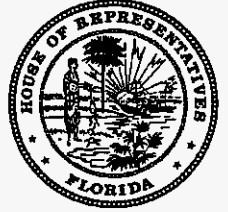


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President of the Senate

RAY SANSOM
Speaker of the House of
Representatives

STATE OF FLORIDA
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J.R. Kelly
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October 8, 2009

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Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0870

RE: Docket No. 080366-GU, In re: Petition for rate increase by Florida
Public Utilities Company

Dear Ms. Cole:

Please find enclosed for filing, on behalf of the Citizens of the State of Florida, an original and 15 copies of the Testimony of Patricia W. Merchant, CPA, in Docket No. 080366-GU.

Please indicate the time and date of receipt on the enclosed duplicate of this letter and return it to our office.

Sincerely,

Patricia A. Christensen
Associate Public Counsel

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OPC 1 PAC:ppg
RCP 1 cc: Parties of Record
SSC 1
SGA 1
ADM 1
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10399 OCT-8 09

FPSC-COMMISSION CLERK

CERTIFICATE OF SERVICE
DOCKET NO. 080366-GU

I HEREBY CERTIFY that a copy of the foregoing of Citizens' Direct Testimony of Patricia W. Merchant, CPA, to Florida Public Utilities Company has been furnished by hand delivery (*) electronic mail and U.S. Mail to the following parties on this 8th Day of October, 2009.

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Patricia A. Christensen
Associate Public Counsel

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

Petition for rate increase by Florida Public)
Utilities Company)
_____)

Docket No. 080366-GU

Filed: October 8, 2009

DIRECT TESTIMONY

OF

PATRICIA W. MERCHANT, CPA

On Behalf of the Citizens of the State of Florida

Respectfully submitted,
J.R. Kelly
Public Counsel

Office of Public Counsel
c/o The Florida Legislature
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DOCUMENT NUMBER-DATE

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DIRECT TESTIMONY

OF

PATRICIA W. MERCHANT, CPA

On Behalf of the Office of Public Counsel

Before the

Florida Public Service Commission

Docket No. 080366-GU

Introduction

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Patricia W. Merchant. My business address is 111 West Madison Street, Room 812, Tallahassee, Florida, 32399-1400.

Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?

A. I am a Certified Public Accountant licensed in the State of Florida and employed as a Senior Legislative Analyst with the Office of Public Counsel (OPC). I began my employment with OPC in March, 2005.

Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND PROFESSIONAL EXPERIENCE.

A. In 1981, I received a Bachelor of Science degree with a major in accounting from Florida State University. In that same year, I was employed by the Florida Public Service Commission (PSC) as an auditor in the Division of Auditing and Financial Analysis. In 1983, I joined the PSC's Division of Water and Sewer as an analyst in the Bureau of Accounting. From May, 1989 to February, 2005 I was

1 a regulatory supervisor in the Division of Water and Wastewater which evolved
2 into the Division of Economic Regulation.

3

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE FLORIDA**
5 **PUBLIC SERVICE COMMISSION?**

6 A. Yes, I have testified numerous times before the PSC. I have also testified before
7 the Division of Administrative Hearings as an expert witness.

8

9 **Q. ARE YOU SPONSORING ANY EXHIBITS IN THIS CASE?**

10 A. Yes. I am sponsoring Exhibit PWM-1, a summary of my regulatory experience
11 and qualifications, which is attached to my testimony. Exhibit PWM-2 contains
12 my recommended revenue requirement schedules. Exhibits PWM-3 through and
13 PWM-43 contain the remaining schedules and support documentation for my
14 recommended adjustments.

15

16 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

17 A. The purpose of my testimony is to address accounting issues and adjustments in
18 this docket that the Office of Public Counsel believes are necessary in order to
19 establish fair, just and reasonable base rates for Florida Public Utilities Company,
20 Inc. (FPUC) on a going forward basis. Based on my analysis and recommended
21 adjustments, the appropriate operating revenue increase should be \$7,653,307.
22 This reflects a reduction of \$2,264,383 to the company's requested revenue
23 increase.

24

25 **Q. PLEASE PROVIDE A SUMMARY FOR THE BASIS OF YOUR**

1 **ADJUSTMENTS.**

2 A. The primary focus of OPC's adjustments in this case revolves around FPUC's
3 projections to the 2009 test year. We are recommending few, if any, adjustments
4 to FPUC's historical books and records. The overriding theme of our position is
5 that many of the projections represent items the company has not historical
6 incurred, and the evidentiary support is based on internal estimates using
7 management's best guess. The company has presented very little, if any,
8 corroborating evidence to support its positions on these projections. For most of
9 these projections that we have rejected, we believe that at least two requirements
10 should have been met for FPUC to meet its burden to show that the costs are
11 reasonable and prudent. First, FPUC should have shown that it has incurred the
12 cost historically or documented proof that it will in fact be required to incur those
13 costs in the next few months. Several of the requested costs relate to costs that
14 probably will not be incurred based on the pending merger with Chesapeake
15 Utilities Corporation (Chesapeake). Second, those items that FPUC requests
16 recovery of should have been supported by qualified bids or current dated
17 estimates from at least one corroborating, outside source that reflects that the cost
18 requested by FPUC is reasonable. As discussed throughout my testimony, without
19 this level of support, my recommendations could not have been different.

20

21 **Q. WOULD YOU PLEASE DISCUSS EACH OF THE ADJUSTMENTS TO**
22 **FPUC'S FILING YOU ARE SPONSORING?**

23 A. Yes, I will address each adjustment I am sponsoring below.

24

1 Projected Plant

2 **Q. PLEASE EXPLAIN FPUC'S METHODOLOGY FOR PROJECTING**
3 **PLANT FOR 2008 AND 2009.**

4 A. Witness Mesite (page 17) states that for 2008, FPUC used actual balances through
5 April and projected May through December based on the 2008 annual budget
6 forecasts. The 2008 FPUC capital budgets were developed during the latter half of
7 2007. Management determined target spending levels by segment using historical
8 expenditure levels and other anticipated requirements. For 2009, Mr. Mesite states
9 that FPUC managers again projected plant based on historical and other additional
10 known and anticipated needs specific to their divisions. He specifically identified
11 a 2009 projected request for \$623,106 to expand the previously authorized Bare
12 Steel and Tubing Replacement Program. Mr. Mesite also states that FPUC has
13 plans to construct and move into the South Florida Operations Center by
14 November 2010. While FPUC states that it is not requesting recovery of the new
15 South Florida Operations Center in this proceeding, the company has requested a
16 future recovery mechanism for those costs when the plant is placed in service.

17

18 **Q. WHAT SPECIFIC ITEMS ARE ADDRESSED IN COMPANY'S**
19 **TESTIMONY IN SUPPORT OF ITS PLANT PROJECTIONS?**

20 A. Mr. Mesite mentions that FPUC has included \$358,039 in expected costs for the
21 western Palm Beach County expansion project and that further detail would be
22 provided by Mr. Kitner in his testimony. Additionally, Mr. Mesite mentions
23 transportation and construction equipment additions of \$200,500 for three pickup
24 trucks, one dump truck, a forklift for the warehouse operation, and a backhoe.
25 Witness Kitner (page 115-118) states that the company has scheduled

1 construction for municipal road projects and system improvements totaling
2 \$1,741,319 for 2009. This amount includes \$641,319 for system improvements
3 for the Westward Expansion Phase III project to connect two dead-end systems
4 which will improve system integrity and reliability, and \$700,000 for the revenue
5 producing installation of which \$341,961 will be covered by an AEP surcharge.
6 He claims that existing consumers benefit from the addition of new customers
7 because they share the fixed costs associated with operating the existing
8 distribution systems. He further opines that the environment is positively
9 impacted by reduced carbon emissions from coal and oil power plants. He also
10 asserts that system improvements/expansions will reduce the need for additional
11 power plants and make natural gas available to more areas within the Company's
12 operating regions.

13 Mr. Kitner continues that the proposed capital improvement budget is for
14 revenue and non-revenue producing projects. The revenue producing projects are
15 based on his expert opinion and knowledge of projects presently in design and
16 development stages with some funds for projects unknown at this time. He
17 describes the various items that are included in the non-revenue producing
18 projects for employee safety, normal replacements, system integrity and various
19 other equipment needs. Mr. Kitner concludes that the overall capital expenditures
20 are consistent with historical levels with the exception of those detailed in the
21 testimony for special items such as the bare steel and steel tubing replacement
22 program and the municipal road projects and system improvements.

23
24 **Q. HAVE YOU REVIEWED FPUC'S PROJECTED PLANT ADDITIONS**
25 **FOR 2008 AND 2009?**

1 A. Yes, I have. In order to determine the reasonableness of the company's projected
2 plant additions, I compared the actual 2008 plant recorded by account to those
3 reflected on FPUC's Annual Report on file with the Commission. I also used the
4 13-month average trial balance provided by the company in response to OPC
5 Interrogatory 81, Exhibit 81.4., (attached as Exhibit PWM-4). Based on my
6 comparison of the 2008 projection to the 2008 actual balances, I found that the
7 projected plant was 1.07% or \$1.1 million higher than actual. Based on this
8 difference, I am not recommending any adjustments to those 2008 projected
9 balances.

10

11 **Q. HOW DID YOU ANALYZE THE REASONABLENESS OF THE 2009**
12 **PLANT PROJECTIONS?**

13 A. Since I do not have actual 2009 data beyond February, I used a comparative
14 analysis of past plant additions by account. Using the Annual Reports on file with
15 the Commission, I first prepared a plant account analysis based on the year-end
16 balances of plant by account from 2005 to 2008, calculating the annual dollar and
17 percent differences per account. In analyzing these differences, I found that
18 construction spending was mostly higher in 2006 and 2007 than in 2008. I would
19 expect this, given the sharp downturn in the economy experienced in 2008. Using
20 these annual increases as a benchmark, I then looked at the requested level of
21 projected plant additions for the 2009 test year. While there were certainly
22 variations between the 2009 budgeted amounts and the historical trends, there
23 were five accounts where I found the 2009 projections appeared excessive. These
24 accounts were:

25

1		<u>2009 % Over 2008 Actual</u>
2	376.1 Mains - Plastic	13 %
3	379 Measur/Reg. - Eqp.City Gate Stn	6 %
4	382 Meter Installations	14%
5	387 Other Equipment	39%
6	390 Structures and Improvements	39%

7

8 **Q. DID THE COMPANY'S TESTIMONY AND FILING PROVIDE**
9 **SUFFICIENT EXPLANATION AS TO WHY THESE ACCOUNTS WERE**
10 **SO HIGH?**

11 A. In my opinion, they did not. As described above in my testimony, Mr. Mesite and
12 Mr. Kitner provide broad descriptions of the plant projections that the company is
13 requesting. For example, Mr. Mesite mentions the need for \$200,500 in
14 transportation and construction equipment additions but does not explain why
15 these additions were needed, whether they were replacements or new additions, or
16 what other construction equipment retirements were made. In his testimony, Mr.
17 Kitner addresses the need for municipal road projects and system improvements,
18 but did not provide a specific explanation of the projects. Neither witness has
19 explained why such a large level of plant addition above historical levels is
20 reasonable or prudent. Given the current economic conditions and the company's
21 projected customer growth rate of zero for 2009, it is unlikely that the company
22 has or will complete the unspecified revenue producing projects included in the
23 projection.

24

1 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT FOR THESE FIVE**
2 **ACCOUNTS AND IF SO, HOW DID YOU DETERMINE WHAT**
3 **ADJUSTMENT SHOULD BE MADE?**

4 A. Yes I am. In order to determine a reasonable level of plant projections, I have
5 calculated the average historical plant additions for these individual accounts from
6 2005 to 2008. Using this average allows the company to have the benefit of the
7 two higher growth years (2006-2007) averaged in with 2008, which included the
8 brunt of the impact of the economic downturn. I then took these percentages and
9 applied them to FPUC's 2008 projected 13-month average balance for each
10 account. Applying this methodology, I have calculated a recommended reduction
11 to plant of \$3,884,877. The corresponding reductions to accumulated depreciation
12 and depreciation expense are \$60,166 and \$120,333, respectively. Property taxes
13 should also be reduced by \$44,545. I have attached Exhibit PWM-3 which
14 details all of my calculations related to this adjustment.

15

16 **Q. DID YOU FIND ANY OTHER PERTINENT INFORMATION WHEN YOU**
17 **WERE ANALYZING THE REASONABLENESS OF THE PLANT**
18 **PROJECTIONS?**

19 A. Yes. In looking at all the actual plant additions from 2005 to 2008, I found that in
20 2007, FPUC added \$3,545,163 in Account 389 Land and Land Rights.

21

22 **Q. DO YOU KNOW WHY FPUC ADDED THIS MUCH LAND IN 2007?**

23 A. It is my understanding that this land was purchased for the South Florida
24 Operations Center.

25

1 **Q. DO YOU BELIEVE THAT IT IS APPROPRIATE TO INCLUDE THIS**
2 **LAND IN RATE BASE?**

3 A. No, it is not appropriate to include this land in rate base. In the company's last
4 rate case, it requested that the Commission allow FPUC to include this land in
5 rate base and that request was denied. In Order No. PSC-04-1110-PAA-GU,
6 issued November 8, 2004, in Docket No. 040216-GU, at page 5, the Commission
7 stated that the utility had indicated that the total cost would be approximately
8 \$4,500,000, and that the proposed center would not be occupied or construction
9 begun by the end of the projected test year. The Commission had concerns about
10 the prudence and cost of the land, which was \$2 million more than the projection
11 in the utility's MFRs, and the lack of analysis provided on the retirement, and/or
12 sale of the existing property. Based on these concerns, the Commission found
13 that the land would be considered non-used and useful for the purpose of setting
14 rates in the case and the cost of the land was removed from rate base. The
15 concluding sentence in the section of the order addressing the cost of the land
16 stated "[o]nce the new operations building is placed in service, as well as the
17 existing center retired, the utility may seek recovery in its next rate case." *Id.* at pp
18 5,6.

