EI

EXPLANATION: Provide the calculation of the requested full revenue requirements increase.

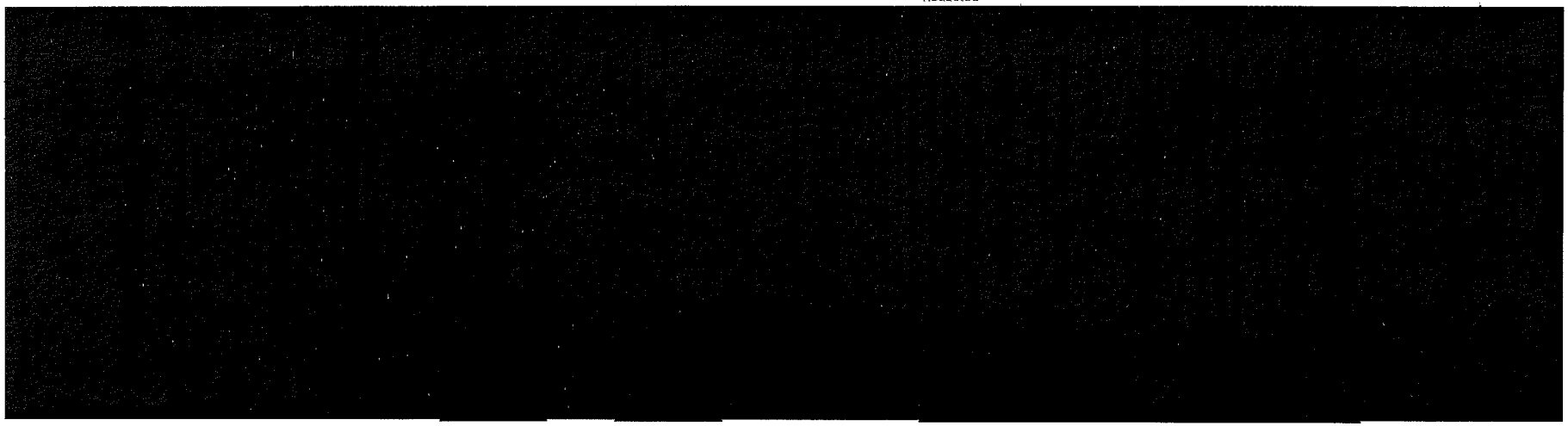
Type of Data Shown:
Year Ended 06/30/2014

Witness: Cheryl Martin

Line No	Description	Source		Amount
1.	Jurisdictional Adjusted Rate Base			$ 59,955,949
2.	Rate of Return on Rate Base Requested			7.18%
3.	Jurisdictional Net Operating Income Requested	Line 1 x Line 2		$ 4,304,837
4.	Jurisdictional Adjusted Net Operating Income			$ 1,849,861
5.	Net Operating Income Deficiency (Excess)	Line 3 - Line 4		$ 2,454,976
6.	Earned Rate of Return	Line 4/Line 1	3.09%	
7.	Net Operating Income Multiplier			1.6335
8.	Revenue Increase (Decrease) Requested	Line 5 x Line 7		$ 4,010,097

FPU Electric Operations
Severance Analysis

Exhibit CMM-10
Redacted



Note: Voluntary Exit Program effective July 19,2013

Florida Public Utilities Company

Summary of Vacation Pay Accrual for 2006 to Electric Expense

Allocated From Corporate			2006
100.1840.935	$ 8.00	36.00%	$ 3.00
100.1849.901	$ 756.00	35.00%	$ 265.00
100.1849.903	$ 900.00	35.00%	$ 315.00
100.1849.905	$ 334.00	35.00%	$ 117.00
100.1849.9262	$ 16.00	27.00%	$ 4.00
100.1849.935	$ 223.00	31.00%	$ 69.00
			$ -
101.1849.920	$ 6,270.00	30.00%	$ 1,881.00
101.1849.9215	$ 164.00	25.00%	$ 41.00
102.1849.920	$ 3,559.00	30.00%	$ 1,068.00
103.1849.920	$ 924.00	30.00%	$ 277.00
103.1849.9201	$ 5,699.00	25.00%	$ 1,425.00
104.18549.920	$ 584.00	30.00%	$ 175.00
105.1849.920	$ 35.00	30.00%	$ 11.00
106.1849.920	$ (267.00)	30.00%	$ (80.00)
106.1849.9251	$ (409.00)	25.00%	$ (102.00)

114.401	$ 2,970.00
114.401	$ 1,271.00
115.184	$ 265.00
115.1850.1	$ 77.00
115.401	$ 3,855.00
115.402	$ 2,200.00

2006 Total PTO Expense	$ 16,107.00
Trend Factor	116.3
2008 Total PTO Expense	$ 18,732.00

Projection Factors

		2006-2007	2007-2008	2006-2008
1	Inflation	102.2	102.3	104.6
5	Payroll	105.5	105.5	111.3
2	Customer Growth	101.2	101.2	102.4
6	Sales (KWH) - No Price	100.2	100.9	101.1
13	Inflation & Customer Growth	103.4	103.5	107.0
21	Inflation & Payroll	107.8	107.9	116.3
16	Payroll & Customer Growth	106.8	106.8	114.1
20	Direct	Direct	Direct	Direct
9	Revenues	100	100	100
19	Zero Balance	0	0	0

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	100.1070.390	021958	PAYROLL CORPORATE OFFICE RENOVATI	PYR465-2	5.962	692.00	41.00	733.00	.26
						692.00	41.00	733.00	.26
	100.1840.9252		PAYROLL	PYR480	.000	10,449.00-	.00	10,449.00-	.00
	100.1840.9261		PAYROLL	PYR480	.000	14,998.00-	.00	14,998.00-	.00
	100.1840.9262		PAYROLL	PYR480	.000	23,599.00-	.00	23,599.00-	.00
	100.1840.9264		PAYROLL	PYR480	.000	486.00-	.00	486.00-	.00
0	100.1840.935		PAYROLL	PYR465-2	5.962	132.00	8.00	140.00	.13-
						49,400.00-	8.00	49,392.00-	.13-
4	100.1849.901		PAYROLL	PYR465-2	5.962	12,682.00	756.00	13,438.00	.10
0	100.1849.903		PAYROLL	PYR465-2	5.962	15,089.00	900.00	15,989.00	.39-
4	100.1849.905		PAYROLL	PYR465-2	5.962	5,595.00	334.00	5,929.00	.43-
4	100.1849.9262		PAYROLL	PYR465-2	5.962	260.00	16.00	276.00	.50-
0	100.1849.935		PAYROLL	PYR465-2	5.962	3,733.00	223.00	3,956.00	.44-
						37,359.00	2,229.00	39,588.00	1.66-
6	100.1860.23		PAYROLL	PYR465-1	.000	2.47	.00	2.47	.00
						2.47	.00	2.47	.00
6	100.2320.8		PAYROLL	PYR465-1	.000	2,118,418.47-	.00	2,118,418.47-	.00
						2,118,418.47-	.00	2,118,418.47-	.00
0	101.1630.1		PAYROLL	PYR465-2	5.962	15,868.00	946.00	16,814.00	.05
						15,868.00	946.00	16,814.00	.05
0	101.1849.920		PAYROLL	PYR465-2	5.962	105,165.00	6,270.00	111,435.00	.06-
0	101.1849.9215		PAYROLL	PYR465-2	5.962	2,757.00	164.00	2,921.00	.37
						107,922.00	6,434.00	114,356.00	.31
0	102.1849.920		PAYROLL	PYR465-2	5.962	59,689.00	3,559.00	63,248.00	.34-
						59,689.00	3,559.00	63,248.00	.34-
0	103.1849.920		PAYROLL	PYR465-2	8.110	11,399.00	924.00	12,323.00	.46
0	103.1849.9201		PAYROLL	PYR465-2	8.110	70,273.00	5,699.00	75,972.00	.14
						81,672.00	6,623.00	88,295.00	.60
0	104.1849.920		PAYROLL	PYR465-2	2.919	19,994.00	584.00	20,578.00	.38-
						19,994.00	584.00	20,578.00	.38-
0	105.1849.920		PAYROLL	PYR465-2	3.923	890.00	35.00	925.00	.09-
						890.00	35.00	925.00	.09-
0	106.1849.920		PAYROLL	PYR465-2	5.043-	5,291.00	267.00-	5,024.00	.17
0	106.1849.9251		PAYROLL	PYR465-2	5.043-	8,113.00	409.00-	7,704.00	.14-
						13,404.00	676.00-	12,728.00	.03
4	114.1070.3646	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	2.919	3,208.00	94.00	3,302.00	.36-
4	114.1070.3646	021925	PAYROLL COMFORT/FAIRFIELD INNS	PYR465-2	2.919	1,808.00	53.00	1,861.00	.22-
4	114.1070.3646	035843	PAYROLL LINE EXTENSION WO# 06-175	PYR465-2	2.919	229.00	7.00	236.00	.32-
4	114.1070.3646	035859	PAYROLL LINE EXTENSION WO# 06-183	PYR465-2	2.919	442.00	13.00	455.00	.10-
4	114.1070.3646	035893	PAYROLL LINE EXTENSION WO# 06-199	PYR465-2	2.919	421.00	12.00	433.00	.29
4	114.1070.3646	035945	PAYROLL LINE EXTENSION WO# 06-210	PYR465-2	2.919	1,020.00	30.00	1,050.00	.23-
4	114.1070.3646	035968	PAYROLL LINE EXTENSION WO#D6-215"	PYR465-2	2.919	243.00	7.00	250.00	.09

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION		PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
4	114.1070.3646	035982	PAYROLL LINE EXTENSION WO#06-222"		PYR465-2	2.919	425.00	12.00	437.00	.41
4	114.1070.3646	035985	PAYROLL LINE EXTENSION WO# 06-223		PYR465-2	2.919	68.00	2.00	70.00	.02-
4	114.1070.3646	036006	PAYROLL LINE EXTENSION WO#-06-224		PYR465-2	2.919	83.00	2.00	85.00	.42
4	114.1070.3646	036013	PAYROLL LINE EXTENSION WO# 06-228		PYR465-2	2.919	83.00	2.00	85.00	.42
4	114.1070.3647	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	931.00	27.00	958.00	.18
4	114.1070.3647	035877	PAYROLL SYSTEM UPGRADE WO# 06-192		PYR465-2	2.919	264.00	8.00	272.00	.29-
4	114.1070.3648	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	4,699.00	137.00	4,836.00	.16
4	114.1070.3656	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	1,821.00	53.00	1,874.00	.15
4	114.1070.3656	035843	PAYROLL LINE EXTENSION WO# 06-175		PYR465-2	2.919	475.00	14.00	489.00	.13-
4	114.1070.3656	035859	PAYROLL LINE EXTENSION WO# 06-183		PYR465-2	2.919	884.00	26.00	910.00	.20-
4	114.1070.3656	035893	PAYROLL LINE EXTENSION WO# 06-199		PYR465-2	2.919	322.00	9.00	331.00	.40
4	114.1070.3656	035945	PAYROLL LINE EXTENSION WO# 06-210		PYR465-2	2.919	679.00	20.00	699.00	.18-
4	114.1070.3656	035968	PAYROLL LINE EXTENSION WO#06-215"		PYR465-2	2.919	243.00	7.00	250.00	.09
4	114.1070.3656	035982	PAYROLL LINE EXTENSION WO#06-222"		PYR465-2	2.919	359.00	10.00	369.00	.48
4	114.1070.3656	035985	PAYROLL LINE EXTENSION WO# 06-223		PYR465-2	2.919	68.00	2.00	70.00	.02-
4	114.1070.3656	036006	PAYROLL LINE EXTENSION WO#-06-224		PYR465-2	2.919	83.00	2.00	85.00	.42
4	114.1070.3656	036013	PAYROLL LINE EXTENSION WO# 06-228		PYR465-2	2.919	83.00	2.00	85.00	.42
4	114.1070.3657	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	81.00	2.00	83.00	.36
4	114.1070.3657	035877	PAYROLL SYSTEM UPGRADE WO# 06-192		PYR465-2	2.919	1,358.00	40.00	1,398.00	.36-
4	114.1070.3671	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	235.00	7.00	242.00	.14-
4	114.1070.3672	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	1,100.00	32.00	1,132.00	.11
4	114.1070.3672	021576	PAYROLL NEW SPRAY FIELD		PYR465-2	2.919	1,135.00	33.00	1,168.00	.13
4	114.1070.3672	035859	PAYROLL LINE EXTENSION WO# 06-183		PYR465-2	2.919	1,778.00	52.00	1,830.00	.10-
4	114.1070.3672	035893	PAYROLL LINE EXTENSION WO# 06-199		PYR465-2	2.919	1,964.00	57.00	2,021.00	.33
4	114.1070.3681	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	1,762.00	51.00	1,813.00	.43
4	114.1070.3683	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	385.00	11.00	396.00	.24
4	114.1070.3691	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	7,740.00	226.00	7,966.00	.07-
4	114.1070.3693	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	7,343.00	214.00	7,557.00	.34
4	114.1070.370	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	243.00	7.00	250.00	.09
4	114.1070.3711	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	3,947.00	115.00	4,062.00	.21
4	114.1070.3731	000002	PAYROLL LOCAL NON-TRACKED IR		PYR465-2	2.919	310.00	9.00	319.00	.05
							48,322.00	1,407.00	49,729.00	3.48
4	114.1080.364		PAYROLL		PYR465-2	2.919	2,658.00	78.00	2,736.00	.41-
4	114.1080.365		PAYROLL		PYR465-2	2.919	1,685.00	49.00	1,734.00	.19
4	114.1080.3671		PAYROLL		PYR465-2	2.919	198.00	6.00	204.00	.22-
4	114.1080.3681		PAYROLL		PYR465-2	2.919	125.00	4.00	129.00	.35-
4	114.1080.3691		PAYROLL		PYR465-2	2.919	326.00	10.00	336.00	.48-
4	114.1080.3693		PAYROLL		PYR465-2	2.919	59.00	2.00	61.00	.28-
4	114.1080.370		PAYROLL		PYR465-2	2.919	1,775.00	52.00	1,827.00	.19-
4	114.1080.3711		PAYROLL		PYR465-2	2.919	613.00	18.00	631.00	.11-
4	114.1080.3713		PAYROLL		PYR465-2	2.919	177.00	5.00	182.00	.17
4	114.1080.3731		PAYROLL		PYR465-2	2.919	127.00	4.00	131.00	.29-
							7,743.00	228.00	7,971.00	1.97-
4	114.1430.1	000256	PAYROLL MYERS, DONALD R		PYR465-2	.000	30.00-	.00	30.00-	.00
4	114.1430.1	002760	PAYROLL DITTY, CHARLES J		PYR465-2	.000	31.00	.00	31.00	.00
4	114.1430.1	002874	PAYROLL O'PRY, BROWARD LEE		PYR465-2	.000	69.00	.00	69.00	.00
4	114.1430.1	002903	PAYROLL TANNER LYNWOOD		PYR465-2	.000	183.00	.00	183.00	.00
4	114.1430.1	003037	PAYROLL SHELLEY, DRANE		PYR465-2	.000	35.00	.00	35.00	.00
4	114.1430.1	006041	PAYROLL TOOLE STEPHEN A		PYR465-2	.000	312.00	.00	312.00	.00
4	114.1430.2	035970	PAYROLL TOWN OF GREENWOOD	INST	PYR465-2	2.919	664.00	19.00	683.00	.38
4	114.1430.2	035973	PAYROLL TOWN OF ALFORD	INST	PYR465-2	2.919	165.00	5.00	170.00	.18-
4	114.1430.2	035977	PAYROLL TOWN OF BRISTOL	INS	PYR465-2	2.919	188.00	5.00	193.00	.49