19
20 **Q. WHAT RECOMMENDATION DO YOU HAVE REGARDING THIS**
21 **LAND?**

22 A. Since this building is not yet complete and in service, consistent with the
23 Commission's final order in the last rate case, this land should not be included in
24 rate base. This is also consistent with the Commission adjustment in the PAA
25 order in this case that denied recovery of the proposed property taxes on the

1 building that will be constructed in the future. Based on the amount of the land
2 added in 2007, rate base should be reduced by \$3,545,163. This land should be
3 included in plant held for future use until such time as the Commission addresses
4 the concerns that it raised in Order No. PSC-04-1110-PAA-GU. I also
5 recommend that any property taxes of \$40,650 on this land should be removed as
6 non-used and useful.

7
8 Working Capital

9 **Q. WHAT ADJUSTMENTS DO YOU HAVE REGARDING WORKING**
10 **CAPITAL?**

11 A. As part of its cross protest, the company again requested one-half of the rate case
12 expense in working capital. I agree with the Commission's decision in the PAA
13 Order in this case that disallowed the inclusion of one-half of the rate case
14 expense in working capital. Since electric and gas utilities do not have to reduce
15 their rates four-years after the rate case, it is improper for the utility to earn a
16 return on these costs until the company decides that it needs to file for rate relief.
17 In supplemental testimony, company witness Mesite testified (page 2-7) that one-
18 half of the rate case expense should be allowed in Working Capital. He states that
19 in FPUC's recent electric utility rate case, the Commission allowed one-half of
20 the balance of unamortized rate case expense to be included in working capital as
21 a part of rate base. However, in its PAA order in this case, the Commission stated
22 that it has a long-standing policy in electric and gas rate cases of excluding
23 unamortized rate case expense from working capital, as demonstrated in a number
24 of prior cases. (See Order No. 14030, issued January 25,1985, in Docket No.
25 840086-EI, In Re: Application of Gulf Power Company for authority to increase

1 its rates and charges; Order No. 16313, issued July 8, 1986, in Docket No.
2 850811-GU, In Re: Petition of Peoples Gas System, Inc. for Authority to Increase
3 Its Rates and Charges; Order No. 23573, issued October 3, 1990, in Docket No.
4 891345-EI, In Re: Petition of Gulf Power Company for an Increase in Its Rates
5 and Charges.) The Commission stated that the rationale for this policy was to
6 adopt a sharing concept whereby the cost of a rate case would be shared between
7 the ratepayer and stockholder (i.e., include the expense in the O&M expenses, but
8 not allow a return on the unamortized portion). This approach recognizes that
9 both the stockholders and the ratepayers benefit from a rate proceeding. It
10 espouses the belief that customers should not be required to pay a return on funds
11 expended to increase their rates.

12 In the PAA order, the Commission stated that while this is the approach
13 that has been used in electric and gas cases, water and wastewater cases have
14 included unamortized rate case expense in working capital, based on a simple
15 average. The policy difference stems from a statutory requirement that water and
16 wastewater rates be reduced at the end of the amortization period. (See Rule 25-
17 30.4705, Florida Administrative Code) While unamortized rate case expense is
18 not allowed to earn a return in working capital for electric and gas companies, it is
19 offset by the fact that rates are not reduced after the amortization period ends.

20 Further, in Docket No. 910778-GU, the issue was argued fully and the
21 Commission reaffirmed its long-standing policy of excluding unamortized rate
22 case expense from working capital in electric and gas rate cases. (See Order No.
23 PSC-92-0580-FOF-GU, issued June 29, 1992, in Docket No. 910778-GU, In re:
24 Petition for a rate increase by West Florida Natural Gas Company, at p. 15.) In
25 this Order, the Commission stated that unamortized rate case expense is excluded

1 from working capital "...in an effort to reflect a sharing of rate case expenses
 2 between the stockholders and the ratepayers since both benefit from a rate case
 3 proceeding." Id. at p. 15. Based on the above orders, I agree with the
 4 Commission's decision in the PAA order and recommend that none of the
 5 unamortized rate case expense should be included in working capital for the
 6 projected test year.

7

8 Operation and Maintenance Expenses

9

10 Trend Factors Applied in the Projection of Operating Expenses

11 **Q. CAN YOU DESCRIBE THE TREND FACTORS THAT FPUC APPLIED**
 12 **IN ITS 2009 FORECASTED TEST YEAR?**

13 A. Yes. As reflected on MFR Schedule G-6 (C-5) page 7 of 7, other than the no
 14 change, zero balance and direct calculation, FPUC used the following factors:

15

FPUC Projection Factors	Historical Year to Projected Year <u>2007 to 2008</u>	Historical Year to Projected Year <u>2007 to 2009</u>	Projected Year to Projected Year <u>2008 to 2009</u>
Inflation	4.12%	6.97%	2.74%
Customer Growth	1.10%	1.10%	0.00%
Payroll	5.50%	11.30%	5.50%
Sales (THERMS)	-4.00%	-7.82%	-3.98%
Revenues (Base)	3.82%	6.60%	2.68%
Inflation x Customer Growth	5.27%	8.15%	2.74%
Payroll x Customer Growth	6.66%	12.53%	5.50%

16

17 Utility witness Lundgren describes (page 44-46) the general basis of applying the
 18 factors and direct projections using the above factors. Ms. Lundgren states that
 19 witness Camfield provides the basis and computation for the inflation trend
 20 factors. Witness Schneidermann explains the customer and unit growth factors are

1 based on projections provided by other consultants. Ms. Lundgren adds that the
2 payroll trend factor is based on historical data and the experience of the
3 Company's Human Resources Director and is his best estimate of what the
4 company expected the payroll increases to be for both 2008 and 2009.

5
6 Inflation Factors

7 **Q. PLEASE EXPLAIN HOW THE INFLATION FACTOR WAS**
8 **CALCULATED.**

9 A. Utility witness Camfield (page 85) states that the company's inflation factor was
10 developed using three methods to develop five estimates of inflation covering the
11 general economy for 2008 and 2009. Those factors and estimates are shown
12 below:

EXPECTED INFLATION FOR 2008 AND 2009 (%)

Year	Forecast of Economy.com (August '08)	Philadelphia Fed Bank Survey of Professional Forecasters (August '08)	Treasury Yield Spread, Nominal - TIPS	Cleveland Fed Bank, U.S. Treasury Yield Spread, Adjusted Nominal - TIPS (July '08)	University of Michigan, Survey of Consumer Expectations (February '08)	Average
2008	4.17	4.30	NA	NA	3.9	4.12%
2009	2.50	2.40	3.13	2.95	NIA	2.74%

13
14
15 **Q. HAS THE COMMISSION RECENTLY APPROVED METHODS OF**
16 **PROJECTING INFLATION?**

17 A. Yes. The Commission in the most recent litigated gas rate case for Peoples Gas
18 System (PGS) approved the company's requested use of the Consumer Price
19 Index-All Urban (CPI-U) to estimate inflation¹. The PGS rate case was filed on
20 August, 11, 2008, while the FPUC case was filed on December 17, 2008. In both

¹ Order No. PSC-09-0411-FOF-GU page 22, in Docket No. 080318-GU, issued: June 9, 2009

1 cases, the companies have used an historical 2007 test year projected forward to
2 2009. The PGS estimated inflation factors for 2008 and 2009 were 2.9 percent
3 and 2.1 percent, respectively, based on Moody's Economy.com forecasts. In
4 judging the reasonableness of the inflation factors used by PGS, the Commission
5 relied upon a late-filed exhibit that contained Moody's Economy.com January
6 2009 CPI-U forecasts, which had a 2.1 percent inflation rate for the out years
7 (beyond the projected test year).

8
9 **Q. CAN YOU TELL US WHAT THE ACTUAL INFLATION FACTOR WAS**
10 **FOR 2008 AND TO DATE IN 2009?**

11 A. Yes. According to the U.S. Department of Labor, Bureau of Labor Statistics'
12 report that contains the actual historical CPI-U factors from 1913 to present², the
13 2008 actual average to average CPI-U was 3.8% (attached as Exhibit PWM-5.
14 This report reflects the monthly values of the CPI-U and calculates the average to
15 average CPI-U as of December of each year. Since the most recent actual data on
16 the report is for August 2009, I have calculated the September 2008 to August
17 2009 actual average to average to be an inflation rate of 0.19%.

18
19 **Q. HAVE YOU REVIEWED A CURRENT ESTIMATE OF THE FUTURE**
20 **CPI-U?**

21 A. Yes, I have. The U.S. Congressional Budget Office Summary entitled *The Budget*
22 *and Economic Outlook: An Update*, dated August, 2009 (attached as Exhibit
23 PWM-7) reflects on page 5 that the projected fourth quarter to fourth quarter

² Website for the US Dept of Labor, Bureau of Labor Statistics, Consumer Price Index All Urban Consumers: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiuai.txt>

1 percentage change projected for 2009 is 0.8%. The following are the projected
2 factors for the CPI-U presented in that report:

Forecast			Projected Annual Average	
2009	2010	2011	2012-2013	2014-2019
0.8	1.5	1.2	1.1	1.9
Average Forecast 2009-2011 is 1.16%				

3

4 **Q. HOW DOES FPUC'S PROJECTION OF INFLATION FOR 2008 AND 2009**
5 **COMPARE TO THE OTHER PROJECTIONS AND ACTUAL FACTORS**
6 **THAT YOU HAVE ADDRESSED IN YOUR TESTIMONY?**

7 A. For 2008, FPUC's inflation factor (4.12%) is much higher than the actual and the
8 factor estimated by PGS (2.9%). The 2008 actual inflation factor issued by the
9 U.S. Department of Labor was 3.8%. I believe that it is appropriate to use the
10 actual factor for 2008 since that number is known and measurable. For 2009,
11 FPUC's inflation factor (2.74%) is also higher than the actual and the factor
12 estimated by PGS (2.1%). However, both of these factors are much higher than
13 the 2009 fourth quarter average to average factor of 0.8% from the CBO report. If
14 you compare the year to date annual average from August 2008 to August 2009,
15 the historical inflation rate is 0.19%. This rate has not been this low since 1955. I
16 believe that it is appropriate to use the current projection of the CPI-U of 0.8% as
17 issued by the CBO. This factor recognizes that while the prices went down in the
18 early part of 2009, that a slight climb in the economy is expected to occur in the
19 last quarter of the year. I would note the average of the projections for 2009-2011
20 is 1.16%. This reflects that the current 2009 projection of the CPI-U is in line with
21 the near term future out to 3 years. Using the actual CPI-U rate for 2008 and the
22 revised average projection for 2009-2011 of 0.8%, the combined impact of
23 inflation for 2007 to 2009 should be 4.63% instead of the company requested

1 6.97%. As a result, I recommend that the projection factors shown on Schedule
2 G-6 and used to project 2009 expenses on Schedule G-2 (C-5) be adjusted to
3 reflect this lower CPI increase. I've attached a schedule that summarizes the
4 impact of this adjustment on expenses (Exhibit PWM-6).

5
6 **Q. DO YOU HAVE CONCERNS WITH THE METHODOLOGY THE**
7 **COMMISSION USED IN THE PAA ORDER USED TO TEST THE**
8 **REASONABLENESS OF THE COMPANY'S INFLATION FACTOR FOR**
9 **2009?**

10 A. Yes I do. On page 14 of the PAA Order, the Commission relied upon future
11 (beyond the test year) projections of the CPI-U to test the reasonableness of the
12 company's 2009 inflation factor. The purpose of using an inflation factor in a
13 projected rate case is to estimate the levels of expenses for the test year employed
14 and to match those expenses with the revenues that the company has projected
15 that it will receive in that same year. If the Commission were to employ an
16 inflation factor that is based on amounts projected beyond the projected test year,
17 then expenses for the test year can be disproportional to the amount of revenues
18 projected. In this case, the company has projected that revenues will decrease
19 along with the number of bills and therms sold in 2009. To overstate the inflation
20 factor based on the prospect that future inflation (2010 and beyond) will rise
21 above the level that is occurring now in 2009 will produce a mismatch in the
22 revenue requirement.

23

1 Payroll Projection Factor

2 **Q. ARE YOU RECOMMENDING THAT THE COMPANY'S PAYROLL**
3 **PROJECTION FACTOR BE ADJUSTED?**

4 A. Yes I am. As addressed earlier in my testimony, Ms. Lundgren states that the
5 payroll trend factor is based on historical data, the experience of the company's
6 Human Resources Director, and is his best estimate of what the company expects
7 the payroll increases to be for both 2008 and 2009. FPUC used a 5.50% payroll
8 increase for both 2008 and 2009, for a combined increase from 2007 to 2009 of
9 11.30%. This increase is far above what I believe is reasonable given the current
10 economic climate as well the impact of the pending merger with Chesapeake. I
11 believe that a more reasonable payroll projection factor would be 2% for each
12 year.

13
14 **Q. HAS THE COMMISSION ADDRESSED THE LEVELS OF SALARY**
15 **INCREASES IN RECENT RATE CASES?**

16 A. Yes. I would note that in the recent PGS rate case (mentioned earlier in my
17 testimony), PGS requested salary increases of 3.5% for 2008 and 4.0% for 2009.
18 However, during the hearing it became evident that the actual salaries granted by
19 PGS for 2009 were 0.0% for Officers, 2% for exempt employees and 3.5% for
20 non-exempt employees.

21
22 **Q. WHAT IS YOUR RECOMMENDATION ON THE PAYROLL TREND**
23 **FACTOR?**

24 A. I recommend that the Commission use a payroll trending factor of no more than
25 2% for both 2008 and 2009. This is a reasonable percentage increase given the

1 current economic conditions in a time when many companies and governments
 2 are giving zero payroll increases and downsizing employees. However, if the
 3 company can sufficiently document that its payroll actually increased more than
 4 2% in 2008 above the 2007 levels then this information should be considered and
 5 a determination of reasonableness should be made at that time.

6 **Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT FOR THE**
 7 **TRENDING FACTOR?**

8 A. Using the company's MFR Schedule G-2 (C-5), I have used the same
 9 methodology for trending but changed the trending factors for inflation and
 10 payroll. As a result of the change in both trend factors, I am recommending that
 11 the company's projected O&M expenses should be decreased by \$343,998. My
 12 calculations are reflected on Exhibit PWM-6.

13

14 Rate Case Expense

15 **Q. PLEASE ADDRESS THE COMPANY'S REQUESTED RATE CASE**
 16 **EXPENSE.**

17 A. In the PAA Order, the Commission stated that the company had an original and
 18 revised estimate to complete for rate case expense as follows:

	Original	Actual	Additional	Total
	<u>Filing</u>	<u>as of</u>	<u>Estimated</u>	<u>Revised</u>
		<u>2/28/2009</u>		
Consultants	\$576,250	\$369,762	\$73,079	\$442,841
Legal Fees	107,500	12,430	30,319	42,749
Travel Expenses	34,080	1,790	10,700	12,490
Paid Overtime	39,000	422	33,000	33,422
Other Expenses	<u>87,250</u>	<u>15,840</u>	<u>56,300</u>	<u>72,140</u>
Total	<u>\$844,080</u>	<u>\$400,244</u>	<u>\$203,398</u>	<u>\$603,643</u>

19

20 In supplemental testimony, company witness Martin states (page 5) that the total

1 amount of projected rate case expense is now \$1,661,318, or \$1,057,675 higher
2 than the amount allowed in the PAA order. Her Exhibit CMM-1 breaks down the
3 company's revised rate case expense request. I find this to be an extraordinary
4 amount of rate case expense for a natural gas company with approximately 52,000
5 customers. This amount is also very high when compared to the recent approved
6 rate case expense of \$599,748 in the company's recent, fully litigated electric rate
7 case.³ Although the electric rate case went direct to hearing, FPUC's storm
8 initiatives were also litigated simultaneously and the hearing involved several
9 more intervenors than in this current gas docket. It is preposterous for FPUC to
10 even suggest that the rate case expense for a company of this size would increase
11 by over \$1,000,000 to prepare a rebuttal case and defend its case for hearing.

12
13 **Q. WHAT ARE YOUR CONCERNS REGARDING THIS UNWARRENED**
14 **INCREASE IN RATE CASE EXPENSE?**

15 A. I have several issues with the projected rate case expense. First, Ms. Martin states
16 that FPUC is requesting \$500,000 for subsequent filing requirements that might
17 be required related to the pending merger with Chesapeake. I believe that this
18 request is completely inappropriate. In PAA Order No. PSC-09-0375-PAA-GU,
19 the Commission recognized that FPUC and Chesapeake had announced their
20 intent to merge, with closing expected in the fourth quarter of 2009. Because the
21 merger might cause FPUC's newly approved rates to be inappropriate, the
22 Commission required that in the event the merger is consummated, a new docket
23 would be opened to consider the reasonableness of the rates. If the merger is

³ Order No. PSC-08-0327-FOF-EI, issued May 19, 2008, in Dockets Nos. 070300-EI and 070304-EI, In re: Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company; In re: Petition for rate increase by Florida Public Utilities Company.

1 consummated, any related merger costs will become costs of the merged company
2 (i.e. Chesapeake). Moreover, the proposed merger review is subject to revision
3 due to the pending resolution of the protest.

4
5 **Q. HAS CHESAPEAKE PROPOSED ANOTHER ALTERNATIVE IN ITS**
6 **CURRENT RATE CASE, DOCKET NO. 090125-GU?**

7 A. Yes. Chesapeake Utilities Corporation in its rate case has proposed the following:

8 ... following the merger, the combined company would submit a
9 rate case filing that enables the Commission (and OPC) to review
10 the impacts of the merger. Such filing would be made no later
11 than eighteen (18) months after the closing date of the merger.
12 The proposed filing timeframe would allow the combined
13 company to identify any actual or anticipated savings, synergies,
14 recurring and non-recurring costs and other merger results.

15
16 **Q. WHAT IS YOUR RECOMMENDATION REGARDING THIS**
17 **ADDITIONAL RATE CASE EXPENSE RELATED TO**
18 **SUBSEQUENT REQUIRED MERGER FILINGS?**

19 A. I recommend that any rate case expense incurred as part of any proceeding related
20 to the merger should be addressed in that proceeding. This would allow the costs
21 incurred for those filings to be matched with the appropriate proceeding. It will
22 also allow analysis of the reasonableness of those future and unknown costs to be
23 analyzed based on the actual work performed in that proceeding. Therefore, I
24 recommend that the \$500,000 rate case expense related to the merger filing be
25 removed from current rate case expense.

1 **Q. WHAT OTHER ADJUSTMENTS DO YOU RECOMMEND RELATED TO**
2 **RATE CASE EXPENSE?**

3 A. The second adjustment that I would like to address is the projected expense for
4 FPUC's outside consultant, Christensen Associates. Exhibit CMM-1 shows
5 actual costs through the PAA process of \$271,253 for Christensen Associates,
6 with an additional projection of \$246,000 for work through the hearing process.
7 The primary testimony provided by Christensen Associates in this case was the
8 cost of capital testimony and the inflation trend factors. The cost of capital issues
9 were not protested in this hearing and should not require any additional work
10 from the consultants. The inflation trend factors were protested but the testimony
11 on that issue is limited and should not result in fees almost equal to the amount of
12 work already performed in this case to date. Therefore, I recommend that the
13 \$246,000 additional rate case expense for the outside consultant is clearly
14 overstated and should be removed. Only if the company submits a revised
15 contract that shows what functions this consultant will or has performed and
16 invoices that demonstrate the work is being done, should the Commission
17 consider whether those fees should be included in rate case expense. I would note
18 that the Commission in the final order in FPUC's electric rate case disallowed
19 additional fees requested which were in excess of the original fixed-contract fees
20 from this consultant. As such, the contracts in this case for Christensen Associates
21 should be fully reviewed for reasonableness.

22

23 **Q. ARE THERE OTHER CONCERNS ABOUT THE LEVEL OF RATE CASE**
24 **EXPENSE RELATED TO THE CONSULTANT FEES?**

25 A. Yes, there are. If you look at Exhibit CMM-1 attached to Ms. Martin's

1 supplemental direct testimony, as of June 30, 2009, the company has incurred
2 actual fees for 3 consultants that total \$293,553 (\$271,253 + \$22,176 + \$114). If
3 you look at the PAA Order in the rate case section, the reflected actual consultant
4 fees as of February 2009 were \$369,762. There is a \$76,209 discrepancy between
5 the February 2009 estimate and the lower June 2009 actual cost. In addition to
6 the apparently overstated amount allowed in the PAA Order, FPUC estimated
7 additional consultant fees to equal \$442,841 for the completion to hearing of the
8 PAA case. Rate case expense should be limited to actual expense plus a
9 reasonable allowance for estimated costs through completion of the case. The
10 company should be required to reconcile the expense for these consultants with
11 actual invoices or billed amounts.

12
13 **Q. LOOKING AT EXHIBIT CMM-1, THE COMPANY HAS REQUESTED**
14 **RATE CASE EXPENSE RECOVERY OF TEMPORARY, OVERTIME**
15 **AND ADDITIONAL PAY. PLEASE COMMENT ON THESE**
16 **REQUESTED COSTS.**

17 A. First, I believe that it is inappropriate to allow recovery of additional pay or
18 bonuses as a part of rate case expense. These costs were disallowed in FPUC's
19 last electric rate case by Order No. PSC-08-0327-FOF-EI. Pursuant to the Order,
20 the Commission stated that "Salaried Overtime Pay for Extraordinary Work
21 Load" shall be disallowed because these employees and managers are paid a
22 salary, not an hourly wage. Salaried employees are usually expected to work the
23 hours required to complete their job duties without extra compensation. It is
24 unclear whether any of these costs may have inadvertently been allowed in the
25 PAA decision and if these costs were included, they should be disallowed.

1 The order in the last FPUC electric rate case also stated that rate case
2 expenses shall include only direct rate case expenses that can be verified. The
3 indirect rate case expenses, such as outsourcing internal control functions so that
4 the internal personnel can work on the rate case items, would be difficult to
5 verify. If FPUC's rate case expense request includes any amount that relates to
6 outsourcing any normal functions of the company other than direct rate case
7 expense, those amounts should also be removed from recovery.

8 While I believe that overtime pay for non-salaried employees can be
9 considered rate case expense, these requested amounts should be fully
10 documented and deemed reasonable before they are allowed for recovery. Until
11 such time as the company can sufficiently document the prudence of these costs
12 related to non-salaried employee expenses for overtime pay, I recommend that
13 these amounts be disallowed. I would note that as shown in the PAA Order in this
14 case, the actual overtime incurred as of February 2009 was \$422. The company
15 estimated an additional \$33,000 to the end of the PAA case for a total overtime
16 expense of \$33,422. Now in Exhibit CMM-1, the actual cost for temporary,
17 overtime, and additional pay as of June 30, 2009 is reported as \$179,315, with no
18 breakdown as to what is included in this amount. FPUC adds an additional
19 \$111,000 for this category to process this case. At this time I recommend that
20 none of these costs be considered as rate case expense.

21
22 **Q. WHAT ABOUT OTHER LEGAL FEES REQUESTED AS PART OF RATE**
23 **CASE EXPENSE?**

24 **A.** Exhibit CMM-1 also lists \$25,000 for additional legal fees from other attorneys.
25 Unless the company can document and explain why additional services are

1 needed in this case when they were not needed in the last electric rate case, these
2 amounts should be disallowed.

3

4

5 **Q. WHAT IS YOUR RECOMMENDED RATE CASE EXPENSE AT THIS**
6 **TIME?**

7 A. At this time, I recommend that the company be allowed to recover its actual rate
8 case expense incurred as of June 30, 2009, of \$392,446, without the \$179,315
9 listed for temporary, overtime and additional pay. Only if the company were to
10 sufficiently document the prudence of additional actual amounts and a detailed,
11 by category, estimate to complete, would I consider revising my recommendation
12 for rate case expense recovery. My recommendation results in a \$451,634
13 decrease from the company's original request of \$844,080, or an annual decrease
14 of \$112,909.

15

16 Office Maintenance and Landscaping Expenses

17 **Q. PLEASE DESCRIBE FPUC'S REQUESTED OVER AND ABOVE**
18 **ADJUSTMENTS TO OFFICE MAINTENANCE AND LANDSCAPING**
19 **EXPENSES.**

20 A. As shown on MFR Schedule G-6, Pages 6 of 7, FPUC includes an increase to
21 projected 2009 expenses of \$34,536 for office maintenance and landscaping
22 expenses. This adjustment includes the following line items:

- 23 ● Infinium Software Maintenance - \$4,782
- 24 ● SSA Global WR and Budget Maintenance - \$7,966
- 25 ● Painting Main Office Building - \$6,345

- 1 • Main Office Flooring - \$13,500
- 2 • Landscaping for Main Office Building - \$1,944

3

4 **Q. PLEASE ADDRESS THE EXPENSE INCREASE FOR MAINTENANCE**
5 **FOR THE INFINIUM SOFTWARE.**

6 A. Company witness Lundgren testifies that historically the Infinium Software
7 Maintenance fees have increased at a rate higher than the normal inflation rate.
8 FPUC's response to OPC's Second Set of Interrogatories, No. 66 includes copies
9 of the invoices from 2004 – 2007, attached as Exhibit PWM-8. These invoices
10 reflect an annual increase of approximately an 8% increase, as Ms. Lundgren
11 stated. While I agree with the company's testimony regarding the annual fee
12 increase, FPUC double counted the inflation impact on its adjustment for this
13 issue.

14

15 **Q. HOW DID THE COMPANY OVERSTATE ITS ADJUSTMENT?**

16 A. In its MFRs, FPUC took the non-payroll balance in Account 935 and increased
17 that by the combined inflation factor of 7% for 2008 and 2009. It then made a
18 specific adjustment to increase the expenses related to this software by
19 approximately 8% as described by witness Lundgren. However, FPUC did not
20 reduce the 2007 balance in Account 935 by Infinium Software actual cost
21 incurred in 2007 when it made its 7% inflation adjustment on non-payroll costs on
22 Schedule G-2, page 5 of 7 in the MFRs. By making another inflation adjustment
23 for 8% on the Over and Under Adjustment (Schedule G-6, page 6 of 7), FPUC
24 double counted the inflation impact on this adjustment. Therefore, I recommend

1 that FPUC's expenses be reduced by \$2,173 to correct this error. See Exhibit
2 PWM-9.

3
4 **Q. PLEASE ADDRESS THE ADJUSTMENT RELATED TO SSA GLOBAL**
5 **REPORT WRITER BUDGET APPLICATION AND MAINTENANCE.**

6 A. Company witness Lundgren testifies (page 60, lines 8-21) that historically the
7 company has used Excel templates to prepare the budget and is now requesting
8 increase in expenses of \$7,966 for annual maintenance expense for a planned
9 purchase of an "SSA Global WR and Budget" software package. The company
10 provided supplemental information in its responses to Staff Data Request 1, No.
11 40.6 (attached as Exhibit PWM-10) and Staff Data Request No. 2, No. 53.1
12 (attached as Exhibit PWM-11). These exhibits are substantially identical, with the
13 exception of providing copies of email correspondence in Response No. 53.1.

14
15 **Q. WHAT CONCERNS DO YOU HAVE REGARDING THIS PROPOSED**
16 **EXPENSE INCREASE?**

17 A. I have numerous concerns about this requested expense. First, FPUC has based
18 this request on a 2003 estimate and then escalated the cost by an inflation factor to
19 arrive at its 2009 requested expense. On page 2 of 8 of Response 40.6 is what
20 appears to be a FPUC prepared spreadsheet that takes amounts reflected as 2003
21 pricing and escalating those costs to a 2009 level to provide the calculation for the
22 company adjustment. Behind this schedule on pages 3-8, is some document that
23 apparently is an estimate from SSA Global. While this document does contain the
24 estimates reflected on the FPUC spreadsheet as "2003 pricing," there is no header
25 from the company, no date is reflected, and the company for whom the estimate

1 was prepared is not reflected. Additionally, SSA Global no longer exists as it was
2 acquired by Infor Global Solutions in July 2006. Based on my analysis, the
3 authenticity of the document is clearly lacking and cannot be relied upon.

4 The second concern that I have is that if the company began consideration
5 of this purchase in 2003 and has still not bought the software, it does not appear
6 imminent. I believe that it is very unlikely that these costs will in fact be incurred,
7 especially in light of the pending merger of FPUC and Chesapeake.