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
4	114.1430.2	035978	PAYROLL TOWN OF ALTHA INSTALL	PYR465-2	2.919	96.00	3.00	99.00	.20-
4	114.1430.2	035979	PAYROLL CITY OF COTTONDALE IN	PYR465-2	2.919	581.00	17.00	598.00	.04-
4	114.1430.2	035995	PAYROLL ZACHARY HENDERSON	PYR465-2	2.919	179.00	5.00	184.00	.23
4	114.1430.2	036016	PAYROLL ANDERSON COLUMBIA SET	PYR465-2	2.919	111.00	3.00	114.00	.24
						2,584.00	57.00	2,641.00	.92
4	114.1630.1		PAYROLL	PYR465-2	2.919	10,840.00	316.00	11,156.00	.42
						10,840.00	316.00	11,156.00	.42
4	114.1840.1		PAYROLL	PYR465-2	2.919	1,156.00	34.00	1,190.00	.26-
4	114.1840.5		PAYROLL	PYR465-2	2.919	.00	.00	.00	.00
4	114.1840.52		PAYROLL	PYR465-2	2.919	.00	.00	.00	.00
						1,156.00	34.00	1,190.00	.26-
4	114.1850.1		PAYROLL	PYR465-2	2.919	441.00	13.00	454.00	.13-
						441.00	13.00	454.00	.13-
4	114.4010.580		PAYROLL	PYR465-2	2.919	15,289.00	446.00	15,735.00	.29
4	114.4010.582		PAYROLL	PYR465-2	2.919	771.00	23.00	794.00	.49-
4	114.4010.5831		PAYROLL	PYR465-2	2.919	998.00	29.00	1,027.00	.13
4	114.4010.5832		PAYROLL	PYR465-2	2.919	2,802.00	82.00	2,884.00	.21-
4	114.4010.585		PAYROLL	PYR465-2	2.919	578.00	17.00	595.00	.13-
4	114.4010.586		PAYROLL	PYR465-2	2.919	14,539.00	424.00	14,963.00	.39
4	114.4010.5871		PAYROLL	PYR465-2	2.919	4,641.00	135.00	4,776.00	.47
4	114.4010.5872		PAYROLL	PYR465-2	2.919	1,357.00	40.00	1,397.00	.39-
4	114.4010.5881		PAYROLL	PYR465-2	2.919	8,931.00	261.00	9,192.00	.30-
4	114.4010.5882		PAYROLL	PYR465-2	2.919	203.00	6.00	209.00	.07-
4	114.4010.901		PAYROLL	PYR465-2	2.919	2,758.00	81.00	2,839.00	.49-
4	114.4010.902		PAYROLL	PYR465-2	2.919	14,117.00	412.00	14,529.00	.08
4	114.4010.903		PAYROLL	PYR465-2	2.919	23,957.00	699.00	24,656.00	.30
4	114.4010.907	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	2.919	2,804.00	82.00	2,886.00	.15-
0	114.4010.908	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	2.919	541.00	16.00	557.00	.21-
4	114.4010.908	061250	PAYROLL GOODCENTS HOM/ENRGY STR-L	PYR465-2	2.919	1,972.00	58.00	2,030.00	.44-
4	114.4010.908	061350	PAYROLL GOODCENTS ENERGY SURV LAB	PYR465-2	2.919	2,002.00	58.00	2,060.00	.44
4	114.4010.908	061550	PAYROLL GOODCENTS COMMERC BLDG- L	PYR465-2	2.919	612.00	18.00	630.00	.14-
4	114.4010.908	061650	PAYROLL COMMERCIAL TECH. ASSST-LA	PYR465-2	2.919	672.00	20.00	692.00	.38-
4	114.4010.908	061950	PAYROLL GOODCENTS HTG/CLG UP-LAB/	PYR465-2	2.919	701.00	20.00	721.00	.46
4	114.4010.908	062050	PAYROLL GOODCENTS CEIL INST UP-LA	PYR465-2	2.919	701.00	20.00	721.00	.46
0	114.4010.910	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	2.919	492.00	14.00	506.00	.36
	114.4010.9252		PAYROLL	PYR480	.000	922.00-	.00	922.00-	.00
	114.4010.9261		PAYROLL	PYR480	.000	2,196.00-	.00	2,196.00-	.00
	114.4010.9262		PAYROLL	PYR480	.000	3,455.00-	.00	3,455.00-	.00
	114.4010.9264		PAYROLL	PYR480	.000	67.00-	.00	67.00-	.00
0	114.4010.928		PAYROLL	PYR465-2	2.919	296.00	9.00	305.00	.36-
						95,094.00	2,970.00	98,064.00	.38-
4	114.4020.590		PAYROLL	PYR465-2	2.919	2,534.00	74.00	2,608.00	.03-
4	114.4020.592		PAYROLL	PYR465-2	2.919	900.00	26.00	926.00	.27
4	114.4020.5932		PAYROLL	PYR465-2	2.919	19,414.00	567.00	19,981.00	.31-
4	114.4020.5933		PAYROLL	PYR465-2	2.919	11,315.00	330.00	11,645.00	.28
4	114.4020.5941		PAYROLL	PYR465-2	2.919	362.00	11.00	373.00	.43-
4	114.4020.5942		PAYROLL	PYR465-2	2.919	315.00	9.00	324.00	.19
4	114.4020.5951		PAYROLL	PYR465-2	2.919	1,870.00	55.00	1,925.00	.41-
4	114.4020.596		PAYROLL	PYR465-2	2.919	1,584.00	46.00	1,630.00	.24

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
4	114.4020.597		PAYROLL	PYR465-2	2.919	2,224.00	65.00	2,289.00	.08-
4	114.4020.598		PAYROLL	PYR465-2	2.919	2,776.00	81.00	2,857.00	.03-
4	114.4020.935		PAYROLL	PYR465-2	2.919	249.00	7.00	256.00	.27
						43,543.00	1,271.00	44,814.00	.02
	114.4080.5		PAYROLL	PYR480	.000	.00	.00	.00	.00
	114.4080.6		PAYROLL	PYR480	.000	.00	.00	.00	.00
	114.4080.7		PAYROLL	PYR480	.000	3,630.00-	.00	3,630.00-	.00
						3,630.00-	.00	3,630.00-	.00
5	115.1070.3646	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	796.00	31.00	827.00	.23
5	115.1070.3647	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	608.00	24.00	632.00	.15-
5	115.1070.3656	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	269.00	11.00	280.00	.45-
5	115.1070.3656	035972	PAYROLL OHC LINE EXTENSION INSTAL	PYR465-2	3.923	578.00	23.00	601.00	.33-
5	115.1070.3656	035996	PAYROLL MIKE ANTONOPOULS INSTALL	PYR465-2	3.923	56.00	2.00	58.00	.20
5	115.1070.3657	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	1,230.00	48.00	1,278.00	.25
5	115.1070.3662	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	2,252.00	88.00	2,340.00	.35
5	115.1070.3662	021877	PAYROLL T-MOBILE	PYR465-2	3.923	525.00	21.00	546.00	.40-
5	115.1070.3662	021959	PAYROLL PARKVIEW II	PYR465-2	3.923	664.00	26.00	690.00	.05
5	115.1070.3672	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	5,652.00	222.00	5,874.00	.27-
5	115.1070.3672	021702	PAYROLL CAPE SOUND	PYR465-2	3.923	90.00	4.00	94.00	.47-
5	115.1070.3672	021719	PAYROLL SADLER CROSSING	PYR465-2	3.923	1,046.00	41.00	1,087.00	.03
5	115.1070.3672	021877	PAYROLL T-MOBILE	PYR465-2	3.923	1,830.00	72.00	1,902.00	.21-
5	115.1070.3672	021944	PAYROLL THE ENCLAVE	PYR465-2	3.923	790.00	31.00	821.00	.01-
5	115.1070.3672	021959	PAYROLL PARKVIEW II	PYR465-2	3.923	435.00	17.00	452.00	.07
5	115.1070.3681	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	285.00	11.00	296.00	.18
5	115.1070.3683	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	2,745.00	108.00	2,853.00	.31-
5	115.1070.3691	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	1,927.00	76.00	2,003.00	.40-
5	115.1070.3692	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	113.00	4.00	117.00	.43
5	115.1070.3693	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	12,034.00	472.00	12,506.00	.09
5	115.1070.370	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	3,246.00	127.00	3,373.00	.34
5	115.1070.3711	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	422.00	17.00	439.00	.44-
5	115.1070.3711	035987	PAYROLL OUTDOOR LIGHTING ABOVE IN	PYR465-2	3.923	530.00	21.00	551.00	.21-
5	115.1070.3713	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	1,386.00	54.00	1,440.00	.37
5	115.1070.3731	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	56.00	2.00	58.00	.20
5	115.1070.3733	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	118.00	5.00	123.00	.37-
						39,683.00	1,558.00	41,241.00	1.23-
5	115.1080.362		PAYROLL	PYR465-2	3.923	2,609.00	102.00	2,711.00	.35
5	115.1080.364		PAYROLL	PYR465-2	3.923	569.00	22.00	591.00	.32
5	115.1080.365		PAYROLL	PYR465-2	3.923	97.00	4.00	101.00	.19-
5	115.1080.3672		PAYROLL	PYR465-2	3.923	55.00	2.00	57.00	.16
5	115.1080.3681		PAYROLL	PYR465-2	3.923	97.00	4.00	101.00	.19-
5	115.1080.3683		PAYROLL	PYR465-2	3.923	164.00	6.00	170.00	.43
5	115.1080.3691		PAYROLL	PYR465-2	3.923	306.00	12.00	318.00	.00
5	115.1080.3693		PAYROLL	PYR465-2	3.923	37.00	1.00	38.00	.45
5	115.1080.370		PAYROLL	PYR465-2	3.923	664.00	26.00	690.00	.05
5	115.1080.3733		PAYROLL	PYR465-2	3.923	97.00	4.00	101.00	.19-
						4,695.00	183.00	4,878.00	1.19
5	115.1430.1	000459	PAYROLL JOHNSON LOUIE	PYR465-2	.000	966.00	.00	966.00	.00
5	115.1430.1	000865	PAYROLL CUTSHAW, MARK	PYR465-2	.000	4.00	.00	4.00	.00
5	115.1430.1	001848	PAYROLL ANDERSON, CARL	PYR465-2	.000	1,143.00	.00	1,143.00	.00
5	115.1430.1	002040	PAYROLL THOMPSON, VINSON LOYD	PYR465-2	.000	228.00-	.00	228.00-	.00