8 Third, upon reading the emails from FPUC employees on this issue, the
9 company knew that these costs were based on outdated estimates. Ms. Martin in
10 an email to Ms. Lundgren went so far as to state: "April, do you have any
11 estimates from when we looked at the reporting software? I would like to attach
12 something official for this project in 2009." [emphasis added] (see FPUC's
13 response to OPC POD 53, Exhibit 53.1, page 11 of 13 (attached as Exhibit PWM-
14 11). Had the company truly been intent on spending these amounts, much better
15 due diligence would be required. This speaks clearly to a trend that I have
16 observed with this company to create expenses for rate case purposes that it
17 would not otherwise spend. In summary, an estimate more than five years old, of
18 questionable authenticity, from a company that no longer exists, cannot be a basis
19 for the requested increase or cost. Therefore, I recommend that FPUC's "over
20 and under" adjustment for this software be denied and expenses should be
21 reduced by \$7,966.

22
23 **Q. ARE THERE ANY OTHER COMMENTS THAT YOU NEED TO MAKE**
24 **REGARDING THIS REQUESTED EXPENSE?**

1 A. Yes. On the spreadsheet mentioned above, FPUC escalated the 2003 pricing
2 estimate annually by 3.5%. The actual average inflation over this same time frame
3 was only 2.37%. Further, it appears that the company is requesting to capitalize
4 \$193,485 in plant additions as of 2009. While I was unable to determine whether
5 the company actually capitalized this amount, I am recommending that FPUC
6 explain what amounts, if any, for capital additions, accumulated depreciation,
7 depreciation expense, and property taxes are included in the MFRs related to this
8 software. If any amounts have been included in the 2009 test year other than the
9 software maintenance expense, these amounts should also be removed.

10

11 **Q. PLEASE DESCRIBE FPUC'S ADJUSTMENT FOR PAINTING ITS**
12 **OFFICE BUILDING.**

13 A. In its MFRs, Schedule G-6, Page 6 of 7, FPUC includes an increase to expenses
14 of \$6,345 for painting its main office building. Schedule G-6 describes this
15 adjustment as a \$47,000 cost that is needed once every six years. However, in its
16 response to Staff Data Request 1, No. 40.27, (attached as Exhibit PWM-12) the
17 company states that it amortized the cost over 4 years. In addition, the company
18 response to Citizen's Second Set of Interrogatories, No. 61 (attached as Exhibit
19 PWM-13), states that the majority of the corporate office was last painted 12
20 years ago. First, as with previous issues, I am concerned that the company is
21 requesting to increase 2007 expenses for an amount that has not been incurred 20
22 months later. Regardless, in light of the pending merger, it is very unlikely that
23 these costs will be incurred in 2009 or 2010. I would only recommend that this
24 expense be allowed if the company can provide an invoice showing that it has in
25 fact incurred the expense. Second, the company's request to amortize the expense

1 over four years is inappropriate. Given that the company has not painted its office
2 in more than 12 years, if the cost is allowed, I recommend that it be amortized
3 over a longer period than four years. I recommend a ten-year amortization.
4 Based on the above, I recommend that the "over and under" adjustment of \$6,345
5 be removed for the requested office painting.

6
7 **Q. PLEASE ADDRESS THE COMPANY'S OVER AND UNDER**
8 **ADJUSTMENT FOR MAIN OFFICE FLOORING.**

9 A. Schedule G-6, Page 6 of 7, includes an increase to expenses of \$13,500 for "main
10 office flooring." Schedule G-6 describes this adjustment as a \$100,000 cost that
11 is needed once every eight years. However, in its response to Staff Data Request
12 2, No. 55(attached as Exhibit PWM-14), the company states that it amortized the
13 cost over 4 years. In addition, the company response to Citizen's Second Set of
14 Interrogatories, No. 61 (attached as Exhibit PWM-13) states that the corporate
15 office flooring was last replaced about 12 years ago. For the same reasons as
16 those for the requested office painting addressed above, I am recommending that
17 the "over and under" adjustment of \$13,500 for new flooring be removed. If the
18 company can provide an invoice that the flooring has been replaced, I would
19 agree that the cost could be allowed but amortized over a 10-year period.
20 Regardless, I do not believe that the company will incur this expense given the
21 pending merger with Chesapeake. On my adjustment schedule PWM-2, page 3 of
22 5, I have only removed half of this adjustment, as the PAA Order previously
23 removed the remaining \$6,750.

1 **Q. FPUC HAS ALSO REQUESTED AN INCREASED EXPENSE FOR**
2 **LANDSCAPING THAT IT HAS NOT INCURRED. PLEASE ADDRESS**
3 **THIS ISSUE.**

4 A. MFR Schedule G-6, Page 6 of 7, includes an increase to expenses of \$1,944 for
5 “landscaping for main office building.” Schedule G-6 describes this adjustment
6 as a cost to replace landscaping that failed due to drought and water restrictions.
7 This is not a recurring expense and should be removed from expenses. In
8 addition, the company response to Citizen’s Second Set of Interrogatories, No. 63
9 (attached as Exhibit PWM-15) provides the level of landscaping costs for the
10 Central Florida division for 2005 - 2008. The amount stated for 2007, the
11 historical test year is \$22,076. However, the average of the four years is only
12 \$18,833. It appears that the 2007 expense is higher than average and should be
13 reduced to a more normal level for the test year. I recommend that a “normalized”
14 expense be adopted, and using the company’s 7% inflation factor to increase
15 expenses from 2007 to 2009, this results in an adjustment of \$3,470. Therefore, I
16 recommend that the expense be reduced by \$5,414 for removal of non-recurring
17 landscape expense and normalization adjustment.

18
19 Annual Report and Stock Exchange Fees

20 **Q. PLEASE DISCUSS YOUR ADJUSTMENT RELATED TO FPUC’S**
21 **REQUESTED INCREASE IN ANNUAL REPORT AND AMERICAN**
22 **STOCK EXCHANGE FEES.**

23 A. Witness Lundgren states (page 61) that FPUC is requesting an increase in annual
24 report expenses because the 2007 production costs were lower than a typical
25 report due to the paper weight and the type of cover. The basis for the stock

1 exchange adjustment is an increase in an estimate provided by the vendor. The
2 increase for 2009 allocated to natural gas is \$4,408.

3
4 **Q. PLEASE DESCRIBE YOUR CONCERNS WITH THIS ADJUSTMENT.**

5 A. I have two concerns regarding this specific adjustment. First, it appears that the
6 company's specific adjustment double counts some or all of the company's
7 inflation adjustment on this account. By looking at MFR Schedule G-2 (C-5)
8 pages 3 and 4, the company applied a trend factor of 1.0697 to the entire 2007
9 balance for account 9302 - Miscellaneous General expenses. No adjustment was
10 made to remove the book amounts for the actual annual report costs and exchange
11 fees when it made its inflation adjustment. The company then takes the \$132,034
12 indexed amount and increases it by \$12,228 for both the \$4,408 annual
13 report/stock exchange adjustment as well as another adjustment for \$7,820⁴
14 discussed in another section. Therefore, the trend factor appears to in part
15 duplicate the impact of the specific adjustment.

16 Second, in its response to Staff Data Request 1, No. 40.7(attached as
17 Exhibit PWM-16), the company provided several pages of journal entries and
18 account balances and company emails but did not provide any bids, estimates, or
19 invoices to support this claim that the expense will double in cost. It also
20 provided no support other than hand written notes reflecting the cost incurred in
21 prior years. Also missing from this response was any further explanation why the
22 type of annual report produced will be changing and might require more
23 expensive materials than those used in 2007. Regarding the stock exchange fees,
24 the company provided a portion of what appears to be an American Stock

⁴ Southern Gas Association (SGA) for FPUC to be a member of the Council for Responsible Energy addressed in the section for industry association dues

1 Exchange rule that requires higher annual fees. The response contained no
2 comparison of what was incurred in 2007 or the effective date or to whom the fee
3 applied. Without more support and analysis of what annual fees were paid in 2007
4 and 2008, I cannot find adequate support for this adjustment. In summary, I
5 recommend that the company has not carried its burden that these costs will be
6 incurred and therefore the \$4,408 should be disallowed.

7
8 Outside Contractual Services

9 **Q. ARE YOU RECOMMENDING ANY ADJUSTMENTS TO OUTSIDE**
10 **CONTRACTUAL SERVICES?**

11 A. Yes. I am recommending three adjustments to FPUC's outside contractual
12 services expense increases. The adjustments relate to tax consulting fees, and
13 projected external audit fees. I have broken these issues into separate categories
14 for discussion purposes.

15
16 Account No. 9231, Outside Service – Other

17 **Q. PLEASE DESCRIBE THE COMPANY'S REQUESTED EXPENSE FOR**
18 **OUTSIDE SERVICES OTHER – ACCOUNT 100.1849.9231.**

19 A. Witness Lundgren (page 49-50) states that the company made a direct projection
20 for outside services-other because the company has experienced increasing
21 requirements in many areas due to new regulations and requirements relating to
22 Sarbanes-Oxley, the IRS, new pension accounting requirements, and other
23 complex accounting areas. To comply with requirements, the company uses
24 experienced consultants in tax accounting and other specialized areas. In addition
25 to the direct projection, Ms. Lundgren states that FPUC has anticipated that it will

1 need an additional \$78,000 on a total company basis (51% or \$39,780 for the
2 natural gas division). The amount requested for recovery for this account is as
3 follows:

4 MFR Schedule G-2 (C-5) p 3 - 2008

5 \$27,491 Direct Project
6 \$39,780 Over/Above
7 \$67,271 Total 2008 Projection

8 MFR Schedule G-2 (C-5) p 4 - 2009

9 \$44,232 Direct Project
10 \$39,780 Over/Above
11 \$84,012 Total Requested Expense

12
13 **Q. HOW DID THE COMPANY CALCULATE THE 2008 AND 2009 DIRECT**
14 **PROJECTIONS FOR THIS ACCOUNT?**

15 A. In response to OPC Interrogatory 92 (attached as Exhibit PWM-17), FPUC called
16 theses calculations “management’s best estimate to determine the future hours to
17 be billed.” It appears that these amounts were estimated using a “back of the
18 envelope” method by merely guessing as to the number of hours these consultants
19 might work during 2008 and 2009. FPUC’s computation for this adjustment was
20 derived by taking the historical hourly rate multiplied by the anticipated number
21 of hours each consultant might work in 2009. For the IT services, the company
22 guessed a range of contract services that might be employed. The only
23 documentation provided to support these projections was included in the
24 company’s response to OPC POD 32, Exhibit 32.1 (attached as Exhibit PWM-
25 18), which consisted of two in-house spreadsheets with adding machine tape

1 appended to the copy showing the amounts that make up the total direct
2 projection, along with several emails detailing how the number of hours and
3 dollars for IT were estimated. Nothing was provided showing what projects would
4 be required, how the amounts were derived, a historical comparison of what
5 amounts were incurred by these same consultants. Further, the invoices provided
6 to support the direct projections add to the confusion. The invoice for Mr. Darryl
7 Troy was dated August 2008 and was for rate case expense and the invoice for
8 Ms. Starr appeared to be accounting related but because of the acronyms used, the
9 purpose of the services was unclear.

10
11 **Q. WHAT IS THE BASIS FOR THE \$78,000 (\$39,780 ALLOCATED TO**
12 **NATURAL GAS) FOR THE INCREMENTAL TAX CONSULTANT?**

13 A. In its response to Staff Data Request 1, No. 40.3 (attached as Exhibit PWM-19),
14 the company argues that it has experienced increased demands relating to tax
15 work with multiple ongoing IRS audits, increased complications within the tax
16 return, new FIN 48 requirements and ongoing special tax projects. The basis for
17 the adjustment appears to be the hourly rate for one tax professional (\$75) based
18 on an invoice provided and multiplied by 1,040 hours. The company does not
19 provide any evidence that supports why the 1,040 hours is appropriate, what
20 amount of tax consulting fees it has incurred in the past, nor has the company
21 listed specific job functions and estimated hours for each job function to
22 determine the total number of hours. I would also note that this request for a tax
23 consultant is in addition to the increased costs for tax work that the company has
24 requested in Account No. 923.3, Outside Audit & Accounting Fees.

25

1 **Q. WHAT ACTUAL AMOUNT OF OUTSIDE SERVICES OTHER DID THE**
2 **COMPANY INCUR IN 2007, 2008 and 2009?**

3 A. In its MFRs Schedule G-2 (C-5) page 3, the company includes a 2007 expense for
4 this account of \$6,701. However, I would note that MFR Schedule C-31, which
5 details the amount of outside services by account used during the historical base
6 year 2007, reflects zero charges to Account 923.1, Outside Services Other.
7 According to FPUC's response to OPC's Interrogatory 92 (attached as Exhibit
8 PWM-17), the company incurred \$6,669 in 2007, \$14,254 in 2008, and from
9 January to June 2009, the company spent \$223 in Account 923.1. The response
10 also appeared to show that both of the accounting consultants (Troy and Starr)
11 became employed in 2009 and were no longer charged as outside contractual
12 services. Based on this historical analysis, clearly the company did not spend the
13 \$67,271 that it projected for 2008, and it seems very unlikely that it will spend
14 \$84,012 in 2009. In addition, I would note that this account is labeled Outside
15 Services Other and since there is another account entitled Outside Audit and
16 Accountant Fees, the tax consulting clearly does not belong in this account. Of
17 the various items that the company has identified that it wishes to recover in this
18 account for the rate case, only the IT consulting appears appropriate to include,
19 only if more sufficient documentation and justification are provided. Additionally,
20 due to the pending merger of Chesapeake, if the company has not spent the
21 money on these contractual services thus far in 2009, then I believe that it is very
22 unlikely that the company would incur them. If the merger does go through then
23 these types of costs would be synergized with the larger company and the impact
24 could easily be substantially different than those estimated in this proceeding.

25

1 **Q. WHAT IS YOUR RECOMMENDED EXPENSE LEVEL FOR THIS**
2 **ACCOUNT?**

3 A. Based on the historical expense incurred and the lack of support for any additional
4 amounts, I recommend that the Outside Service - Other expense be limited to the
5 \$6,701 amount included in 2007, trended to 2009 using the appropriate trending
6 factor of 7%, resulting in a 2009 expense of \$7,170. Thus, the requested over and
7 under adjustment of \$39,780 should be removed.

8

9 Account No. 9233, Outside Audit & Accounting Fee

10 **Q. PLEASE EXPLAIN THE COMPANY'S REQUESTED EXPENSE FOR**
11 **OUTSIDE AUDIT AND ACCOUNTING FEES.**

12 A. In its MFRs, FPUC reflects an historical 2007 balance of \$275,024 for outside
13 audit and accounting fees. This amount is then increased by \$150,093 for a 2009
14 balance of \$425,117. This expense is 51% of a total company projected expense
15 of \$833,563. Witness Lundgren (page 50) states that the 2009 projected test year
16 includes additional audit costs related to current Sarbanes Oxley requirements as
17 well as those that will be required as the company reaches accelerated filing
18 status. She explains that as FPUC's market cap approaches \$75,000,000
19 (triggering Accelerated filer status) the company must consider the increase in
20 audit costs in complying with the additional rules and requirements of SOX. The
21 current external auditors provided FPUC with estimated costs to perform the
22 additional services that will be required. FPUC's projection also includes fees for
23 goodwill impairment testing, pension and 401k audits, and tax consulting work,
24 many of which were projected using quotes provided by vendors. Ms. Lundgren
25 states that for the remaining items, they utilized trended historical data to project

1 future costs and that all these projected costs are recurring. Witness Lundgren
2 states that the primary increases were approximately \$200,000 for the financial
3 audits and \$75,000 for tax services on a total company basis.

4
5 **Q. PLEASE EXPLAIN YOUR ANALYSIS OF THESE REQUESTED**
6 **ACCOUNTING AND AUDITING FEES.**

7 A. I reviewed the information provided by the company to support these increases
8 and I have three recommended adjustments. First, in the company response to
9 Citizen's Third Set of Interrogatories, No. 93 (attached as Exhibit PWM-20), the
10 company provided a schedule of items budgeted for 2009, including a
11 Merchandising and Jobbing (M&J) allocation adjustment. The company did not
12 include this adjustment in its expenses included in the MFRs. The adjustment
13 was a decrease of \$25,010, allocated at 51% to natural gas. Therefore, the MFR
14 expense should be reduced by \$12,755.

15 Second, the company response to Citizen's Second Set of Document
16 Requests, No. 20.2 (attached as Exhibit PWM-21), includes a projection of
17 approximately \$185,000 for additional audit services in case the company
18 becomes an "accelerated filer." Company witness Lundgren explains in her
19 testimony that the Sarbanes Oxley Act requires additional requirements when a
20 company reaches a capitalization of \$75,000,000. However, my review of the
21 company's Security and Exchange Commission (SEC) 10-K Annual Reports
22 indicate that the company is not close enough to accelerated status to require
23 increasing accounting costs at this time. Therefore, I recommend that the
24 \$185,000, or \$94,350 for the natural gas portion, be removed from 2009 expenses.

25 Third, the company response to Citizen's Second Set of Document

1 Requests, No. 30 (attached as Exhibit PWM-22), includes the actual accounting
2 and auditing costs spent in 2007, 2008, and the first six months of 2009. For the
3 tax consultant, the company spent \$39,270 in 2007, \$97,250 in 2008, and \$47,300
4 for the first six months of 2009. The company projection for this expense is
5 \$115,439. This is an increase of 194% over the 2007 actual expense. The
6 company explains the increase as an increased complexity in the tax returns.
7 However, the company did not give specific examples of what schedules, issues,
8 or tax policies have changed to require a 194% increase in costs. However, the
9 company records indicate an increase in actual costs from \$39,270 in 2007 to
10 \$97,250 in 2008, for a 148% increase. This is already a substantial increase, but
11 since it is supported by actual costs in 2008, I recommend that any increase for
12 2009 should be limited to this level of expense. The \$47,300 for the first six
13 months of 2009 would also seem to support a limitation to the amount of \$97,250.
14 If the tax accounting expense is reduced from \$115,439 to \$97,250, there would
15 be a reduction of \$18,189, or \$9,276 for the natural gas portion.

16
17 **Q. PLEASE SUMMARIZE YOUR ADJUSTMENT FOR THE AUDIT AND**
18 **ACCOUNTING FEES.**

19 **A.** I recommend above that the Commission reduce the Audit & Accounting fees for
20 three adjustments. First, \$12,755 to remove the merchandising and jobbing
21 adjustment; second, \$94,350 to reduce the projected external audit fees to remove
22 costs that would only be incurred if the company were to reach accelerated filing
23 status; and third, \$9,276 to reduce the projected level of tax consulting fees. These
24 three adjustments result in a total reduction of \$116,381.

25

1 Travel, Training, Conferences, and Meeting Fees and Costs

2 **Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENTS FOR TRAVEL**
3 **TRAINING, CONFERENCES AND MEETING FEES AND COSTS.**

4 A. As reflected on MFR Schedule G-6, Pages 6 and 7 of 7, FPUC has requested
5 increased expenses of \$170,488 for travel, training, conferences and meeting fees
6 and costs for 2009 above those that were spent previously. I have attached a
7 schedule that lists these costs. See Exhibit PWM-23. Many of these costs are for
8 meetings and conferences that the company states that it has not attended in the
9 test year but it intends to restart its participation.

10

11 **Q. DO YOU HAVE CONCERNS ABOUT THESE EXPENSE INCREASES**
12 **WHEN THE COMPANY HAS NOT PREVIOUSLY INCURRED THESE**
13 **COSTS BETWEEN RATE CASES?**

14 A. Yes, I have great concern about these requested expenses. In the company's
15 response to Citizen's Second Set of Interrogatories, No. 48 (attached as Exhibit
16 PWM-24), the company provided a schedule showing items requested in its last
17 rate case and the current level of expense incurred. The prior case included
18 approximately \$23,000 for seminars and training for 2005 and the company
19 response to Interrogatory No. 48 indicates a total of approximately \$5,000 was
20 spent for these seminars and training in the last 4 years.

21

22 **Q. WHAT IS YOUR RECOMMENDED ADJUSTMENT FOR TRAVEL,**
23 **TRAINING, SEMINARS AND MEETING FEES?**

24 A. Due to major uncertainties (primarily the economic downturn and the proposed
25 merger) I do not believe the company will be increasing travel expenses by the

1 magnitude in the projected test year. While it is possible that these expenses may
2 be increased in future years, the commission should limit its projections to what is
3 expected in the rate case test year. Further, the company's history demonstrates it
4 has not spent close to the full amounts allowed in the previous rate case on these
5 expenses. Therefore, I recommend that the \$170,488 be removed from the "over
6 and under" adjustments. Because the PAA Order previously removed \$2,093 for
7 training, the adjustment reflected on my Exhibit PWM-2, page 3 of 5 only reflects
8 an adjustment of \$168,395.

9
10 GPS System

11 **Q. PLEASE ADDRESS THE COMPANY'S REQUESTED EXPENSE**
12 **INCREASE FOR A GPS DISPATCHING AND NAVIGATIONAL**
13 **SYSTEM.**

14 A. MFR Schedule G-6, Pages 6 and 7 of 7, includes an increase to expenses of
15 \$60,900 for a GPS system. This adjustment includes an increase to costs for the
16 Central Florida Operations of \$17,700 for 2009. It also includes an increase to
17 costs for the South Florida Operations of \$43,200 or 2009. Company witness
18 Kitner testifies that the company purchased and implemented a GPS Tracking,
19 Navigating, and Dispatching system between October and November 2008.

20
21 **Q. ARE YOU RECOMMENDING AN ADJUSTMENT FOR THE GPS**
22 **SYSTEM?**

23 A. No I am not. The company actually spent the money to put the system in place.
24 Further, it has sufficiently documented that it has incurred this expense and its
25 request appears reasonable.

1 Research and Development Costs

2 **Q. PLEASE DESCRIBE FPUC'S REQUESTED EXPENSE INCREASE FOR**
3 **RESEARCH AND DEVELOPMENT (R&D).**

4 A. MFR Schedule G-6, Page 7 of 7, includes an increase to expenses of \$50,000 for
5 Research and Development for 2009. Witness Lundgren testifies to the specific
6 uses of this estimate and the company response to Staff Data Request 1, No. 40.35
7 (attached as Exhibit PWM-25), provides the following information regarding this
8 estimate:

- 9 • \$10,000 is for contributions to organizations such as GTI⁵, AGA⁶ and the
10 Florida Solar Energy Center to support research and development of such gas
11 utilization equipment as natural gas fuel cells, desiccant dehumidification
12 systems, residential natural gas fueling units and solar water heating with
13 natural gas back up tankless water heaters;
- 14 • \$25,000 is for a joint venture to establish a commercial natural gas fueling
15 station;
- 16 • \$10,000 is for the installation of a desiccant dehumidification unit in a public
17 school as a joint venture with a school board; and
- 18 • \$5,000 for equipment to monitor the humidity and performance of the
19 desiccant dehumidification units in the corporate office. The resulting data
20 will serve as a marketing tool to educate customers interested in utilizing this
21 technology.

22
23 **Q. WHAT CONCERNS DO YOU HAVE REGARDING THE REQUESTED**
24 **R&D COSTS?**

⁵ Gas Technology Institute

⁶ American Gas Association

1 A. First, none of these amounts are based on any estimates or bids from vendors. All
2 of the costs are admitted to be “rough estimates” pursuant to FPUC’s response to
3 Staff’s 1st Data Request No. 40.35 (Exhibit PWM-25), in an email from FPUC
4 employee Marc Seagrave to Cheryl Martin. An email guessing what amounts
5 might be incurred certainly does not provide sufficient competent evidence to
6 allow recovery of these costs in rate base. Second, these costs are very
7 experimental in nature and FPUC has not provided any justification to support
8 how these costs will benefit current ratepayers. Third, the company was asked in
9 OPC’s 2nd Set of Interrogatories No. 60 (attached as Exhibit PWM-26), what
10 R&D costs it has incurred from 2000 to 2009. FPUC responded that the requested
11 amounts have not been spent and as such were not included in “our historical
12 costs.” The company did not answer the question as to whether it spent any
13 amounts for R&D in those years and based on its response that these costs were
14 not included in “historical costs,” it is reasonable to conclude that little to no
15 money was spent on R&D from 2000 to 2007. Based on the lack of response, I
16 believe that the company has not shown that it has incurred any R&D costs from
17 2000 to 2009. Fourth, given the pending merger with Chesapeake, it is unlikely
18 that these costs will be incurred by FPUC in the test year or thereafter. Based on
19 the above, I recommend that the \$50,000 requested for estimated R&D costs be
20 removed from test year expenses.

21

22 Sales and Marketing Expenses

23 **Q. PLEASE DESCRIBE THE COMPANY ADJUSTMENTS FOR SALES AND**
24 **MARKETING EXPENSES TO CUSTOMER RECORDS AND**
25 **COLLECTION.**

1 A. Company witness Lundgren testifies to the following three adjustments made to
2 the Customer Records and Collection Expense (Account 903) for 2009:

- 3 • Ebill – Kubra origination fee - \$636,
- 4 • Postage – \$6,344, and
- 5 • Envelopes – \$237.

6 The company response to the Staff Data Request 1, Exhibit 40.37 (attached as
7 Exhibit PWM-27), provides very little detail for these "over and under"
8 adjustments. First, the company states that the Ebill adjustment is based on a unit
9 cost of \$0.05 for 2,000 bills for a total of \$100 per month allocated 53% to natural
10 gas. The company did not submit any signed contracts or proof of the cost. Nor
11 did the company explain what the Ebill service is and what it is providing to the
12 customer that was not already included in test year costs. In addition, the
13 company explains the postage adjustment is an increase of \$0.015 for 114,000
14 monthly units and the adjustment for envelopes is described as an increase of
15 \$0.004. Again, the company did not provide any documentary support for these
16 increases. Nor did FPUC explain how these increases were not already offset by
17 the 8.1% inflation adjustment made to increase 2007 expenses to 2009 projected
18 levels. Based on my analysis, the company has not justified these expense
19 increases and accordingly operation and maintenance expenses should be reduced
20 by \$7,217.

21

22 Industry Association Dues

23 **Q. WILL YOU ADDRESS YOUR CONCERNS ON THE ISSUE OF**
24 **INDUSTRY ASSOCIATION DUES?**

25 A. MFR Schedule G-6, Pages 6 and 7 of 7, includes an increase to expenses of

1 \$10,976 for membership dues. The first adjustment includes \$7,820 to the
2 Southern Gas Association (SGA) for FPUC to be a member of the Council for
3 Responsible Energy. This membership is based on \$0.15 per meter and the
4 company estimated 52,133 meters for 2009 for a total 2009 expense of \$7,820.
5 The company has not previously paid these dues to the SGA. Because the
6 company has no history of making this payment and has not shown any indication
7 that the payment was made in 2008, I recommend that \$7,820 be removed from
8 test year O&M expenses.

9
10 **Q. WHAT OTHER ADJUSTMENTS ARE YOU RECOMMENDING FOR**
11 **INDUSTRY ASSOCIATION DUES?**

12 A. Company witness Lundgren states (page 70 of her direct testimony) that FPUC is
13 requesting specific dues increases of \$2,490 to the Florida Natural Gas
14 Association (FNGA), \$400 to the Associated Gas Distributors of Florida (AGDF),
15 and \$266 to the Southern Gas Association (SGA) as “over and under”
16 adjustments. The company paid \$28,010 to the FNGA in 2007 and projects the
17 amount to increase to \$30,500 in 2009. The AGDF is a trade association that
18 represents seven investor-owned natural gas utilities subject to the jurisdiction of
19 the Florida Public Service Commission. The company paid \$19,600 to the AGDF
20 in 2007 and projects the amount to increase to \$20,000 in 2009. The company
21 paid \$7,734 to the SGA in 2007 and projects the amount to increase to \$8,000 in
22 2009.

23 The company response to the Staff Data Request 1, Exhibit 40.36
24 (attached as Exhibit PWM-28), shows the specific increases for each of the last
25 three payments and allocates the entire amount to the natural gas division.