7. 115.1430.2

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
5	115.1430.1	002313	PAYROLL FAULK THOMAS	PYR465-2	.000	274.00	.00	274.00	.00
5	115.1430.1	002548	PAYROLL TYLER, WILLIAM	PYR465-2	.000	21.00	.00	21.00	.00
5	115.1430.1	002718	PAYROLL SCHAAK, CLIFFORD	PYR465-2	.000	151.00	.00	151.00	.00
5	115.1430.1	002765	PAYROLL PUENTES, JORGE	PYR465-2	.000	988.00	.00	988.00	.00
5	115.1430.2	035967	PAYROLL D. J. ELIUM DRIVER DROVE	PYR465-2	3.923	293.00	11.00	304.00	.49
5	115.1430.2	035992	PAYROLL STEVE LENDRY INSTALL ONE	PYR465-2	3.923	348.00	14.00	362.00	.35-
5	115.1430.2	056011	PAYROLL CAR HIT POLE CAR HIT POLE	PYR465-2	3.923	2,039.00	80.00	2,119.00	.01-
						5,999.00	105.00	6,104.00	.13
5	115.1630.1		PAYROLL	PYR465-2	3.923	11,613.00	456.00	12,069.00	.42-
						11,613.00	456.00	12,069.00	.42-
5	115.1840.1		PAYROLL	PYR465-2	3.923	6,760.00	265.00	7,025.00	.19
5	115.1840.3		PAYROLL	PYR465-2	3.923	.00	.00	.00	.00
5	115.1840.5		PAYROLL	PYR465-2	3.923	.00	.00	.00	.00
5	115.1840.58		PAYROLL	PYR465-2	3.923	.00	.00	.00	.00
5	115.1840.59		PAYROLL	PYR465-2	3.923	.00	.00	.00	.00
						6,760.00	265.00	7,025.00	.19
5	115.1850.1		PAYROLL	PYR465-2	3.923	1,959.00	77.00	2,036.00	.15-
						1,959.00	77.00	2,036.00	.15-
5	115.4010.562		PAYROLL	PYR465-2	3.923	1,069.00	42.00	1,111.00	.06-
5	115.4010.580		PAYROLL	PYR465-2	3.923	19,993.00	784.00	20,777.00	.33
5	115.4010.582		PAYROLL	PYR465-2	3.923	2,956.00	116.00	3,072.00	.04-
5	115.4010.5831		PAYROLL	PYR465-2	3.923	583.00	23.00	606.00	.13-
5	115.4010.5832		PAYROLL	PYR465-2	3.923	1,242.00	49.00	1,291.00	.28-
5	115.4010.5842		PAYROLL	PYR465-2	3.923	209.00	8.00	217.00	.20
5	115.4010.585		PAYROLL	PYR465-2	3.923	120.00	5.00	125.00	.29-
5	115.4010.586		PAYROLL	PYR465-2	3.923	7,005.00	275.00	7,280.00	.19-
5	115.4010.5871		PAYROLL	PYR465-2	3.923	708.00	28.00	736.00	.23-
5	115.4010.5872		PAYROLL	PYR465-2	3.923	1,550.00	61.00	1,611.00	.19-
5	115.4010.5881		PAYROLL	PYR465-2	3.923	6,381.00	250.00	6,631.00	.33
5	115.4010.589		PAYROLL	PYR465-2	3.923	92.00	4.00	96.00	.39-
5	115.4010.901		PAYROLL	PYR465-2	3.923	9,808.00	385.00	10,193.00	.23-
5	115.4010.902		PAYROLL	PYR465-2	3.923	7,924.00	311.00	8,235.00	.14-
5	115.4010.903		PAYROLL	PYR465-2	3.923	26,790.00	1,051.00	27,841.00	.03-
5	115.4010.904		PAYROLL	PYR465-2	3.923	157.00	6.00	163.00	.16
5	115.4010.905		PAYROLL	PYR465-2	3.923	146.00	6.00	152.00	.27-
5	115.4010.907	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	3.923	3,110.00	122.00	3,232.00	.01
0	115.4010.908	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	3.923	439.00	17.00	456.00	.22
5	115.4010.908	061250	PAYROLL GOODCENTS HOM/ENRGY STR-L	PYR465-2	3.923	3,396.00	133.00	3,529.00	.23
5	115.4010.908	061350	PAYROLL GOODCENTS ENERGY SURV LAB	PYR465-2	3.923	2,364.00	93.00	2,457.00	.26-
5	115.4010.908	061550	PAYROLL GOODCENTS COMMERC BLDG- L	PYR465-2	3.923	728.00	29.00	757.00	.44-
5	115.4010.908	061650	PAYROLL COMMERCIAL TECH. ASSST-LA	PYR465-2	3.923	334.00	13.00	347.00	.10
5	115.4010.908	061950	PAYROLL GOODCENTS HTG/CLG UP-LAB/	PYR465-2	3.923	109.00	4.00	113.00	.28
0	115.4010.910	061050	PAYROLL COMMON - LABOR/PAYROLL	PYR465-2	3.923	619.00	24.00	643.00	.28
	115.4010.9252		PAYROLL	PYR480	.000	1,227.00-	.00	1,227.00-	.00
	115.4010.9261		PAYROLL	PYR480	.000	1,878.00-	.00	1,878.00-	.00
	115.4010.9262		PAYROLL	PYR480	.000	2,956.00-	.00	2,956.00-	.00
	115.4010.9264		PAYROLL	PYR480	.000	61.00-	.00	61.00-	.00
0	115.4010.928		PAYROLL	PYR465-2	3.923	401.00	16.00	417.00	.27-
						92,111.00	3,855.00	95,966.00	1.30-

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
5	115.4020.570		PAYROLL	PYR465-2	3.923	11,129.00	437.00	11,566.00	.41-
5	115.4020.571		PAYROLL	PYR465-2	3.923	473.00	19.00	492.00	.44-
5	115.4020.590		PAYROLL	PYR465-2	3.923	14,273.00	560.00	14,833.00	.07-
5	115.4020.592		PAYROLL	PYR465-2	3.923	6,294.00	247.00	6,541.00	.09-
5	115.4020.5931		PAYROLL	PYR465-2	3.923	473.00	19.00	492.00	.44-
5	115.4020.5932		PAYROLL	PYR465-2	3.923	5,757.00	226.00	5,983.00	.15-
5	115.4020.5933		PAYROLL	PYR465-2	3.923	2,784.00	109.00	2,893.00	.22
5	115.4020.5942		PAYROLL	PYR465-2	3.923	7,646.00	300.00	7,946.00	.05-
5	115.4020.5952		PAYROLL	PYR465-2	3.923	294.00	12.00	306.00	.47-
5	115.4020.5953		PAYROLL	PYR465-2	3.923	1,412.00	55.00	1,467.00	.39
5	115.4020.596		PAYROLL	PYR465-2	3.923	2,171.00	85.00	2,256.00	.17
5	115.4020.597		PAYROLL	PYR465-2	3.923	927.00	36.00	963.00	.37
5	115.4020.598		PAYROLL	PYR465-2	3.923	2,425.00	95.00	2,520.00	.13
						56,058.00	2,200.00	58,258.00	.84-
	115.4080.5		PAYROLL	PYR480	.000	.00	.00	.00	.00
	115.4080.6		PAYROLL	PYR480	.000	.00	.00	.00	.00
	115.4080.7		PAYROLL	PYR480	.000	8,407.00-	.00	8,407.00-	.00
						8,407.00-	.00	8,407.00-	.00
0	121.1070.376112	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	1,419.00	85.00	1,504.00	.40-
0	121.1070.376120	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	21,749.00	1,297.00	23,046.00	.32-
0	121.1070.376120	021817	PAYROLL SO#597075-RENAISSANCE COM	PYR465-2	5.962	866.00	52.00	918.00	.37-
0	121.1070.376120	021827	PAYROLL SO#601198-ATRIUM@ BROKEN	PYR465-2	5.962	515.00	31.00	546.00	.30-
0	121.1070.376120	021845	PAYROLL SO#610254-AZURA SUBDIVISI	PYR465-2	5.962	455.00	27.00	482.00	.13
0	121.1070.376120	021896	PAYROLL CO#622831 BOCA BATH & TEN	PYR465-2	5.962	1,373.00	82.00	1,455.00	.14-
0	121.1070.376120	021897	PAYROLL SO#630555 7150 ADDISON RE	PYR465-2	5.962	1,159.00	69.00	1,228.00	.10
0	121.1070.376120	021903	PAYROLL SO#632588-SOUTHERN PALM C	PYR465-2	5.962	2,132.00	127.00	2,259.00	.11
0	121.1070.376120	021909	PAYROLL SO#635451-132 CORTEZ RD	PYR465-2	5.962	157.00	9.00	166.00	.36
0	121.1070.376120	021911	PAYROLL SO#632500 COVENTRY ST.PRO	PYR465-2	5.962	766.00	46.00	812.00	.33-
0	121.1070.376120	021927	PAYROLL SO#530939 -3418 NW 51ST P	PYR465-2	5.962	111.00	7.00	118.00	.38-
0	121.1070.376120	021930	PAYROLL SO#650676-BOCA MARINA YAC	PYR465-2	5.962	134.00	8.00	142.00	.01-
0	121.1070.376120	021937	PAYROLL SO#653781-418 SOUTH H STR	PYR465-2	5.962	1,007.00	60.00	1,067.00	.04
0	121.1070.376120	021941	PAYROLL SO#649445-741 E. PALMETTO	PYR465-2	5.962	1,066.00	64.00	1,130.00	.45-
0	121.1070.376120	021953	PAYROLL SO#666426-1107 3RD AVE SO	PYR465-2	5.962	444.00	26.00	470.00	.47
0	121.1070.376120	021956	PAYROLL SO#668505-260 N. FEDERAL	PYR465-2	5.962	62.00	4.00	66.00	.30-
0	121.1070.376120	021967	PAYROLL SO#674408 541 NE SPANISH	PYR465-2	5.962	211.00	13.00	224.00	.42-
0	121.1070.376140	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	4,794.00	286.00	5,080.00	.18-
0	121.1070.376140	021525	PAYROLL SO#465537-INLET HARBOR MA	PYR465-2	5.962	1,227.00	73.00	1,300.00	.15
0	121.1070.376140	021526	PAYROLL SO#459171-WORTHING PLACE	PYR465-2	5.962	171.00	10.00	181.00	.20
0	121.1070.376140	021699	PAYROLL SO#496013-CYPRESS KEY TOW	PYR465-2	5.962	1,132.00	67.00	1,199.00	.49
0	121.1070.376140	021827	PAYROLL SO#601198-ATRIUM@ BROKEN	PYR465-2	5.962	71.00	4.00	75.00	.23
0	121.1070.376140	021845	PAYROLL SO#610254-AZURA SUBDIVISI	PYR465-2	5.962	379.00	23.00	402.00	.40-
0	121.1070.376140	021903	PAYROLL SO#632588-SOUTHERN PALM C	PYR465-2	5.962	7,503.00	447.00	7,950.00	.33
0	121.1070.376140	021926	PAYROLL SO#642301-2601 MARTIN L K	PYR465-2	5.962	709.00	42.00	751.00	.27
0	121.1070.376140	021934	PAYROLL SO#620084-WELLINGTON MIDD	PYR465-2	5.962	2,147.00	128.00	2,275.00	.00
0	121.1070.376140	021950	PAYROLL SO#649670-GUN CLUB TO MIL	PYR465-2	5.962	1,416.00	84.00	1,500.00	.42
0	121.1070.376140	021954	PAYROLL SO#667037-2700 OCEAN BLVD	PYR465-2	5.962	124.00	7.00	131.00	.39
0	121.1070.376140	028036	PAYROLL SO#676122-COCONUT TO CHUK	PYR465-2	5.962	422.00	25.00	447.00	.16
0	121.1070.376160	021926	PAYROLL SO#642301-2601 MARTIN L K	PYR465-2	5.962	10,530.00	628.00	11,158.00	.20-
0	121.1070.376220	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	214.00	13.00	227.00	.24-
0	121.1070.376240	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	826.00	49.00	875.00	.25
0	121.1070.376240	021934	PAYROLL SO#620084-WELLINGTON MIDD	PYR465-2	5.962	3,721.00	222.00	3,943.00	.15-
0	121.1070.376240	021940	PAYROLL SO#661661-BOCA TOWN CTR R	PYR465-2	5.962	194.00	12.00	206.00	.43-

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	121.1070.376240	021960	PAYROLL SO#673062-PBI AIRPORT	PYR465-2	5.962	210.00	13.00	223.00	.48-
0	121.1070.376260	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	399.00	24.00	423.00	.21-
0	121.1070.376260	021940	PAYROLL SO#661661-BOCA TOWN CTR R	PYR465-2	5.962	171.00	10.00	181.00	.20
0	121.1070.380105	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	899.00	54.00	953.00	.40-
0	121.1070.380107	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	64,740.00	3,860.00	68,600.00	.20-
0	121.1070.380107	021956	PAYROLL SO#668505-260 N. FEDERAL	PYR465-2	5.962	62.00	4.00	66.00	.30-
0	121.1070.380112	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	11,311.00	674.00	11,985.00	.36
0	121.1070.380112	021931	PAYROLL SO#654591-2728 LAKE WORTH	PYR465-2	5.962	1,372.00	82.00	1,454.00	.20-
0	121.1070.380120	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	3,310.00	197.00	3,507.00	.34
0	121.1070.380120	021885	PAYROLL SO#622705-3800 N. OCEAN B	PYR465-2	5.962	340.00	20.00	360.00	.27
0	121.1070.380120	021945	PAYROLL SO#664715-832 S. BLVD-PUB	PYR465-2	5.962	670.00	40.00	710.00	.05-
0	121.1070.380140	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	244.00	15.00	259.00	.45-
0	121.1070.380140	021903	PAYROLL SO#632588-SOUTHERN PALM C	PYR465-2	5.962	334.00	20.00	354.00	.09-
0	121.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	7,085.00	422.00	7,507.00	.41
0	121.1070.382	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	5.962	76.00	5.00	81.00	.47-
0	121.1070.384	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	5.962	15.00	1.00	16.00	.11-
0	121.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	2,931.00	175.00	3,106.00	.25-
0	121.1070.384	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	5.962	31.00	2.00	33.00	.15-
						163,406.00	9,745.00	173,151.00	2.70-
0	121.1080.3761		PAYROLL	PYR465-2	5.962	247.00	15.00	262.00	.27-
0	121.1080.3762		PAYROLL	PYR465-2	5.962	692.00	41.00	733.00	.26
0	121.1080.3801		PAYROLL	PYR465-2	5.962	5,346.00	319.00	5,665.00	.27-
0	121.1080.3802		PAYROLL	PYR465-2	5.962	9,036.00	539.00	9,575.00	.27-
						15,321.00	914.00	16,235.00	.55-
0	121.1430.1	000240	PAYROLL SCHNEIDERMANN MARC	PYR465-2	.000	94.00	.00	94.00	.00
0	121.1430.1	000451	PAYROLL WALKER MARVIN	PYR465-2	.000	581.00-	.00	581.00-	.00
0	121.1430.1	001142	PAYROLL STEIN C L	PYR465-2	.000	3,887.00	.00	3,887.00	.00
0	121.1430.1	001177	PAYROLL ENGLISH JOHN T	PYR465-2	.000	5,289.00	.00	5,289.00	.00
0	121.1430.1	001183	PAYROLL WEITZ ANDREW	PYR465-2	.000	90.00	.00	90.00	.00
0	121.1430.1	001695	PAYROLL BACHMAN GEORGE 401 S DIXI	PYR465-2	.000	6,329.00	.00	6,329.00	.00
0	121.1430.1	001812	PAYROLL PARKER EVERITTE ROLAND	PYR465-2	.000	60.00	.00	60.00	.00
0	121.1430.1	002073	PAYROLL JOYCE JOHN K	PYR465-2	.000	39.00	.00	39.00	.00
0	121.1430.1	002400	PAYROLL CANINO, CHRISTOPHER	PYR465-2	.000	54.00	.00	54.00	.00
0	121.1430.1	002532	PAYROLL LEWIS DUANE	PYR465-2	.000	90.00	.00	90.00	.00
0	121.1430.1	002742	PAYROLL FAVORS, CALVIN	PYR465-2	.000	1,228.00	.00	1,228.00	.00
0	121.1430.1	002791	PAYROLL BECKER, MICHAEL	PYR465-2	.000	30.00	.00	30.00	.00
0	121.1430.1	002803	PAYROLL KENNEDY, BARRY	PYR465-2	.000	300.00	.00	300.00	.00
0	121.1430.1	002842	PAYROLL MOZOLEVSKI, IGOR	PYR465-2	.000	78.00	.00	78.00	.00
0	121.1430.1	002861	PAYROLL STOTTSBERRY, DONALD	PYR465-2	.000	30.00	.00	30.00	.00
0	121.1430.1	002915	PAYROLL STUCKART, GERARD	PYR465-2	.000	85.00	.00	85.00	.00
0	121.1430.1	002938	PAYROLL HUGGINS FRANKIE	PYR465-2	.000	322.00	.00	322.00	.00
0	121.1430.1	003022	PAYROLL COSTLOW, JOHN	PYR465-2	.000	12.00	.00	12.00	.00
0	121.1430.1	003032	PAYROLL ROSSETTO, WALTER	PYR465-2	.000	283.00	.00	283.00	.00
0	121.1430.1	003412	PAYROLL GEORGE DAVID	PYR465-2	.000	209.00	.00	209.00	.00
0	121.1430.1	003789	PAYROLL MORELAND DOUG	PYR465-2	.000	663.00	.00	663.00	.00
0	121.1430.1	003800	PAYROLL SEAGRAVE MARC ADDED 08/30	PYR465-2	.000	504.00	.00	504.00	.00
0	121.1430.1	005355	PAYROLL KNIGHT RICHARD	PYR465-2	.000	161.00-	.00	161.00-	.00
0	121.1430.2	035966	PAYROLL DIXIE PLUMBING ON 11/24/0	PYR465-2	5.962	330.00	20.00	350.00	.33-
0	121.1430.2	035969	PAYROLL DEEVAN INC ON 11/29/06 TH	PYR465-2	5.962	42.00	3.00	45.00	.50-
0	121.1430.2	035974	PAYROLL BG GROUP ON 12/01/06 THE	PYR465-2	5.962	42.00	3.00	45.00	.50-
0	121.1430.2	035975	PAYROLL PRECAST WALL SYSTEMS ON 1	PYR465-2	5.962	250.00	15.00	265.00	.09-
0	121.1430.2	035976	PAYROLL LEAFE CUSTOM POOLS ON 11/	PYR465-2	5.962	40.00	2.00	42.00	.38

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	121.1430.2	035983	PAYROLL THE LAZARUS GROUP INC ON	PYR465-2	5.962	195.00	12.00	207.00	.37-
0	121.1430.2	035984	PAYROLL ARVIN L RIEGER ON 12/06/0	PYR465-2	5.962	34.00	2.00	36.00	.03-
0	121.1430.2	035986	PAYROLL STEVEN TARGONSKI ON 12/09	PYR465-2	5.962	48.00	3.00	51.00	.14-
0	121.1430.2	035988	PAYROLL COMPLETE POWER SOLUTIONS	PYR465-2	5.962	67.00	4.00	71.00	.01-
0	121.1430.2	035990	PAYROLL REAL LANDSCAPING ON 12/12	PYR465-2	5.962	41.00	2.00	43.00	.44
0	121.1430.2	035991	PAYROLL NEW LEAF LANDSCAPING ON 1	PYR465-2	5.962	62.00	4.00	66.00	.30-
0	121.1430.2	035994	PAYROLL DEE GRIFFIN EARTHWORKS ON	PYR465-2	5.962	41.00	2.00	43.00	.44
0	121.1430.2	035997	PAYROLL D'ALESSANDRO LANDSCAPE,IN	PYR465-2	5.962	58.00	3.00	61.00	.46
0	121.1430.2	036008	PAYROLL DANELLA CONSTRUCTION ON 1	PYR465-2	5.962	390.00	23.00	413.00	.25
0	121.1430.2	036014	PAYROLL COBRA CONSTRUCTION,INC. C	PYR465-2	5.962	155.00	9.00	164.00	.24
						20,729.00	107.00	20,836.00	.00
0	121.1630.1		PAYROLL	PYR465-2	5.962	10,625.00	633.00	11,258.00	.46
						10,625.00	633.00	11,258.00	.46
0	121.1840.1		PAYROLL	PYR465-2	5.962	22,716.00	1,354.00	24,070.00	.33
0	121.1840.3		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.5		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.51		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.53		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.54		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.55		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.57		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.58		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
0	121.1840.59		PAYROLL	PYR465-2	5.962	.00	.00	.00	.00
						22,716.00	1,354.00	24,070.00	.33
0	121.1860.3		PAYROLL	PYR465-2	5.962	301.00	18.00	319.00	.05-
0	121.1860.31	008002	PAYROLL PIPING COSTS - EXSISTING	PYR465-2	5.962	4,846.00	289.00	5,135.00	.08-
0	121.1860.32	001004	PAYROLL CONVERSION COSTS-RESIDENT	PYR465-2	5.962	9,087.00	542.00	9,629.00	.23-
0	121.1860.32	003004	PAYROLL CONVERSION COSTS-COMMERCI	PYR465-2	5.962	1,797.00	107.00	1,904.00	.14
						16,031.00	956.00	16,987.00	.22-
0	121.4010.813		PAYROLL	PYR465-2	5.962	9,933.00	592.00	10,525.00	.21
0	121.4010.814		PAYROLL	PYR465-2	5.962	248.00	15.00	263.00	.21-
0	121.4010.870		PAYROLL	PYR465-2	5.962	27,491.00	1,639.00	29,130.00	.01
0	121.4010.874		PAYROLL	PYR465-2	5.962	48,552.00	2,895.00	51,447.00	.33-
0	121.4010.8771		PAYROLL	PYR465-2	5.962	393.00	23.00	416.00	.43
0	121.4010.878		PAYROLL	PYR465-2	5.962	96,141.00	5,732.00	101,873.00	.07-
0	121.4010.8791		PAYROLL	PYR465-2	5.962	14,626.00	872.00	15,498.00	.00
0	121.4010.8792		PAYROLL	PYR465-2	5.962	2,995.00	179.00	3,174.00	.44-
0	121.4010.8793		PAYROLL	PYR465-2	5.962	8,903.00	531.00	9,434.00	.20-
0	121.4010.8801		PAYROLL	PYR465-2	5.962	3,965.00	236.00	4,201.00	.39
0	121.4010.8802		PAYROLL	PYR465-2	5.962	23,781.00	1,418.00	25,199.00	.18-
3	121.4010.901		PAYROLL	PYR465-2	5.962	6,010.00	358.00	6,368.00	.32
0	121.4010.902		PAYROLL	PYR465-2	5.962	4,153.00	248.00	4,401.00	.40-
3	121.4010.903		PAYROLL	PYR465-2	5.962	57,478.00	3,427.00	60,905.00	.16-
0	121.4010.905		PAYROLL	PYR465-2	5.962	603.00	36.00	639.00	.05-
0	121.4010.907	071450	PAYROLL COMMON-LABOR/PAYROLL	PYR465-2	5.962	3,559.00	212.00	3,771.00	.19
0	121.4010.908	070150	PAYROLL GOODCENTS HOME(NEW CONST)	PYR465-2	5.962	3,566.00	213.00	3,779.00	.40-
0	121.4010.908	070250	PAYROLL GOODCENTS APPL IMPRV LABO	PYR465-2	5.962	1,560.00	93.00	1,653.00	.01
0	121.4010.908	070450	PAYROLL GOODCENTS SPACE COND-LAB/	PYR465-2	5.962	275.00	16.00	291.00	.40
0	121.4010.908	070550	PAYROLL GOODCENTS ENERGY SURVEY L	PYR465-2	5.962	152.00	9.00	161.00	.06
0	121.4010.908	070650	PAYROLL GOODCENTS APPLI UPGRADE L	PYR465-2	5.962	2,421.00	144.00	2,565.00	.34