1 However, on MFR Schedule C-11, the company indicates that one dues payment
2 was allocated to another account and the amount included in 2007 expenses is
3 reduced for this allocation. In addition, the company increased the dues expense
4 by an inflation factor of 1.07% for inflation from 2007 to 2009. This increase
5 results in an increase of \$3,918 for the dues to these three organizations. This
6 increase is higher than the amount of the specific increase requested in the “over
7 and under” schedule. Based on the above, the \$3,156 (\$2,490 + \$400 + \$266) for
8 the specific adjustment on the “over and under” schedule should be removed from
9 the 2009 expenses. In total, I am recommending that the company’s requested
10 increase for industry association dues of \$10,976 should be denied and O&M
11 expenses should be reduced by this amount.

12
13 SummerGlen Conversion to Natural Gas

14 **Q. FPUC HAS REQUESTED INCREASED COSTS RELATED TO THE**
15 **CONVERSION OF THE SUMMER GLEN COMMUNITY TO NATURAL**
16 **GAS. PLEASE DESCRIBE THE COMPANY’S REQUEST.**

17 A. Company witness Kitner testifies (page 113, lines 1-7) that the company
18 completed the conversion of approximately 517 homes in the SummerGlen
19 community. These homes were converted from propane to natural gas. The
20 company response to the OPC’s Third Set of Interrogatories, No. 97 (attached as
21 Exhibit PWM-29), indicates that the conversion began and ended in September
22 2007. FPUC included adjustments to its expenses in the "over and under"
23 adjustments to normalize the expenses for the addition of these customers. MFR
24 Schedule G-6, Page 6 of 7, shows an increase to 2009 expenses of \$33,300 for
25 marketing and office supervision, \$12,000 for field employees and meter reading,

1 and \$12,000 for miscellaneous office expenses (a total requested increase of
 2 \$57,300 annually). In OPC's 3rd Set of Documents, Request No. 35 (attached as
 3 Exhibit PWM-30), we asked for the work papers showing the 2007 costs and how
 4 these costs were annualized to reach the "over and under" adjustments. FPUC's
 5 response to this request included only the information shown in the following
 6 chart:

SummerGlen Adjustments	Normalized for 2007 (1)	Thru August 2007 (2)	21.2% for accounts converted to natural gas (3)
Supervision	\$157,016	\$104,677	\$33,287
Field Employees	\$61,139	\$40,759	\$12,961
Misc. Office Expense	\$61,386	\$40,925	\$13,014

7

8 **Q. DO YOU HAVE ANY CONCERNS ABOUT THE COMPANY'S**
 9 **ADJUSTMENTS AND DOCUMENT PRODUCTION?**

10 A. Yes. I have several concerns. First, I do not believe that FPUC's response fully
 11 provides the information requested. The sources of the numbers used in the
 12 discovery response are not shown, nor is any substantive basis reflected for using
 13 the numbers shown. Mathematically, Column (1) amounts are simply 12 months
 14 of the average monthly amounts shown in Column (2). Also, the amounts in
 15 Column (3) are 21.2% of the amounts in Column (1). What is missing from the
 16 response is an explanation of how the company developed the "Thru August
 17 2007" amounts, the source of those amounts, and the basis and source of the
 18 21.2% for accounts converted to natural gas.

19

20 **Q. WHAT OTHER CONCERNS DO YOU HAVE REGARDING THE**
 21 **ALLOCATION OF THESE COSTS FOR THE NEW CUSTOMERS?**

1 A. My review of the impact of the 500 customers shows that they are a minor
2 addition to the total customers for the company. The company response to Staff
3 Data Request 1, Exhibit 42.4 (page 3 of 3) (attached as Exhibit PWM-31), shows
4 51,474 total natural gas customers as of June 30, 2007, which is before the
5 SummerGlen conversion in September. Therefore, the 500 new customers
6 represent only about a 1% increase in customers. The company's trending factors,
7 as presented on MFR Schedule G-6, page 3 of 7, already includes a customer
8 growth of 1.1%. In addition, the company response to Staff Data Request 2,
9 Exhibit 57.1, attached as Exhibit PWM-32, notes that the customer growth from
10 2007 to 2008 is entirely due to SummerGlen conversions.

11 Another concern that I have is the assumption that the company will have
12 to hire additional supervisors or meter readers to add in these customers. The
13 company has made no attempt to show that such a need exists and that other
14 existing employees cannot absorb the labor of adding these customers. Certainly
15 in this down economy, customer growth is low compared to prior years, and
16 several employees correspondingly have been shifted from marketing to other
17 service. These factors reflect that the need for new employees for just 500
18 customers does not exist and, as such, is not justified. Therefore, I do not believe
19 that any "over and under" adjustment for the SummerGlen community conversion
20 to natural gas is needed or appropriate. Further, any additional increases in
21 expenses will be incorporated in the inflation and customer growth trending
22 factors that have already been incorporated into the test year. Accordingly, 2009
23 O&M expenses should be decreased by \$57,300.

24

1 Injuries and Damages Expense

2 **Q. PLEASE ADDRESS THE ISSUE OF INJURIES AND DAMAGES**
3 **EXPENSE.**

4 A. Company witness Lundgren testifies (Page 65, lines 8-21) to the following three
5 adjustments made to the Injuries & Damages Expense (Account 9251) for 2009:

- 6 • Third Party Claims Administration - \$12,750,
- 7 • Driver's License Monitoring - \$2,550, and
- 8 • Worksteps or similar - \$30,600.

9

10 **Q. WHAT IS THE BASIS FOR FPUC'S ADJUSTMENT FOR THE THIRD**
11 **PARTY CLAIMS ADMINISTRATION (TPA)?**

12 A. FPUC witness Schneidermann in his testimony on pages 151-152 explains why
13 the company is requesting an expense increase for a new TPS for liability claims.
14 He explained that FPUC's former TPA was purchased by a new company and that
15 FPUC was not satisfied with the services of the new firm. Mr. Schneidermann
16 stated that after issuing an RFP in the summer of 2008, three firms responded and
17 FPUC selected the best fitting TPA, which was also the lowest bidder. Mr.
18 Schneidermann also stated that because of the lack of performance by the former
19 TPA, no significant historical expense has been booked. The adjustment is
20 detailed on MFR Schedule G-6, Page 6 of 7. FPUC's response to Staff Data
21 Request 1, Exhibit 40.17 (attached as Exhibit PWM-33), provides a set of three
22 estimates for this function and also indicates the adjustment is based on the lowest
23 of the estimates, which corresponds with Mr. Scheiderman's testimony.

24

25 **Q. WHAT CONCERNS DO YOU HAVE WITH THIS TPA INCREMENTAL**

1 **EXPENSE ADJUSTMENT?**

2 A. First, while the three estimates have been provided in discovery, the company has
3 not provided a comparison of this cost to any cost incurred in prior years. It
4 appears based on Mr. Schneidermann’s testimony that because of the poor
5 performance by the former company, it has not incurred historical costs for this
6 service. However, Mr. Scheiderman’s testimony does not contain any dates of
7 service to determine when all of these events occurred and to determine how long
8 the company went without this TPA service. Moreover, it is unclear whether the
9 company incurred costs during the historical years 2007 or 2008, since it has not
10 been sufficiently documented by FPUC.

11 Additionally, if FPUC has indeed hired this new TPA firm, it has failed to
12 provide any documents such as an invoice or signed contract to support this claim.
13 These documents, if the service has been procured, would indicate when the
14 company began using the services of this provider and the actual costs incurred.
15 Further, with the pending Chesapeake merger, these are costs that apparently
16 would be combined for synergies in a major merger transaction. If FPUC has not
17 as of this date hired this new TPA, I do not believe that the company would do so
18 prior to a pending merger. Therefore, I recommend that this adjustment for
19 \$12,750 be removed from the expenses.

20
21 **Q. PLEASE EXPLAIN FPUC’S ADJUSTMENT REGARDING DRIVER’S**
22 **LICENSE MONITORING.**

23 A. MFR Schedule G-6, Page 6 of 7, describes the purpose of the adjustment for
24 Driver’s License Monitoring as “to ensure drivers’ licenses are current and report
25 infractions.” The company response to Staff Data Request 1, Exhibit 40.18

1 (attached as Exhibit PWM-34), provides an estimate of costs in using this service.
2 The \$5,000 estimate (\$2,550 allocated to the natural gas division) provided
3 includes several costs that are one time set up costs. I believe that if any amount
4 of increase is allowed for this adjustment, it should reflect only those costs that
5 are recurring. The company response to Citizen's Third Set of Interrogatories,
6 No. 64 (attached as Exhibit PWM-35), indicates that the company has not spent
7 any amounts on driver's license checks from 2004 to 2008. However, its
8 response to Citizen's Interrogatory No. 98 (attached as Exhibit PWM-36),
9 indicates that the company has spent \$4,087 in 2009. While FPUC states that it
10 spent this amount in 2009, it did not submit an invoice in support of this amount,
11 nor indicate what are portion of the charges are annually recurring or set up
12 charges. Because the company has not fully justified its request, I recommend
13 that the adjustment for \$2,550 be removed from expenses.

14
15 **Q. CAN YOU PLEASE DESCRIBE THE ADJUSTMENT REGARDING THE**
16 **EXPENSE INCREASE FOR WORKSTEPS EMPLOYMENT FITNESS**
17 **TEST?**

18 A. MFR Schedule G-6, Page 6 of 7, describes the purpose of the Worksteps program
19 to be an "on-going physical assessments of staff to reduce injuries." FPUC's
20 response to Staff Data Request 1, Exhibit 40.19 (attached as Exhibit PWM-37),
21 provides a copy of what appears to be a portion of an agreement between another
22 company (Florida Power & Light's name is scratched out) and the Worksteps
23 company. The response describes the program as Comprehensive Post Offer
24 Functional Employment Test and Fit For Duty RTW Test. Witness
25 Schneidermann testifies (pages 150-151) to the benefits of having this program

1 due to an aging workforce and to make sure that employees are physically capable
2 to do their required jobs. While these might appear to be a valuable tool, FPUC
3 has apparently not seen the need to use these exams historically enough to spend
4 the money. Further, the incomplete one- page estimate for another vastly larger
5 company, without dates or signatures is inadequate on its face to allow recovery. I
6 recommend that no adjustment should be allowed until the company is able to
7 provide proof that it has a signed contract and has begun providing this service.
8 Therefore, I recommend that this adjustment for \$30,600 be removed from
9 expenses.

10 In summary, the total adjustment that I recommend for Injuries and
11 Damages Expense should be \$45,900, which is reflected on my Exhibit PWM-2,
12 page 3 of 5.

13
14 Miscellaneous Office and General Expenses

15 **Q. PLEASE EXPLAIN THE COMPANY'S ADJUSTMENT TO**
16 **MISCELLANEOUS OFFICE AND GENERAL EXPENSES.**

17 A. Company witness Lundgren testifies (page 49) that due to several non-recurring
18 staffing events that occurred during 2008, the company projected Miscellaneous
19 Office Expense, Account No. 9215 differently. For 2009, FPUC assumed a return
20 to 2007 historical levels and applied the appropriate 2008 and 2009 trend factors
21 for payroll and inflationary increases. My review found that the calculation of the
22 2009 expense projection was mathematically incorrect. Using the company trend
23 factors shown on page 4 of 7 (MFR Schedule G-2, C-5) and the company's 2007
24 expenses in this account (MFR Schedule G-2(C-5), page 3 of 7) indicates a total
25 expense of \$187,699, but the company included \$200,126. To correct this error, I

1 recommend that miscellaneous office and general expenses be reduced by
2 \$12,427, as calculated below:

3
4

5	<u>Schedule G-2 (C-5)</u>	<u>Payroll</u>	<u>Non-Payroll</u>	<u>Total</u>
6	<u>2007 Expense</u>	\$3,712	\$169,813	\$173,525
7	Trend Factor	<u>11.3%</u>	<u>8.1%</u>	
8	<u>2009 Trended Exp</u>	\$4,131	\$183,568	\$187,699
9	MFR Expense	<u>\$4,281</u>	<u>\$195,845</u>	<u>\$200,126</u>
10	Total Adjustment	<u>(\$150)</u>	<u>(\$12,277)</u>	<u>(\$12,427)</u>

11
12 Office Utility Expense

13 **Q. PLEASE EXPLAIN THE COMPANY'S PROJECTION METHODOLOGY**
14 **RELATED TO OFFICE UTILITY EXPENSE.**

15 A. Company witness Lundgren testifies that the company did not use the trend
16 factors for Office Utility Expense, Account No. 9214. She states that:

17 Using trended projections does not accurately project expenses for this
18 account as the cost of electricity and natural gas has increased at rates
19 greater than inflation and accounts for a significant portion of this
20 increase. To more accurately project 2008 expenses, we have
21 annualized historical data from January - April 2008. We then trended
22 2009 projections by increasing our 2008 projections by the inflation
23 trend factor of 1.07.

24 MFR Schedule G-2 (C-5) pages 3 and 4 of 7, shows that the utility recorded
25 \$105,386 in this expense in 2007. The utility projected the expense for 2008 at

1 \$139,974 and for 2009 at \$153,896. I have reviewed the company calculations
2 and the information presented by the company in response to Citizen's Third Set
3 of Interrogatories, No. 90 (attached as Exhibit PWM-38). This Interrogatory
4 included actual costs for 2007, 2008 and six months of 2009. The 2008 actual
5 costs were substantially higher than either the 2007 or 2009 costs. The 2008
6 actual cost appears to be an anomaly. Therefore, I recommend that the 2008 and
7 2009 specific adjustment to the office utility expenses should be removed and the
8 2007 cost level should be trended to 2009 using my recommended trend factor. I
9 applied the 1.0463 inflation factor, shown on my Exhibit PWM-6, page 3 of 3, to
10 the 2007 expense which calculates a total expense of \$110,265. This amount also
11 correlates well with the six months of actual costs for 2009 of \$56,009.
12 Therefore, I recommend that the expense be reduced by the difference between
13 this trended expense of \$110,265 and the MFR amount of \$153,896. This results
14 in a reduction to expense of \$43,631.