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	121.4010.908	071050	PAYROLL GOODCENTS COMM ENRGY SRV	PYR465-2	5.962	612.00	36.00	648.00	.49
0	121.4010.908	071450	PAYROLL COMMON-LABOR/PAYROLL	PYR465-2	5.962	5,491.00	327.00	5,818.00	.37
0	121.4010.910	071450	PAYROLL COMMON-LABOR/PAYROLL	PYR465-2	5.962	930.00	55.00	985.00	.45
0	121.4010.911		PAYROLL	PYR465-2	5.962	4,339.00	259.00	4,598.00	.31-
0	121.4010.9121		PAYROLL	PYR465-2	5.962	85,310.00	5,086.00	90,396.00	.18
0	121.4010.9122		PAYROLL	PYR465-2	5.962	1,708.00	102.00	1,810.00	.17-
0	121.4010.9162		PAYROLL	PYR465-2	5.962	603.00	36.00	639.00	.05-
	121.4010.9252		PAYROLL	PYR480	.000	6,005.00-	.00	6,005.00-	.00
	121.4010.9261		PAYROLL	PYR480	.000	10,244.00-	.00	10,244.00-	.00
	121.4010.9262		PAYROLL	PYR480	.000	16,125.00-	.00	16,125.00-	.00
	121.4010.9264		PAYROLL	PYR480	.000	330.00-	.00	330.00-	.00
0	121.4010.928		PAYROLL	PYR465-2	5.962	338.00	20.00	358.00	.15
						383,432.00	24,809.00	408,241.00	1.03
0	121.4020.885		PAYROLL	PYR465-2	5.962	880.00	52.00	932.00	.47
0	121.4020.886		PAYROLL	PYR465-2	5.962	679.00	40.00	719.00	.48
0	121.4020.887		PAYROLL	PYR465-2	5.962	13,737.00	819.00	14,556.00	.00
0	121.4020.889		PAYROLL	PYR465-2	5.962	1,423.00	85.00	1,508.00	.16-
0	121.4020.891		PAYROLL	PYR465-2	5.962	1,874.00	112.00	1,986.00	.27-
0	121.4020.892		PAYROLL	PYR465-2	5.962	10,352.00	617.00	10,969.00	.19
0	121.4020.8931		PAYROLL	PYR465-2	5.962	7,096.00	423.00	7,519.00	.06
0	121.4020.8932		PAYROLL	PYR465-2	5.962	687.00	41.00	728.00	.04-
0	121.4020.894		PAYROLL	PYR465-2	5.962	101.00	6.00	107.00	.02
0	121.4020.935		PAYROLL	PYR465-2	5.962	186.00	11.00	197.00	.09
						37,015.00	2,206.00	39,221.00	.84
	121.4080.5		PAYROLL	PYR480	.000	.00	.00	.00	.00
	121.4080.6		PAYROLL	PYR480	.000	.00	.00	.00	.00
	121.4080.7		PAYROLL	PYR480	.000	29,452.00-	.00	29,452.00-	.00
						29,452.00-	.00	29,452.00-	.00
3	123.1040.1		PAYROLL	PYR465-2	8.110	1,013.00	82.00	1,095.00	.15
						1,013.00	82.00	1,095.00	.15
3	123.1070.376112	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	1,828.00	148.00	1,976.00	.25
3	123.1070.376112	000008	PAYROLL BLANKET BARE STEEL REPLAC	PYR465-2	8.110	78.00	6.00	84.00	.33
3	123.1070.376112	021639	PAYROLL SO#517231-CARRIAGE HOMES	PYR465-2	8.110	144.00	12.00	156.00	.32-
3	123.1070.376112	021921	PAYROLL SO#646939-AEP VICTORIA PK	PYR465-2	8.110	1,353.00	110.00	1,463.00	.27-
3	123.1070.376112	028022	PAYROLL EAST UNIVERSITY AVE.	PYR465-2	8.110	27.00	2.00	29.00	.19
3	123.1070.376112	028029	PAYROLL WEST MICHIGAN AVENUE	PYR465-2	8.110	58.00	5.00	63.00	.30-
3	123.1070.376112	028032	PAYROLL NORTH ADELLE AVE	PYR465-2	8.110	90.00	7.00	97.00	.30
3	123.1070.376120	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	1,611.00	131.00	1,742.00	.35-
3	123.1070.376120	000008	PAYROLL BLANKET BARE STEEL REPLAC	PYR465-2	8.110	759.00	62.00	821.00	.45-
3	123.1070.376120	021348	PAYROLL AEP-VICTORIA PARK PH. II	PYR465-2	8.110	58.00	5.00	63.00	.30-
3	123.1070.376120	021597	PAYROLL SO#505087-VICTORIA PK INC	PYR465-2	8.110	58.00	5.00	63.00	.30-
3	123.1070.376120	021779	PAYROLL CO#585435-ARBOR RIDGE PHA	PYR465-2	8.110	22.00	2.00	24.00	.22-
3	123.1070.376120	021921	PAYROLL SO#646939-AEP VICTORIA PK	PYR465-2	8.110	934.00	76.00	1,010.00	.25-
3	123.1070.376120	021932	PAYROLL CO#656340-AEP-LONGWOOD HI	PYR465-2	8.110	115.00	9.00	124.00	.33
3	123.1070.376120	021947	PAYROLL SO#667794-MYRTLE AVE.	PYR465-2	8.110	118.00	10.00	128.00	.43-
3	123.1070.376120	028033	PAYROLL EAST RICH AVE	PYR465-2	8.110	27.00	2.00	29.00	.19
3	123.1070.376120	028035	PAYROLL NORTH CLARA AVE.	PYR465-2	8.110	27.00	2.00	29.00	.19
3	123.1070.376140	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	158.00	13.00	171.00	.19-
3	123.1070.376140	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	8.110	2,249.00	182.00	2,431.00	.39
3	123.1070.376140	021921	PAYROLL SO#646939-AEP VICTORIA PK	PYR465-2	8.110	1,380.00	112.00	1,492.00	.08-

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
3	123.1070.380105	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	2,994.00	243.00	3,237.00	.19-
3	123.1070.380105	000008	PAYROLL BLANKET BARE STEEL REPLAC	PYR465-2	8.110	273.00	22.00	295.00	.14
3	123.1070.380107	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	8,078.00	655.00	8,733.00	.13
3	123.1070.380107	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	8.110	920.00	75.00	995.00	.39-
3	123.1070.380107	000008	PAYROLL BLANKET BARE STEEL REPLAC	PYR465-2	8.110	4,630.00	375.00	5,005.00	.49
3	123.1070.380112	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	179.00	15.00	194.00	.48-
3	123.1070.380120	021921	PAYROLL SO#646939-AEP VICTORIA PK	PYR465-2	8.110	159.00	13.00	172.00	.11-
3	123.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	2,445.00	198.00	2,643.00	.29
3	123.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	994.00	81.00	1,075.00	.39-
3	123.1070.385	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	22.00	2.00	24.00	.22-
						31,788.00	2,580.00	34,368.00	2.02-
3	123.1080.3801		PAYROLL	PYR465-2	8.110	951.00	77.00	1,028.00	.13
3	123.1080.3802		PAYROLL	PYR465-2	8.110	4,508.00	366.00	4,874.00	.40-
3	123.1080.385		PAYROLL	PYR465-2	8.110	122.00	10.00	132.00	.11-
						5,581.00	453.00	6,034.00	.38-
3	123.1430.1	000134	PAYROLL MIDDLETON DON CHANGED 3/5	PYR465-2	.000	1,127.00	.00	1,127.00	.00
3	123.1430.1	000483	PAYROLL KITNER,DON	PYR465-2	.000	561.00	.00	561.00	.00
3	123.1430.1	001521	PAYROLL PENDLETON GLENN	PYR465-2	.000	19.00-	.00	19.00-	.00
3	123.1430.1	001943	PAYROLL BLAND FRED	PYR465-2	.000	384.00	.00	384.00	.00
3	123.1430.1	002666	PAYROLL BLAZINA, GREG	PYR465-2	.000	893.00	.00	893.00	.00
3	123.1430.1	002719	PAYROLL THOMAS ANDY	PYR465-2	.000	364.00	.00	364.00	.00
3	123.1430.1	003914	PAYROLL SCRIBBEN DANIEL	PYR465-2	.000	10.00-	.00	10.00-	.00
3	123.1430.2	035965	PAYROLL CHARLES CRIM CUT 1/2" PE	PYR465-2	8.110	80.00	6.00	86.00	.49
3	123.1430.2	035971	PAYROLL GLOBAL DEMOLITION & RECYC	PYR465-2	8.110	115.00	9.00	124.00	.33
3	123.1430.2	035980	PAYROLL WHITE SITE DEVELOPMENT IN	PYR465-2	8.110	422.00	34.00	456.00	.22
3	123.1430.2	035993	PAYROLL HUNGRY HOWIES REPLACED ME	PYR465-2	8.110	34.00	3.00	37.00	.24-
3	123.1430.2	036010	PAYROLL CCR TOTAL TURF MANGEMENT	PYR465-2	8.110	41.00	3.00	44.00	.33
3	123.1430.2	036012	PAYROLL TRIPLE C HYDRO SEEDING HI	PYR465-2	8.110	38.00	3.00	41.00	.08
3	123.1430.2	036015	PAYROLL QUALITY BY DESIGN REPAIRE	PYR465-2	8.110	82.00	7.00	89.00	.35-
						4,112.00	65.00	4,177.00	.86
3	123.1550.3		PAYROLL	PYR465-2	8.110	224.00	18.00	242.00	.17
						224.00	18.00	242.00	.17
3	123.1630.1		PAYROLL	PYR465-2	8.110	6,412.00	520.00	6,932.00	.01
3	123.1630.3		PAYROLL	PYR465-2	8.110	171.00	14.00	185.00	.13-
						6,583.00	534.00	7,117.00	.12-
3	123.1840.1		PAYROLL	PYR465-2	8.110	4,663.00	378.00	5,041.00	.17
3	123.1840.3		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
3	123.1840.5		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
3	123.1840.55		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
3	123.1840.57		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
3	123.1840.58		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
3	123.1840.59		PAYROLL	PYR465-2	8.110	.00	.00	.00	.00
						4,663.00	378.00	5,041.00	.17
3	123.1860.31	003000	PAYROLL PIPING-NEW RESIDENTIAL	PYR465-2	8.110	2,076.00	168.00	2,244.00	.36
3	123.1860.31	004003	PAYROLL PIPING-NEW BUSINESS	PYR465-2	8.110	389.00	32.00	421.00	.45-
3	123.1860.31	008002	PAYROLL PIPING COSTS - EXSISTING	PYR465-2	8.110	1,891.00	153.00	2,044.00	.36
3	123.1860.32	001004	PAYROLL CONVERSION COSTS-RESIDENT	PYR465-2	8.110	840.00	68.00	908.00	.12
						5,196.00	421.00	5,617.00	.39

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	123.4010.813		PAYROLL	PYR465-2	8.110	5,374.00	436.00	5,810.00	.17-
3	123.4010.814		PAYROLL	PYR465-2	8.110	462.00	37.00	499.00	.47-
3	123.4010.870		PAYROLL	PYR465-2	8.110	9,891.00	802.00	10,693.00	.16
3	123.4010.8711		PAYROLL	PYR465-2	8.110	399.00	32.00	431.00	.36
3	123.4010.874		PAYROLL	PYR465-2	8.110	28,357.00	2,300.00	30,657.00	.25-
3	123.4010.8771		PAYROLL	PYR465-2	8.110	442.00	36.00	478.00	.15-
3	123.4010.878		PAYROLL	PYR465-2	8.110	34,458.00	2,795.00	37,253.00	.46-
3	123.4010.8791		PAYROLL	PYR465-2	8.110	7,643.00	620.00	8,263.00	.15-
3	123.4010.8792		PAYROLL	PYR465-2	8.110	762.00	62.00	824.00	.20-
3	123.4010.8793		PAYROLL	PYR465-2	8.110	2,622.00	213.00	2,835.00	.36-
3	123.4010.8801		PAYROLL	PYR465-2	8.110	5,480.00	444.00	5,924.00	.43
3	123.4010.8802		PAYROLL	PYR465-2	8.110	7,865.00	638.00	8,503.00	.15-
3	123.4010.901		PAYROLL	PYR465-2	8.110	6,210.00	504.00	6,714.00	.37-
3	123.4010.902		PAYROLL	PYR465-2	8.110	15,467.00	1,254.00	16,721.00	.37
3	123.4010.903		PAYROLL	PYR465-2	8.110	36,015.00	2,921.00	38,936.00	.18-
0	123.4010.907	071450	PAYROLL COMMON-LABOR/PAYROLL	PYR465-2	8.110	1,949.00	158.00	2,107.00	.06
3	123.4010.908	070150	PAYROLL GOODCENTS HOME(NEW CONST)	PYR465-2	8.110	1,266.00	103.00	1,369.00	.33-
3	123.4010.908	070250	PAYROLL GOODCENTS APPL IMPRV LABO	PYR465-2	8.110	778.00	63.00	841.00	.10
3	123.4010.908	070350	PAYROLL GOODCENTS CONSERV ED-LABO	PYR465-2	8.110	680.00	55.00	735.00	.15
3	123.4010.908	070450	PAYROLL GOODCENTS SPACE COND-LAB/	PYR465-2	8.110	242.00	20.00	262.00	.37-
3	123.4010.908	070550	PAYROLL GOODCENTS ENERGY SURVEY L	PYR465-2	8.110	326.00	26.00	352.00	.44
3	123.4010.908	070650	PAYROLL GOODCENTS APPLI UPGRADE L	PYR465-2	8.110	749.00	61.00	810.00	.26-
3	123.4010.908	070750	PAYROLL GOODCENTS DEALR/CNTRCTR-L	PYR465-2	8.110	507.00	41.00	548.00	.12
3	123.4010.908	071050	PAYROLL GOODCENTS COMM ENRGY SRV	PYR465-2	8.110	549.00	45.00	594.00	.48-
3	123.4010.908	071450	PAYROLL COMMON-LABOR/PAYROLL	PYR465-2	8.110	6,875.00	558.00	7,433.00	.44-
3	123.4010.911		PAYROLL	PYR465-2	8.110	7,160.00	581.00	7,741.00	.32-
3	123.4010.9121		PAYROLL	PYR465-2	8.110	26,514.00	2,150.00	28,664.00	.29
	123.4010.9252		PAYROLL	PYR480	.000	1,631.00-	.00	1,631.00-	.00
	123.4010.9261		PAYROLL	PYR480	.000	2,312.00-	.00	2,312.00-	.00
	123.4010.9262		PAYROLL	PYR480	.000	3,637.00-	.00	3,637.00-	.00
	123.4010.9264		PAYROLL	PYR480	.000	71.00-	.00	71.00-	.00
0	123.4010.928		PAYROLL	PYR465-2	8.110	404.00	33.00	437.00	.24-
						201,795.00	16,988.00	218,783.00	1.93-
3	123.4020.885		PAYROLL	PYR465-2	8.110	9,073.00	736.00	9,809.00	.18-
3	123.4020.886		PAYROLL	PYR465-2	8.110	459.00	37.00	496.00	.22
3	123.4020.887		PAYROLL	PYR465-2	8.110	2,126.00	172.00	2,298.00	.42
3	123.4020.891		PAYROLL	PYR465-2	8.110	530.00	43.00	573.00	.02-
3	123.4020.892		PAYROLL	PYR465-2	8.110	3,935.00	319.00	4,254.00	.13
0	123.4020.8931		PAYROLL	PYR465-2	8.110	2,403.00	195.00	2,598.00	.12-
3	123.4020.894		PAYROLL	PYR465-2	8.110	30.00	2.00	32.00	.43
						18,556.00	1,504.00	20,060.00	.88
	123.4080.5		PAYROLL	PYR480	.000	.00	.00	.00	.00
	123.4080.6		PAYROLL	PYR480	.000	.00	.00	.00	.00
	123.4080.7		PAYROLL	PYR480	.000	8,621.00-	.00	8,621.00-	.00
						8,621.00-	.00	8,621.00-	.00
	126.4010.9252		PAYROLL	PYR480	.000	.00	.00	.00	.00
	126.4010.9261		PAYROLL	PYR480	.000	.00	.00	.00	.00
	126.4010.9262		PAYROLL	PYR480	.000	.00	.00	.00	.00
	126.4010.9264		PAYROLL	PYR480	.000	.00	.00	.00	.00
						.00	.00	.00	.00

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	141.4160.21		PAYROLL	PYR465-2	5.962	64.00	4.00	68.00	.18-
0	141.4160.28		PAYROLL	PYR465-2	5.962	2,620.00	156.00	2,776.00	.20-
0	141.4160.29		PAYROLL	PYR465-2	5.962	15,216.00	907.00	16,123.00	.18
0	141.4160.33		PAYROLL	PYR465-2	5.962	12,111.00	722.00	12,833.00	.06
3	141.4160.340		PAYROLL	PYR465-2	5.962	248.00	15.00	263.00	.21-
0	141.4160.351		PAYROLL	PYR465-2	5.962	19,139.00	1,141.00	20,280.00	.07
0	141.4160.353		PAYROLL	PYR465-2	5.962	2,328.00	139.00	2,467.00	.20-
0	141.4160.391		PAYROLL	PYR465-2	5.962	3,389.00	202.00	3,591.00	.05
0	141.4160.43		PAYROLL	PYR465-2	5.962	289.00	17.00	306.00	.23
0	141.4160.52		PAYROLL	PYR465-2	5.962	19,081.00	1,138.00	20,219.00	.39-
0	141.4160.54		PAYROLL	PYR465-2	5.962	5,282.00	315.00	5,597.00	.09-
3	141.4160.6		PAYROLL	PYR465-2	5.962	2,171.00	129.00	2,300.00	.44
						81,938.00	4,885.00	86,823.00	.16
3	143.4160.29		PAYROLL	PYR465-2	8.110	6,145.00	498.00	6,643.00	.36
3	143.4160.33		PAYROLL	PYR465-2	8.110	1,739.00	141.00	1,880.00	.03
3	143.4160.340		PAYROLL	PYR465-2	8.110	285.00	23.00	308.00	.11
3	143.4160.351		PAYROLL	PYR465-2	8.110	5,157.00	418.00	5,575.00	.23
3	143.4160.353		PAYROLL	PYR465-2	8.110	4,003.00	325.00	4,328.00	.36-
3	143.4160.391		PAYROLL	PYR465-2	8.110	1,694.00	137.00	1,831.00	.38
3	143.4160.43		PAYROLL	PYR465-2	8.110	332.00	27.00	359.00	.07-
3	143.4160.52		PAYROLL	PYR465-2	8.110	4,992.00	405.00	5,397.00	.15-
3	143.4160.6		PAYROLL	PYR465-2	8.110	342.00	28.00	370.00	.26-
						24,689.00	2,002.00	26,691.00	.27
5	945.4160.29		PAYROLL	PYR465-2	3.923	740.00	29.00	769.00	.03
5	945.4160.33		PAYROLL	PYR465-2	3.923	1,243.00	49.00	1,292.00	.24-
3	945.4160.340		PAYROLL	PYR465-2	3.923	48.00	2.00	50.00	.12-
5	945.4160.351		PAYROLL	PYR465-2	3.923	2,028.00	80.00	2,108.00	.44-
5	945.4160.52		PAYROLL	PYR465-2	3.923	3,592.00	141.00	3,733.00	.09-
5	945.4160.6		PAYROLL	PYR465-2	3.923	707.00	28.00	735.00	.26-
						8,358.00	329.00	8,687.00	1.12-
6	946.4160.29		PAYROLL	PYR465-2	5.043-	805.00	41.00-	764.00	.40
6	946.4160.33		PAYROLL	PYR465-2	5.043-	935.00	47.00-	888.00	.15-
3	946.4160.340		PAYROLL	PYR465-2	5.043-	48.00	2.00-	46.00	.42-
6	946.4160.351		PAYROLL	PYR465-2	5.043-	1,136.00	57.00-	1,079.00	.29-
6	946.4160.391		PAYROLL	PYR465-2	5.043-	698.00	35.00-	663.00	.20-
6	946.4160.52		PAYROLL	PYR465-2	5.043-	915.00	46.00-	869.00	.14-
6	946.4160.6		PAYROLL	PYR465-2	5.043-	271.00	14.00-	257.00	.33
						4,808.00	242.00-	4,566.00	.47-
0	991.1070.374	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	124.00	7.00	131.00	.39
0	991.1070.376	021793	PAYROLL SO#529484-CASA DELSOL BLD	PYR465-2	5.962	1,298.00	77.00	1,375.00	.39
0	991.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	268.00	16.00	284.00	.02-
0	991.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	567.00	34.00	601.00	.20-
0	991.1070.385	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	5,694.00	339.00	6,033.00	.48
0	991.1070.386	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	11,633.00	694.00	12,327.00	.44-
0	991.1070.394	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.962	121.00	7.00	128.00	.21
						19,705.00	1,174.00	20,879.00	.81
0	991.1080.374		PAYROLL	PYR465-2	5.962	641.00	38.00	679.00	.22
0	991.1080.385		PAYROLL	PYR465-2	5.962	226.00	13.00	239.00	.47
0	991.1080.386		PAYROLL	PYR465-2	5.962	2,113.00	126.00	2,239.00	.02-
						2,980.00	177.00	3,157.00	.67

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	991.1860.32	003004	PAYROLL CONVERSION COSTS-COMMERCI	PYR465-2	5.962	179.00	11.00	190.00	.33-
						179.00	11.00	190.00	.33-
0	991.4010.800		PAYROLL	PYR465-2	5.962	595.00	35.00	630.00	.47
0	991.4010.8031		PAYROLL	PYR465-2	5.962	43,587.00	2,599.00	46,186.00	.34-
0	991.4010.8031	030998	PAYROLL L.P. GAS RUN-OUT TRACKING	PYR465-2	5.962	6,221.00	371.00	6,592.00	.10-
0	991.4010.8032		PAYROLL	PYR465-2	5.962	98.00	6.00	104.00	.16-
0	991.4010.8033		PAYROLL	PYR465-2	5.962	6,789.00	405.00	7,194.00	.24-
0	991.4010.8034		PAYROLL	PYR465-2	5.962	1,657.00	99.00	1,756.00	.21-
0	991.4010.870		PAYROLL	PYR465-2	5.962	3,184.00	190.00	3,374.00	.17-
0	991.4010.874		PAYROLL	PYR465-2	5.962	357.00	21.00	378.00	.28
0	991.4010.878		PAYROLL	PYR465-2	5.962	10,359.00	618.00	10,977.00	.40-
0	991.4010.8791		PAYROLL	PYR465-2	5.962	3,992.00	238.00	4,230.00	.00
0	991.4010.8792		PAYROLL	PYR465-2	5.962	872.00	52.00	924.00	.01-
0	991.4010.8793		PAYROLL	PYR465-2	5.962	1,759.00	105.00	1,864.00	.13-
0	991.4010.8801		PAYROLL	PYR465-2	5.962	251.00	15.00	266.00	.04-
0	991.4010.8802		PAYROLL	PYR465-2	5.962	6,202.00	370.00	6,572.00	.24-
3	991.4010.901		PAYROLL	PYR465-2	5.962	1,435.00	86.00	1,521.00	.45-
0	991.4010.902		PAYROLL	PYR465-2	5.962	2,156.00	129.00	2,285.00	.46-
3	991.4010.903		PAYROLL	PYR465-2	5.962	11,273.00	672.00	11,945.00	.10
0	991.4010.9031		PAYROLL	PYR465-2	5.962	298.00	18.00	316.00	.23-
0	991.4010.905		PAYROLL	PYR465-2	5.962	202.00	12.00	214.00	.04
0	991.4010.911		PAYROLL	PYR465-2	5.962	991.00	59.00	1,050.00	.08
0	991.4010.912		PAYROLL	PYR465-2	5.962	16,686.00	995.00	17,681.00	.18-
0	991.4010.916		PAYROLL	PYR465-2	5.962	12,933.00	771.00	13,704.00	.07
	991.4010.9252		PAYROLL	PYR480	.000	3,985.00	.00	3,985.00	.00
	991.4010.9261		PAYROLL	PYR480	.000	6,794.00	.00	6,794.00	.00
	991.4010.9262		PAYROLL	PYR480	.000	10,691.00	.00	10,691.00	.00
	991.4010.9264		PAYROLL	PYR480	.000	221.00	.00	221.00	.00
0	991.4010.930		PAYROLL	PYR465-2	5.962	143.00	9.00	152.00	.47-
						153,731.00	7,875.00	161,606.00	2.79-
0	991.4020.8439		PAYROLL	PYR465-2	5.962	474.00	28.00	502.00	.26
0	991.4020.885		PAYROLL	PYR465-2	5.962	480.00	29.00	509.00	.38-
0	991.4020.886		PAYROLL	PYR465-2	5.962	169.00	10.00	179.00	.08
0	991.4020.887		PAYROLL	PYR465-2	5.962	44.00	3.00	47.00	.38-
0	991.4020.892		PAYROLL	PYR465-2	5.962	107.00	6.00	113.00	.38
0	991.4020.8931		PAYROLL	PYR465-2	5.962	591.00	35.00	626.00	.24
0	991.4020.896		PAYROLL	PYR465-2	5.962	15,481.00	923.00	16,404.00	.02-
0	991.4020.898		PAYROLL	PYR465-2	5.962	4,208.00	251.00	4,459.00	.12-
0	991.4020.935		PAYROLL	PYR465-2	5.962	68.00	4.00	72.00	.05
						21,622.00	1,289.00	22,911.00	.11
3	993.1070.313	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	98.00	8.00	106.00	.05-
3	993.1070.376	021669	PAYROLL VERANDA PARK BLOCK SYSTEM	PYR465-2	8.110	115.00	9.00	124.00	.33
3	993.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	202.00	16.00	218.00	.38
3	993.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	75.00	6.00	81.00	.08
3	993.1070.385	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	1,177.00	95.00	1,272.00	.45
3	993.1070.385	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	8.110	187.00	15.00	202.00	.17
3	993.1070.386	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	8.110	546.00	44.00	590.00	.28
						2,400.00	193.00	2,593.00	1.64
3	993.1080.385		PAYROLL	PYR465-2	8.110	65.00	5.00	70.00	.27
3	993.1080.386		PAYROLL	PYR465-2	8.110	96.00	8.00	104.00	.21-
						161.00	13.00	174.00	.06