15
16 Maintenance of Mains Expenses

17 **Q. PLEASE EXPLAIN THE COMPANY'S REQUESTED INCREASES IN**
18 **O&M EXPENSES FOR MAINTENANCE OF MAINS.**

19 A. MFR Schedules G-6, Pages 6 and 7 of 7, include an increase to expenses of
20 \$75,250 for increased reliability. This increase is based on two separate
21 adjustments: one is \$50,000 for costs related to pending rulemaking for a
22 distribution integrity management program (DIMP); and the second is for \$26,250
23 for bridge crossing repairs and maintenance.

24
25 **Q. CAN YOU ADDRESS THE COSTS RELATED TO DISTRIBUTION**

1 **INTEGRITY MANAGEMENT PROGRAM?**

2 A. Yes. Company witness Lundgren (pages 67) testifies that the estimated \$50,000
3 for the DIMP program adjustment is based on the knowledge and experience of
4 management. Company witness Schneidermann (pages 152-153) testifies to the
5 status of the rulemaking and the basis for the company estimate. Mr.
6 Schneidermann states that “The most recent estimated annual cost that we have
7 seen indicates a potential nationwide cost of \$100 million for 1.9 million miles of
8 gas distribution lines.” Based on the national \$53 per mile cost average, Mr.
9 Schneidermann testifies that the company estimates “could be” approximately
10 \$100,000 annually but FPUC only included \$50,000 as he projects the rule will
11 only be in effect for a portion of the 2009 test year.

12
13 **Q. HAS THE FPSC RECENTLY ADDRESSED THIS ISSUE REGARDING**
14 **COST RECOVERY FOR POSSIBLE COST INCREASES THAT MAY**
15 **RESULT FROM THE PROPOSED DIMP RULE?**

16 A. Yes. In the recent Peoples Gas System rate case (Docket No. 080318-GU), OPC
17 argued that the adjustment requested by the utility for this same item was based
18 largely on guesswork and not even on existing rules or regulations. OPC witness
19 Schultz testified that it is important to note that the steps that the utility argued
20 were required in the proposed rulemaking are steps that a prudently operated
21 distribution company should already have had in existence. By Order No. PSC-
22 09-0411-FOF-GU, issued June 9, 2009, the Commission found that:

23 ... the Utility failed to prove that the proposed costs for system
24 reliability are warranted. PGS's request for the inclusion of an
25 estimated \$250,000 in Account 887 for system reliability costs relating

1 to the proposed DIMP rule may be premature since a rule has not yet
2 been adopted.

3 In addition, in the current rate case filed by the Florida Division of Chesapeake
4 Utilities Corporation (Docket No. 090125-GU), Chesapeake responded to staff's
5 first data request, attached as Exhibit PWM-39, regarding the DIMP rule by
6 stating that "no expenses related to the DIMP rule were included in the current
7 rate case."

8

9 **Q. WHAT IS YOUR RECOMMENDATION REGARDING FPUC'S**
10 **REQUESTED COSTS FOR THE POTENTIAL DIMP RULE?**

11 A. I recommend that the requested expense increase for \$50,000 should be
12 disallowed. First, the company has not provided any support to show how the
13 nationwide cost was determined. The record is devoid of who estimated this, how
14 or when it was done, and what support or evidence the unknown sources used to
15 calculate the cost. Second, Mr. Schneidermann applied the potential nationwide
16 cost of \$100 million proportionally to FPUC. This broad, speculative estimate
17 could not possibly consider system differences or the type of soil in FPUC's
18 territory, nor does it take into account any specific programs or procedures that
19 FPUC currently has in effect. Third, consistent with the Commission's decision in
20 the People's Gas rate case, any cost recovery at this time related to the proposed
21 DIMP rule may be premature since a rule has not yet been adopted. Accordingly,
22 the requested \$50,000 increase should be denied as unsupported, unwarranted and
23 premature.

24

25 **Q. PLEASE DESCRIBE FPUC'S REQUESTED \$26,250 INCREASE IN**

1 **EXPENSES RELATED TO BRIDGE CROSSING REPAIRS AND**
2 **MAINTENANCE.**

3 A. Company witness Kitner testifies (page 111-112) that the Commission's Bureau
4 of Safety has recommended extensive repair and maintenance activities on 14
5 bridge crossings. In September 2007, FPUC received an estimate of \$98,470 for
6 maintenance of 13 crossings. (FPSC Staff Data Request No. 2 Exh. 54.4, attached
7 as Exhibit PWM-40). Mr. Kitner states that FPUC took this amount and escalated
8 it by 6.5% for a total cost of \$105,000 which they have requested a 4-year
9 amortization, resulting in an increase to test year expenses of \$26,850. The
10 company response to Staff Data Request 2, Number 56, (attached as Exhibit
11 PWM-41), explains that the four year period was chosen as the period of time that
12 the new rates will be in effect. The company states that past rate proceedings
13 have amortized non-annual recurring expenses over a period to match the
14 revenues granted.

15
16 **Q. HAVE YOU REVIEWED THE COMMISSION STAFF'S GAS SAFETY**
17 **EVALUATIONS FOR FPUC?**

18 A. Yes, I reviewed the Staff Annual Pipeline Safety Evaluations for FPUC submitted
19 in response to Citizen's Second Set of Production of Documents, No. 29 (attached
20 as Exhibit PWM-42). In its response, the company submitted a page from each of
21 five staff evaluations dated December 2004 through December 2008 that listed
22 numerous pipeline crossings that needed to have maintenance. FPUC submitted a
23 quote from Conduit Constructors (response to Staff Data Request 1, Exhibit
24 40.30, attached as Exhibit PWM-43, that appears to address the cost to repair
25 these crossings. However, the vendor quote lists specific crossings and the

1 crossing names are by road names, while the staff evaluations are by crossing
2 number. I was unable to reconcile the specific crossings between the staff reports
3 with the vendor quote.

4
5 **Q. WHAT CONCERNS DO YOU HAVE ABOUT FPUC'S HISTORICAL**
6 **MAINTENANCE OF BRIDGE CROSSINGS?**

7 A. Based on my reading of the staff evaluations and FPUC's request to recover the
8 costs associated with maintenance and safety issues addressed by staff since 2004,
9 I am concerned that the company has neglected to perform the staff noted
10 maintenance. Had the company been regularly performing this maintenance, it
11 would have some historical cost included in its historical base year. Regardless,
12 FPUC now wants customers to pay over 4 future years what it should have been
13 performing in the prior five years. I would note that had this issue been a priority
14 for FPUC it could have used some of its overearnings shortly after its last rate
15 case to perform this maintenance. (Docket No. 050224-GU). Given the
16 company's prior history, I do not believe there is any assurance that if given these
17 amounts in this current rate case that the company would actually spend it on its
18 safety program.

19
20 **Q. WHAT IS YOUR RECOMMENDATION FOR THIS MAINTENANCE?**

21 A. Based on the above, I believe that it is improper to allow the company to recover
22 this cost without the company making any prior effort to perform this
23 maintenance. If the Commission does believe that this maintenance should be
24 recovered, I believe that the amortization period should be no less than 8 years.
25 This recognizes the amount of time that FPUC has delayed the maintenance plus

1 the future 4-years as requested by the company in this case. In any event if the
2 money is provided, the company should be required to file an annual report with
3 the Commission showing what crossings have been repaired, the date of each
4 repairs and the amount of the annual costs expended. Accordingly, the
5 company's requested annual expense should be reduced by \$13,125.

6
7 Pension Curtailment Expense

8 **Q. PLEASE EXPLAIN THE COMPANY'S REQUESTED ADDITIONAL**
9 **EXPENSE ASSOCIATED WITH THE PENSION CURTAILMENT.**

10 A. Witness Lundgren testifies in her supplemental direct (pages 2-4) that in early
11 2009, the company incurred additional pension costs above those projected in the
12 test year because of a change in FPUC's pension plan. She states that because the
13 company's business environment has changed and the volatility in the stock
14 market increased, the Company reevaluated the cost-benefit of providing pension
15 benefits to employees. In March 2009, the Company froze the plan effectively
16 reducing the impact of the stock market volatility and that impact on future
17 anticipated increases to the defined benefit pension plan costs. Ms. Lundgren
18 states that upon freezing the pension plan, the prior service costs component of
19 pension expense, which was previously deferred as a regulatory asset, was
20 required to be recognized immediately under Statement of Financial Accounting
21 Standards (SFAS) Statement No. 158. Ms. Lundgren admits this cost is a one-
22 time expense. She contends that recovery over 4 years matches the timeframe that
23 the proposed rates will be in effect. The total expensed curtailment costs were
24 \$2.3 million with 53% or \$1,219,000 allocated to natural gas. Amortization over a

1 four year period would result in an additional \$304,750 to pension expense to be
2 recovered in 2009.

3
4 **Q. DO YOU AGREE WITH THE REQUESTED EXPENSE ASSOCIATED**
5 **WITH THE CURTAILMENT?**

6 A. While I have not analyzed the full impact of why the company discontinued its
7 pension plan, I do agree that based on the curtailment, FPUC had to recognize its
8 prior service costs associated with its pension plan in the same quarter that it
9 curtailed its plan for book purposes. However, the company has not provided
10 sufficient explanation as to why the cost should be included in rates.

11
12 **Q. MS. LUNDGREN STATES THAT THE LOSS ON CURTAILMENT IS A**
13 **ONE-TIME EXPENSE AND SHOULD BE AMORTIZED OVER A FOUR-**
14 **YEAR PERIOD. DO YOU AGREE WITH THIS TREATMENT?**

15 A. No, I do not. If the Commission determines this cost should be included in rates
16 (which I do not recommend), Ms. Lundgren's proposed four-year amortization
17 period is unreasonable. First, establishing an amortization period for a cost
18 should be based upon the timeframe over which benefits of the cost will be
19 received. Using a four-year period because that is the amount of time that rates
20 might be in effect is not appropriate. There is no requirement that rate cases be
21 filed every four years. Rate case timing should be based upon the need for rate
22 relief, not merely because four years has passed. Many utilities, especially electric
23 companies were able to defer filing rate cases for many years from the 1980's to
24 early 2000's. Another reason that a four-year amortization period would not be a
25 reasonable timeframe is that the assets that support the pension plan still exist. If

1 the economy and stock market rebound in the next several years, those assets will
2 recover and some of the losses could be recouped prior to the expenditures being
3 made for retiring employees. If the curtailment loss is written off for regulatory
4 purposes too soon, the company could receive a windfall if those pension assets
5 rebound sooner than the requested four-year amortization period.

6 **Q. WHAT IS YOUR RECOMMENDATION ON THE APPROPRIATE**
7 **AMORTIZATION PERIOD?**

8 A. If the Commission believes that these costs should be considered for ratemaking
9 purposes, I believe a more reasonable amortization period would be 8 years. This
10 better matches future pay outs of long and short-term pension obligations.
11 According, if an adjustment is appropriate, it should be no more than \$152,375.
12 However, if pending merger is approved or the pension plan revisited, the
13 Commission should reconsider this issue during the pendency of a future
14 proceeding.

15
16 Expense Associated with Environmental Liability

17 **Q. PLEASE ADDRESS THE COMPANY'S TESTIMONY REGARDING ITS**
18 **INCREASED ENVIRONMENTAL LIABILITY EXPENSES.**

19 A. Witness Martin states in her supplemental direct testimony that in early 2009
20 FPUC faced having to fund an increased level of environmental cleanup (among
21 other issues) which required the company to take unusual immediate action
22 including focusing on temporarily reducing cash outflow. She states that in April
23 and May 2009, the company received communication from the Florida
24 Department of Environmental Protection (FDEP) first requiring clean-up action
25 and then requiring remediation discussions for FPUC's contaminated site in West

1 Palm Beach. At a meeting in May, FPUC and FDEP agreed upon \$450,000 of
2 additional assessment and testing with an additional \$570,000 of work
3 contemplated. Ms. Martin states that while this level of expenditures was not
4 expected in early 2009, based on further discussions with FDEP, the agreed upon
5 remedies being considered now are within the previously projected and reported
6 \$18 million range. She notes, however, that a final determination on the
7 environmental liability has not yet been reached.

8
9 **Q. WHAT ACTION SHOULD BE TAKEN IN THIS PROCEEDING**
10 **RELATED TO THESE ENVIROMENTAL COSTS?**

11 A. No additional actions are necessary based on Ms. Martin's testimony. Currently
12 for this site, FPUC collects \$354,192 in amortization for potential environmental
13 litigation and clean up costs. No further expense is necessary or warranted at this
14 time.

15
16 Taxes Other Than Income

17 **Q. IN UTILITY WITNESS LUNDGREN'S SUPPLEMENTAL DIRECT**
18 **TESTIMONY, SHE HAS REQUESTED AN INCREASE IN PROPERTY**
19 **TAX EXPENSES. PLEASE EXPLAIN THIS REQUESTED INCREASE.**

20 A. On page 5 of her supplemental direct testimony, Ms. Lundgren states that the
21 inflation rate used to project property taxes was significantly less than the actual
22 increase. She states that it is necessary to increase property tax expense by the
23 difference in the 2009 projected expense and the new 2009 expense. This results
24 in an increase to the 2009 projection of \$160,239.

1 **Q. DO YOU AGREE WITH THE COMPANY'S PROPERTY TAX**
2 **ADJUSTMENT?**

3 A. In theory, I agree that in many areas of the state property taxes have gone up
4 higher than inflation. However, I have several problems with the company's
5 request. First, the company provides no documentation showing that this, in fact,
6 has occurred. If they provide the property tax invoices along with workpapers to
7 show that the amounts have been properly allocated, this would alleviate some of
8 my concerns about the company's request. Second, as I have addressed
9 throughout my testimony, there are multitudes of instances where the company
10 has requested recovery of items in this case that it has not incurred. While the
11 property tax expense might result in an expense increase, to only look at this one
12 item in a vacuum distorts the whole ratemaking process. At this time, we are
13 almost looking at an historical test period. If we look at the actual amount of
14 property taxes, why not look at the actual level of plant additions, operations and
15 maintenance expenses, etc., incurred in 2009 to date. Based on my analysis of the
16 expenses that I have previously addressed in my testimony, my assumption is that
17 the actual expenses incurred in 2009 including the increase in property taxes will
18 be less than those requested by the company in this proceeding. At this point, I do
19 not believe that the company has properly shown that this expense increase is
20 appropriate.