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
0	993.4010.800		PAYROLL	PYR465-2	8.110	149.00	12.00	161.00	.08
3	993.4010.8031		PAYROLL	PYR465-2	8.110	20,677.00	1,677.00	22,354.00	.10-
3	993.4010.8031	030998	PAYROLL L.P. GAS RUN-OUT TRACKING	PYR465-2	8.110	339.00	27.00	366.00	.49
3	993.4010.8032		PAYROLL	PYR465-2	8.110	55.00	4.00	59.00	.46
3	993.4010.8033		PAYROLL	PYR465-2	8.110	1,076.00	87.00	1,163.00	.26
3	993.4010.8036		PAYROLL	PYR465-2	8.110	3,139.00	255.00	3,394.00	.43-
3	993.4010.870		PAYROLL	PYR465-2	8.110	2,841.00	230.00	3,071.00	.41
3	993.4010.874		PAYROLL	PYR465-2	8.110	468.00	38.00	506.00	.05-
3	993.4010.878		PAYROLL	PYR465-2	8.110	5,991.00	486.00	6,477.00	.13-
3	993.4010.8791		PAYROLL	PYR465-2	8.110	1,227.00	100.00	1,327.00	.49-
3	993.4010.8792		PAYROLL	PYR465-2	8.110	178.00	14.00	192.00	.44
3	993.4010.8793		PAYROLL	PYR465-2	8.110	1,020.00	83.00	1,103.00	.28-
3	993.4010.8802		PAYROLL	PYR465-2	8.110	1,212.00	98.00	1,310.00	.29
3	993.4010.901		PAYROLL	PYR465-2	8.110	831.00	67.00	898.00	.39
3	993.4010.902		PAYROLL	PYR465-2	8.110	3,096.00	251.00	3,347.00	.09
3	993.4010.903		PAYROLL	PYR465-2	8.110	4,378.00	355.00	4,733.00	.06
3	993.4010.911		PAYROLL	PYR465-2	8.110	3,284.00	266.00	3,550.00	.33
3	993.4010.912		PAYROLL	PYR465-2	8.110	6,816.00	553.00	7,369.00	.22-
3	993.4010.916		PAYROLL	PYR465-2	8.110	1,386.00	112.00	1,498.00	.40
	993.4010.9252		PAYROLL	PYR480	.000	1,951.00	.00	1,951.00	.00
	993.4010.9261		PAYROLL	PYR480	.000	2,766.00	.00	2,766.00	.00
	993.4010.9262		PAYROLL	PYR480	.000	4,352.00	.00	4,352.00	.00
	993.4010.9264		PAYROLL	PYR480	.000	90.00	.00	90.00	.00
						67,322.00	4,715.00	72,037.00	2.00
3	993.4020.8439		PAYROLL	PYR465-2	8.110	59.00	5.00	64.00	.22-
3	993.4020.885		PAYROLL	PYR465-2	8.110	1,834.00	149.00	1,983.00	.26-
3	993.4020.892		PAYROLL	PYR465-2	8.110	202.00	16.00	218.00	.38
0	993.4020.8931		PAYROLL	PYR465-2	8.110	205.00	17.00	222.00	.37-
3	993.4020.896		PAYROLL	PYR465-2	8.110	71.00	6.00	77.00	.24-
3	993.4020.898		PAYROLL	PYR465-2	8.110	2,350.00	191.00	2,541.00	.41-
						4,721.00	384.00	5,105.00	1.12-
5	995.1070.380	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	84.00	3.00	87.00	.30
5	995.1070.382	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	210.00	8.00	218.00	.24
5	995.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	3.923	423.00	17.00	440.00	.41-
5	995.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	3.923	117.00	5.00	122.00	.41-
5	995.1070.385	000002	PAYROLL LOCAL NON-TRACKED IR	PYR465-2	3.923	84.00	3.00	87.00	.30
5	995.1070.385	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	3.923	1,244.00	49.00	1,293.00	.20-
5	995.1070.386	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	3.923	3,133.00	123.00	3,256.00	.09-
						5,295.00	208.00	5,503.00	.27-
5	995.1080.385		PAYROLL	PYR465-2	3.923	332.00	13.00	345.00	.02
						332.00	13.00	345.00	.02
5	995.1630.1		PAYROLL	PYR465-2	3.923	1,065.00	42.00	1,107.00	.22-
						1,065.00	42.00	1,107.00	.22-
0	995.4010.800		PAYROLL	PYR465-2	3.923	298.00	12.00	310.00	.31-
5	995.4010.8031		PAYROLL	PYR465-2	3.923	16,566.00	650.00	17,216.00	.12-
5	995.4010.8032		PAYROLL	PYR465-2	3.923	296.00	12.00	308.00	.39-
5	995.4010.8033		PAYROLL	PYR465-2	3.923	1,528.00	60.00	1,588.00	.06-
5	995.4010.8034		PAYROLL	PYR465-2	3.923	253.00	10.00	263.00	.07-
5	995.4010.8036		PAYROLL	PYR465-2	3.923	3,731.00	146.00	3,877.00	.37

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT		DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
5	995.4010.870		PAYROLL	PYR465-2	3.923	2,142.00	84.00	2,226.00	.03
5	995.4010.878		PAYROLL	PYR465-2	3.923	4,559.00	179.00	4,738.00	.15-
5	995.4010.8791		PAYROLL	PYR465-2	3.923	364.00	14.00	378.00	.28
5	995.4010.8793		PAYROLL	PYR465-2	3.923	2,027.00	80.00	2,107.00	.48-
5	995.4010.8802		PAYROLL	PYR465-2	3.923	474.00	19.00	493.00	.40-
5	995.4010.901		PAYROLL	PYR465-2	3.923	3,027.00	119.00	3,146.00	.25-
5	995.4010.902		PAYROLL	PYR465-2	3.923	287.00	11.00	298.00	.26
5	995.4010.903		PAYROLL	PYR465-2	3.923	4,729.00	186.00	4,915.00	.48-
5	995.4010.911		PAYROLL	PYR465-2	3.923	1,673.00	66.00	1,739.00	.37-
5	995.4010.912		PAYROLL	PYR465-2	3.923	12,156.00	477.00	12,633.00	.12-
5	995.4010.916		PAYROLL	PYR465-2	3.923	3,954.00	155.00	4,109.00	.12
	995.4010.9252		PAYROLL	PYR480	.000	1,962.00	.00	1,962.00	.00
	995.4010.9261		PAYROLL	PYR480	.000	3,001.00	.00	3,001.00	.00
	995.4010.9262		PAYROLL	PYR480	.000	4,722.00	.00	4,722.00	.00
	995.4010.9264		PAYROLL	PYR480	.000	97.00	.00	97.00	.00
						67,846.00	2,280.00	70,126.00	2.14-
5	995.4020.8432		PAYROLL	PYR465-2	3.923	267.00	10.00	277.00	.47
5	995.4020.8439		PAYROLL	PYR465-2	3.923	223.00	9.00	232.00	.25-
5	995.4020.885		PAYROLL	PYR465-2	3.923	1,012.00	40.00	1,052.00	.30-
5	995.4020.896		PAYROLL	PYR465-2	3.923	906.00	36.00	942.00	.46-
5	995.4020.898		PAYROLL	PYR465-2	3.923	137.00	5.00	142.00	.37
						2,545.00	100.00	2,645.00	.17-
3	996.1070.376	021319	PAYROLL BLOCK SYSTEM ACCESS FEE	PYR465-2	5.043-	388.00	20.00-	368.00	.43
6	996.1070.382	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.043-	570.00	29.00-	541.00	.25
6	996.1070.382	000004	PAYROLL NON-REVENUE PRODUCING-BLA	PYR465-2	5.043-	81.00	4.00-	77.00	.08-
3	996.1070.384	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.043-	17.00	1.00-	16.00	.14
6	996.1070.385	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.043-	3,207.00	162.00-	3,045.00	.27
6	996.1070.386	000003	PAYROLL REVENUE PRODUCING-BLANKET	PYR465-2	5.043-	12.00	1.00-	11.00	.39
						4,275.00	217.00-	4,058.00	1.40
6	996.1080.385		PAYROLL	PYR465-2	5.043-	267.00	13.00-	254.00	.46-
						267.00	13.00-	254.00	.46-
6	996.1430.1	002826	PAYROLL POMEROY, KEITH	PYR465-2	.000	283.00-	.00	283.00-	.00
						283.00-	.00	283.00-	.00
6	996.1840.3		PAYROLL	PYR465-2	5.043-	.00	.00	.00	.00
6	996.1840.5		PAYROLL	PYR465-2	5.043-	.00	.00	.00	.00
6	996.1840.59		PAYROLL	PYR465-2	5.043-	.00	.00	.00	.00
						.00	.00	.00	.00
0	996.4010.800		PAYROLL						
6	996.4010.8031		PAYROLL	PYR465-2	5.043-	149.00	8.00-	141.00	.49
6	996.4010.8032		PAYROLL	PYR465-2	5.043-	6,865.00	346.00-	6,519.00	.20-
6	996.4010.8033		PAYROLL	PYR465-2	5.043-	213.00	11.00-	202.00	.26
6	996.4010.8035		PAYROLL	PYR465-2	5.043-	2,244.00	113.00-	2,131.00	.16-
6	996.4010.870		PAYROLL	PYR465-2	5.043-	148.00	7.00-	141.00	.46-
6	996.4010.874		PAYROLL	PYR465-2	5.043-	987.00	50.00-	937.00	.23
6	996.4010.878		PAYROLL	PYR465-2	5.043-	153.00	8.00-	145.00	.28
6	996.4010.8791		PAYROLL	PYR465-2	5.043-	1,051.00	53.00-	998.00	.00
6	996.4010.8792		PAYROLL	PYR465-2	5.043-	1,547.00	78.00-	1,469.00	.02-
6	996.4010.8793		PAYROLL	PYR465-2	5.043-	304.00	15.00-	289.00	.33-
						1,112.00	56.00-	1,056.00	.08-

DATE 01/12/2007 AS OF 12/31/2006 ANNUAL PAYROLL ACCRUAL OF VACATION PAY LIABILITY WITH PERCENT OF INCREASE. (PYR870)

DIV	ACCOUNT	DESCRIPTION	PROGRAM	% RATE	OLD AMOUNT	INCREASE	NEW AMOUNT	P.ELIM
6	996.4010.8802	PAYROLL	PYR465-2	5.043-	551.00	28.00-	523.00	.21
6	996.4010.901	PAYROLL	PYR465-2	5.043-	1,229.00	62.00-	1,167.00	.02
6	996.4010.902	PAYROLL	PYR465-2	5.043-	561.00	28.00-	533.00	.29-
6	996.4010.903	PAYROLL	PYR465-2	5.043-	2,689.00	136.00-	2,553.00	.39
6	996.4010.911	PAYROLL	PYR465-2	5.043-	1,229.00	62.00-	1,167.00	.02
6	996.4010.912	PAYROLL	PYR465-2	5.043-	2,145.00	108.00-	2,037.00	.17-
6	996.4010.916	PAYROLL	PYR465-2	5.043-	673.00	34.00-	639.00	.06
	996.4010.9252	PAYROLL	PYR480	.000	1,730.00	.00	1,730.00	.00
	996.4010.9261	PAYROLL	PYR480	.000	1,245.00	.00	1,245.00	.00
	996.4010.9262	PAYROLL	PYR480	.000	1,959.00	.00	1,959.00	.00
	996.4010.9264	PAYROLL	PYR480	.000	40.00	.00	40.00	.00
					28,824.00	1,203.00-	27,621.00	.25
6	996.4020.8432	PAYROLL	PYR465-2	5.043-	9.00	.00	9.00	.45-
6	996.4020.8439	PAYROLL	PYR465-2	5.043-	84.00	4.00-	80.00	.24-
6	996.4020.885	PAYROLL	PYR465-2	5.043-	344.00	17.00-	327.00	.35-
6	996.4020.886	PAYROLL	PYR465-2	5.043-	23.00	1.00-	22.00	.16-
6	996.4020.887	PAYROLL	PYR465-2	5.043-	68.00	3.00-	65.00	.43-
6	996.4020.896	PAYROLL	PYR465-2	5.043-	1,544.00	78.00-	1,466.00	.14
6	996.4020.898	PAYROLL	PYR465-2	5.043-	455.00	23.00-	432.00	.05
					2,527.00	126.00-	2,401.00	1.44-
	996.4080.5	PAYROLL	PYR480	.000	.00	.00	.00	.00
	996.4080.6	PAYROLL	PYR480	.000	.00	.00	.00	.00
	996.4080.7	PAYROLL	PYR480	.000	2,254.00-	.00	2,254.00-	.00
					2,254.00-	.00	2,254.00-	.00
					4.00	122,414.00	122,418.00	7.46-

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

MAINTENANCE OF GENERAL OFFICE

		1840		1849		Propane	
		Allocated Common Plant June 30, 2005	%	Allocated Common Plant June 30, 2005	%	Allocated Common Plant June 30, 2005	%
121	South Florida	$2,181,294	46.0	2,181,294	40.0		
123	Central Florida	875,174	18.0	875,174	16.0		
114	Northwest Florida	755,989	16.0	755,989	14.0		
115	Northeast Florida - Electric	949,640	20.0	949,640	17.0		
991	South Florida - Propane			360,204	6.0	360,204	56.0
993	Central Florida - Propane			125,606	2.0	125,606	20.0
995	Northeast Florida - Propane			76,176	1.0	76,176	12.0
996	Nature Coast			76,176	1.0	76,176	12.0
141	South Florida - M & J			116,749	2.0		
143	Central Florida - M & J			68,104	1.0		
945	Northeast Florida - M & J			3,892	0.0		
946	Nature Coast - M & J			5,837	0.0		
	Total	$4,762,097	100.0	5,594,841	100.0	638,162	100.0

Applicable to Account : 935

Applicable M & J Account: 4160.74

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

ADMINISTRATIVE & GENERAL SALARIES & OFFICE SUPPLIES & EXPENSES

		1840		1849		Propane	
		Payroll Base 12 mths ended June 30, 2005	%	Payroll Base 12 mths ended June 30, 2005	%	Payroll Base 12 mths ended June 30, 2005	%
121	South Florida	5,103,005.00	44.0	$5,103,005	34.0		
123	Central Florida	2,494,035	21.0	2,494,035	15.0		
114	Northwest Florida	2,006,327	17.0	2,006,327	12.0		
115	Northeast Florida - Electric	2,160,579	18.0	2,160,579	13.0		
991	South Florida - Propane			1,801,464	11.0	1,801,464	54.0
993	Central Florida - Propane			686,668	4.0	686,668	21.0
995	Northeast Florida - Propane			508,163	3.0	508,163	15.0
996	Nature Coast			321,497	2.0	321,497	10.0
141	South Florida - M & J			831,134	5.0		
143	Central Florida - M & J			180,386	1.0		
945	Northeast Florida - M & J			65,709	0.0		
946	Nature Coast - M & J			36,650	0.0		
	Total	$11,763,946	100.0	$16,195,617	100.0	$3,317,792	100.0

Applicable to Accounts :

9211
9212
9213
9214
9215
9216

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

PENSIONS AND OTHER EMPLOYEE BENEFITS

	1840		1849		Propane		North East Florida	
	Payroll Base 12 mths ended June 30, 2005	%	Payroll Base 12 mths ended June 30, 2005	%	Payroll Base 12 mths ended June 30, 2005	%	Payroll Base 12 mths ended June 30, 2005	%
121 South Florida	$5,103,005	44.0	$5,103,005	34.0				
123 Central Florida	2,494,035	21.0	2,494,035	17.0				
114 Northwest Florida	2,006,327	17.0	2,006,327	13.0				
115 Northeast Florida - Electric	2,160,579	18.0	2,160,579	14.0			2,160,579	81.0
991 South Florida - Propane			1,801,464	12.0	1,801,464	54.0		
993 Central Florida - Propane			686,668	5.0	686,668	21.0		
995 Northeast Florida - Propane			508,163	3.0	508,163	15.0	508,163	19.0
996 Nature Coast			321,497	2.0	321,497	10.0		
Total	$11,763,946	100.0	$15,081,738	100.0	$3,317,792	100.0	$2,668,742	100.0

Applicable to Accounts :
9261
9262
9263
9264

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

ADMINISTRATIVE & GENERAL SALARIES & PROPERTY INSURANCE EXPENSES

	1840		1849		Propane		North East Florida	
	Utility Plant 12 mths ended June 30, 2005	%	Utility Plant 12 mths ended June 30, 2005	%	Utility Plant 12 mths ended June 30, 2005	%	Utility Plant 12 mths ended June 30, 2005	%
121 South Florida	$63,542,056	39.0	$63,542,056	37.0				
123 Central Florida	26,696,191	17.0	26,696,191	15.0				
114 Northwest Florida	29,856,014	19.0	29,856,014	17.0				
115 Northeast Florida - Electric	40,634,806	25.0	40,634,806	23.0			40,634,806	95.0
991 South Florida - Propane			7,742,062	4.0	7,742,062	51.0		
993 Central Florida - Propane			2,912,614	2.0	2,912,614	19.0		
995 Northeast Florida - Propane			2,058,761	1.0	2,058,761	14.0	2,058,761	5.0
996 Nature Coast			2,365,107	1.0	2,365,107	16.0		
141 South Florida - M & J			116,749	0.0				
143 Central Florida - M & J			68,104	0.0				
945 Northeast Florida - M & J			3,892	0.0			3,892	0.0
946 Nature Coast - M & J			5,837	0.0				
Total	$160,729,067	100.0	$176,002,193	100.0	$15,078,544	100.0	$42,697,459	100.0

Applicable to Account: 920, 9201, 924

Applicable M & J Account: 4160.73

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

OUTSIDE - PROFESSIONAL SERVICES & GENERAL LIABILITY INSURANCE

	1840		1849		Propane		North East Florida		Gas Divisions	
	Adj. Gross Profit 12 mths ended June 30, 2005	%	Adj. Gross Profit 12 mths ended June 30, 2005	%	Adj. Gross Profit 12 mths ended June 30, 2005	%	Adj. Gross Profit 12 mths ended June 30, 2005	%	Adj. Gross Profit 12 mths ended June 30, 2005	%
121 South Florida	$14,100,447	42.0	$14,100,447	36.0					$14,100,447	53.0
123 Central Florida	6,506,031	19.0	6,506,031	16.0					6,506,031	24.0
114 Northwest Florida	6,574,658	20.0	6,574,658	16.0						
115 Northeast Florida - Electric	6,527,944	19.0	6,527,944	16.0			6,527,944	89.0		
991 South Florida - Propane			3,795,860	9.0	3,795,860	60.0			3,795,860	14.0
993 Central Florida - Propane			1,178,633	3.0	1,178,633	19.0			1,178,633	4.0
995 Northeast Florida - Propane			819,244	2.0	819,244	13.0	819,244	11.0	819,244	3.0
996 Nature Coast			487,724	1.0	487,724	8.0			487,724	2.0
141 South Florida - M & J			493,823	1.0						
143 Central Florida - M & J			196,635	0.0						
945 Northeast Florida - M & J			106,984	0.0						
946 Nature Coast - M & J			86,214	0.0						
Total	$33,709,080	100.0	$40,874,197	100.0	$6,281,461	100.0	$7,347,188	100.0	$26,887,939	100.0

Applicable to Accounts:

9231
9232
9233
9251
9252
9301
9302
93022
928

FLORIDA PUBLIC UTILITIES
BEGINNING JANUARY 1, 2006

Common Depreciation Expense

		4030 Common Plant Remaining June 30, 2005	%	4030 Common Plant EDP June 30, 2005	%
121	South Florida	$1,245,141	41.0	$936,153	35.0
123	Central Florida	340,229	12.0	534,945	20.0
114	Northwest Florida	408,274	14.0	347,715	13.0
115	Northeast Florida - Electric	521,684	18.0	427,956	16.0
991	South Florida - Propane	172,973	6.0	187,231	7.0
993	Central Florida - Propane	45,364	2.0	80,242	3.0
995	Northeast Florida - Propane	22,682	1.0	53,494	2.0
996	Nature Coast	22,682	1.0	53,494	2.0
141	South Florida - M & J	84,652	3.0	32,096	1.0
143	Central Florida - M & J	49,381	2.0	18,723	1.0
945	Northeast Florida - M & J	2,822	0.0	1,070	0.0
946	Nature Coast - M & J	4,233	0.0	1,605	0.0
	Total	$2,920,117	100.0	$2,674,724	100.0
Applicable to Accounts:		4030.2		4030.21	
Applicable M & J Accounts:		4160.8		4160.8	

Florida Public Utilities
BEGINNING JANUARY 1, 2006
Billed Customers as of June 30, 2005

Customer Accounts Expenses

	1840		Miscellaneous Allocations					
	FPU Customers		Northeast Fl Customers		Northeast & Northwest Customers		Natural Gas Customers	
	Billed	%	Billed	%	Billed	%	Billed	%
121 South Florida	31,751	42%					31,751	64%
123 Central Florida	17,731	23%					17,731	36%
114 Northwest Florida	12,561	16%			12,561	46%		
115 Northeast Florida - Electric	14,508	19%	14,508	100%	14,508	54%		
Total	76,551	100%	14,508	100%	27,069	100%	49,482	100%

	1849		Miscellaneous Allocations									
	Total Company		Propane		Natural Gas & Propane		Northeast Fl		South Florida		Central Florida	
	Billed	%	Billed	%	Billed	%	Billed	%	Billed	%	Billed	%
121 South Florida	31,751	34%			31,751	52%			31,751	84%		
123 Central Florida	17,731	20%			17,731	29%					17,731	87%
114 Northwest Florida	12,561	14%										
115 Northeast Florida - Electric	14,508	16%					14,508	91%				
991 South Florida - Propane	6,106	7%	6,106	50%	6,106	10%			6,106	16%		
993 Central Florida - Propane	2,680	3%	2,680	22%	2,680	4%					2,680	13%
995 Northeast Florida - Propane	1,456	2%	1,456	12%	1,456	2%	1,456	9%				
996 Nature Coast	1,957	2%	1,957	16%	1,957	3%						
141 South Florida - M & J	889	1%										
143 Central Florida - M & J	921	1%										
945 Northeast Florida - M & J	23	0%										
946 Nature Coast - M & J	39	0%										
Total	90,622	100%	12,199	100%	61,681	100%	15,964	100%	37,857	100%	20,411	100%

Applicable to Accounts: 901, 903, 905

Applicable M & J Account: 4160.6

FLORIDA PUBLIC UTILITIES COMPANY
ELECTRIC DIVISION
DOCKET NO. 140025-EI
PROJECTED TEST YEAR ENDED SEPTEMBER 30, 2015

Exhibit CMM-12
Rebuttal Testimony
Page 1 of 1 Summary Schedule

	A	B	C (A X B)	D	E	F	G (D + E + F)	H (C-G)	I	J (H X I)	K	L
	RATE BASE	COST OF CAPITAL	RETURN ON INVESTMENT	NOI BEFORE TAX	TAXES OTHER THAN INCOME	INCOME TAX EFFECT	NOI AFTER TAX	NOI DEFICIENCY	NOI MULTIPLIER	OPERATING REVENUE INCREASE	INCREASE SERVICE CHARGES	INCREASE BASE RATE REVENUES
AS FILED IN MFR'S	$ 60,596,169	7.18%	$ 4,350,805	$ 1,498,467	$ (992,182)	$ 261,830	$ 768,115	$ 3,582,690	1.6335	$ 5,852,171	$ 30,962	$ 5,821,209
ADJUSTMENTS AGREED ON BY COMPANY:												
1 Reduce Accumulated Depreciation for Duplicate Vehicle Retirement	$ (260,834.00)											
2 Remove Portion of Severance Pay in Excess of Vacancies. Payroll Tax Included in Calculation of Variance.				$ 38,264		$ (14,760)	$ 23,504					
3 Audit Finding 1	$ 9,053			$ (389)		$ 150	$ (239)					
4 Audit Finding 2	$ 33,831			$ (17,401)		$ 6,712	$ (10,689)					
TOTAL ADJUSTMENTS	$ (217,950)	$ -	$ -	$ 20,474	$ -	$ (7,898)	$ 12,576	$ -	$ -	$ -	$ -	$ -
TOTAL WITH ADJUSTMENTS	$ 60,378,219	7.18%	$ 4,335,156	$ 1,518,941	$ (992,182)	$ 253,932	$ 780,691	$ 3,554,465	1.6335	$ 5,806,219	$ 30,962	$ 5,775,257