21 As addressed previously in my testimony, the reductions to plant additions
22 and land have corresponding reductions to property tax expense totaling \$85,195.
23 The calculations supporting this adjustment are shown on Exhibit PWM-3, page 1
24 of 3.

25

1 Request to Defer of Premerger and Merger Related Costs

2 **Q. SHOULD THE COMPANY'S REQUEST TO ALLOW DEFERRAL OF**
3 **PREMERGER AND MERGER RELATED COSTS BE APPROVED FOR**
4 **DEFERRAL AS A DEFERRED REGULATORY ASSET AND**
5 **CONSIDERED FOR RECOVERY AND AMORTIZATION IN A FUTURE**
6 **RATE PROCEEDING?**

7 A. Absolutely not. It is entirely inappropriate for the company to request advanced
8 recovery of pre-merger and merger related expenses. These costs are directly
9 related to the merger and acquisition activities and this Commission has
10 historically disallowed recovery of these types of costs from customers. These
11 costs lay solely with the shareholders of each company and should not be borne
12 by the ratepayers. The purchase or merger of a utility is not a decision made by
13 ratepayers and the expenses associated with the change of ownership should be
14 recorded as acquisition costs⁷. Acquisition costs are addressed by the
15 Commission in considering whether to allow recovery of an acquisition
16 adjustment.

17 Ms. Martin in her supplemental direct states that no costs savings will
18 occur to benefit customers in the projected test year but states no evidence
19 whatsoever to support her testimony that actual expenses will be higher in 2009
20 due to the pre-merger related activities. Any impact of synergies will rightfully be
21 considered by the Commission after the merger when the issue of approval of any
22 acquisition adjustment is requested. Regardless, Ms. Martin is suggesting that the

⁷ See Order No. PSC-03-0647-PAA-WS, pp. 7-9, issued May 28, 2003, in Docket No. 020407-WS, Application for rate increase in Polk County by Cypress Lakes Utilities, Inc.; Order No. PSC-98-0524-PAA-SU, issued April 16, 1998, in Docket No. 971065-SU, in Pinellas County by Mid-County Services, Inc.; and Order No. PSC-93-1713-FOF-SU, pp. 7-8, issued November 30, 1993, in Docket No. 921293, In re: Application for a Rate Increase in Pinellas County by Mid-County Services, Inc.

1 Commission pre-approve expense prior to even seeing what the costs are and
2 what benefits customer derive from these future expenditures. Ms. Martin's
3 statement that by pre-approving the deferral of transaction and transition costs or
4 premerger and merger related costs as regulatory assets, the Company would be
5 afforded the opportunity to match these specific costs of the transaction with the
6 benefits. This is completely false as the benefits of this merger to the customers
7 will most likely not be immediate and instead will be long-term. It also appears
8 that Ms. Martin is wishing the Commission to pre-approve an acquisition
9 adjustment and the future amortization. Her final suggestion is that this current
10 case should not reflect any possible synergies that may occur in 2010 or 2011
11 after the projected test year and that the Commission wait for a future proceeding
12 over surveillance reviews to ascertain whether any cost savings cause the
13 combined entity to over earn. In sum, her position is to ignore the cost savings
14 now, but allow the company to defer acquisition costs to be recovered in the
15 future instead of rightfully expensing those costs when incurred. FPUC's request
16 for deferral should be denied.

17

18 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

19 A. Yes, it does.

CERTIFICATE OF SERVICE
DOCKET NO. 080366-GU

I HEREBY CERTIFY that a copy of the foregoing of Citizens' Direct Testimony of Patricia W. Merchant, CPA, to Florida Public Utilities Company has been furnished by hand delivery (*) electronic mail and U.S. Mail to the following parties on this 8th Day of October, 2009.

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Patricia A. Christensen
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Resume

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Professional Experience:

March, 2005 to Present

Office of Public Counsel – Chief Legislative Analyst

In my current position, I perform financial and accounting analysis and reviews, and provide testimony, as required, involving utility filings before the Florida Public Service Commission on behalf of the Citizens of the State of Florida.

1981 to February, 2005 - Florida Public Service Commission

2000 to February, 2005

Public Utilities Supervisor – File and Suspend Rate Case Section, Bureau of Rate Filings, Division of Economic Regulation

In this capacity I supervised 5 to 8 regulatory professionals. This section performed financial, accounting, engineering and rate review and evaluation of rate proceedings for large water and wastewater utilities, as well as electric and gas utilities regulated by the Commission. The types of cases included file and suspend rate cases, limited proceedings, overearning investigations, annual report reviews, service availability and tariff filings, rulemaking, and customer complaints. The section reviewed utility filings, requested and reviewed Commission staff audits, and generated and analyzed discovery requests. I coordinated and prepared staff recommendations to the Commission for agenda conferences. I reviewed the analyses and written documentation of all analysts in this section for proper regulatory theory, grammar and accuracy. I also made presentations to customer groups at Commission staff customer meetings for the rate proceedings to which I was assigned. We presented recommendations at agenda conferences, providing responses to comments and questions by other parties and Commissioners. I also prepared and presented testimony, and assisted in the preparation of cross-examination questions for depositions and formal hearings. Additionally, I provided training in regulatory theory for new staff and provided training on regulatory and accounting issues for other analysts at the Commission.

1989 – 2000

Regulatory Analyst Supervisor, Accounting Section, Bureau of Economic Regulation, Division of Water and Wastewater

I supervised 5-7 regulatory accounting analysts. This section performed the same job activities as above specifically for the larger Commission regulated Class A and B water and wastewater companies.

1983 – 1989

Regulatory Analyst – Accounting Bureau, Division of Water and Wastewater

As an accounting analyst, I performed the same job activities as described above for water and wastewater companies in a non-supervisory role.

1981 – 1983

Public Utilities Auditor, Division of Auditing and Financial Analysis

As an auditor in the Tallahassee district of the Commission, I performed financial and accounting audits of electric, gas, telephone, water and wastewater utilities under the Commission's jurisdiction.

Education and Professional Licenses

1981 Bachelor of Science with a major in accounting from Florida State University

1983 Received a Certified Public Accountant license in Florida

List of Cases in which Testimony was Submitted

Dockets Before the Florida Public Service Commission:

070304-EI – Petition for rate increase by Florida Public Utilities Company (testified at hearing)
070300-EI – Review of 2007 Electric Infrastructure Storm Hardening Plan filed pursuant to Rule 25-6.0342, F.A.C., submitted by Florida Public Utilities Company (testified at hearing)

070052-EI - Petition by Progress Energy Florida, Inc. to recover costs of Crystal River Unit 3 Uprate through fuel clause (testified at hearing)

060162-EI – Petition by Progress Energy Florida, Inc. to recover modular cooling tower costs through the Environmental Cost recovery clause. (filed testimony stipulated into record)

050958-EI – Petition for approval of new environmental program for cost recovery through Environmental Cost Recovery Clause by Tampa Electric Company. (testified at hearing)

060658-EI - Petition on Behalf of Citizens of the State of Florida to require Progress Energy Florida, Inc. to Refund Customers \$143 million. (filed testimony stipulated into record)

060362-EI - Petition to Recover Natural Gas Storage Project Costs through Fuel Cost Recovery Clause, by Florida Power & Light Company. (testified at hearing)

050045-EI - Petition for Rate Increase by Florida Power & Light Company. (filed testimony, deposed, case settled prior to hearing)

991643-SU - Application for Increase in Wastewater Rates in Seven Springs System in Pasco County by Aloha Utilities, Inc. (testified at hearing)

971663-WS - Application of Florida Cities Water Company, Inc. for a limited proceeding to recover environmental litigation costs. (all testimony and exhibits stipulated into record without hearing)

940847-WS - Application of Ortega Utility Company for increased water and wastewater rates. (testified at hearing)

911082-WS - Water and Wastewater Rule Revisions to Chapter 25-30, Florida Administrative Code. (testified at hearing)

881030-WU - Investigation of Sunshine Utilities of Central Florida rates for possible over earnings. (testified at hearing)

850151-WS - Application of Marco Island Utilities, Inc. for increased water and wastewater rates. (testified at hearing)

850031-WS - Application of Orange/Osceola Utilities, Inc. for increased water and wastewater rates in Osceola County (testified at hearing)

840047-WS - Application of Poinciana Utilities, Inc. for increased water and wastewater rates (testified at hearing)

Cases Before the Division of Administrative Hearings:

97-2485RU - Aloha Utilities, Inc., and Florida Waterworks Association, Inc., Petitioners, vs. Public Service Commission, Respondents, and Citizens of the State of Florida, Office of Public Counsel, Intervenors (deposed and testified at hearing)

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 080366-GU
DECEMBER 2009 PROJECTED TEST YEAR
REVENUE REQUIREMENTS CALCULATION

<u>Line No.</u>	<u>As Filed</u>	<u>OPC Adjusted</u>	<u>OPC Recomm Reduction</u>
1. Rate Base	\$73,747,220	\$66,893,011	
2. Overall Rate of Return	<u>8.74%</u>	<u>8.17%</u>	
3. Required Net Operating Income (1)x(2)	6,445,507	5,465,159	
4. Achieved Net Operating Income	<u>335,922</u>	<u>740,020</u>	
5. Net Operating Income Deficiency (3)-(4)	6,109,585	4,725,139	
6. Net Operating Income Multiplier	<u>1.62330</u>	<u>1.61970</u>	
7. Operating Revenue Increase (5)x(6)	<u>\$9,917,690</u>	<u>\$7,653,307</u>	(\$2,264,383)

FLORIDA PUBLIC UTILITIES COMPANY
 13-MONTH AVERAGE RATE BASE
 DECEMBER 2009 TEST YEAR

DOCKET NO. 080366-GU
 Revenue Requirement
 Exhibit __ (PWM-2)
 Page 2 of 5

Line	Adjusted per Company	Plant in Service & Acquisition Adjustment	Accumulated Deprec., Amort. & Customer Adv.	Net Plant in Service	CWIP	Plant Held for Future Use	Net Plant	Working Capital	Total Rate Base
		117,563,771	(39,309,022)	78,254,749	359,427	0	78,614,176	(4,866,956)	73,747,220
No.	Commission Adjustments:								
1	Updated Allocations	81,565	(79,623)	1,942	0	0	1,942	0	1,942
2	Allocation of EDP Equipment	90,819	(52,067)	38,752	0	0	38,752	0	38,752
3	Bare Steel Replacement Program	(67,503)	716	(66,787)	0	0	(66,787)	0	(66,787)
4	Area Expansion Program (AEP) deficiency	17,419	0	17,419	0	0	17,419	0	17,419
5	Account 252 - Customer Advances	0	(87,449)	(87,449)	0	0	(87,449)	0	(87,449)
6	Working Capital	0	0	0	0	0	0	(26,028)	(26,028)
7	Storm Damage Accrual	0	0	0	0	0	0	81,040	81,040
8	Rate Case Expense	0	0	0	0	0	0	(324,270)	(324,270)
9	Depreciation Study	0	(118,954)	(118,954)	0	0	(118,954)	0	(118,954)
		0	0	0	0	0	0	0	0
10	Total Commission Adjustments	122,300	(337,377)	(215,077)	0	0	(215,077)	(269,258)	(484,335)
									0
	OPC Adjustments:								0
11	Plant Projections	(3,864,877)	60,166	(3,824,711)	0	0	(3,824,711)	0	(3,824,711)
12	Land for South FL Operations Ctr	(2,545,163)	0	(2,545,163)	0	0	(2,545,163)	0	(2,545,163)
		0	0	0	0	0	0	0	0
13	Total OPC Adjustments	(6,430,040)	60,166	(6,369,874)	0	0	(6,369,874)	0	(6,369,874)
		0	0	0	0	0	0	0	0
	OPC Recommended Rate Base	111,256,031	(39,586,233)	71,669,798	359,427	0	72,029,225	(5,136,214)	66,893,011

FLORIDA PUBLIC UTILITIES COMPANY
NET OPERATING INCOME
DECEMBER 2009 TEST YEAR

DOCKET NO. 080366-GU
Revenue Requirement
Exhibit __ (PWM-2)
Page 3 of 5

Line No.	Adjusted per Company	Operating Revenues	O&M Gas Cost	O&M Other	Depreciation and Amortization	Taxes Other Than Income	Total Income Taxes	(Gain)/Loss on Disposal of Plant	Total Operating Expenses	Net Operating Income
		27,918,917	0	19,003,804	4,499,008	5,609,864	(1,529,681)	0	27,582,995	335,922
	<u>Commission Adjustments:</u>									
1	Updated Allocations	0	0	0	17,740	0	(6,676)	0	11,064	(11,064)
2	Allocation of EDP Equipment	0	0	0	9,616	0	(3,619)	0	5,997	(5,997)
3	Bare Steel Replacement Program	0	0	0	122,780	0	(46,202)	0	76,578	(76,578)
4	Non-Regulated Business Operations	0	0	(73,751)	0	0	27,753	0	(45,998)	45,998
5	Franchise Fees	(1,441,002)	0	0	0	(1,441,002)	0	0	(1,441,002)	0
6	Gross Receipts Tax	(2,315,886)	0	0	0	(2,315,886)	0	0	(2,315,886)	0
7	Customer Records and Collections	0	0	24,539	0	0	(9,234)	0	15,305	(15,305)
8	Uncollectible Accounts Expense	0	0	(116,853)	0	0	43,972	0	(72,881)	72,881
9	Travel Expense	0	0	(2,093)	0	0	788	0	(1,305)	1,305
10	Promotional Advertising	0	0	(56,238)	0	0	21,162	0	(35,076)	35,076
11	Administrative and General Expense	0	0	(44,595)	0	0	16,781	0	(27,814)	27,814
12	Corporate Office Flooring	0	0	(6,750)	0	0	2,540	0	(4,210)	4,210
13	Storm Damage Accrual	0	0	(162,080)	0	0	60,991	0	(101,089)	101,089
14	Employee Benefits	0	0	(235,805)	0	0	88,733	0	(147,072)	147,072
15	Rate Case Expense	0	0	(60,109)	0	0	22,619	0	(37,490)	37,490
16	Depreciation Study	0	0	0	205,596	0	(77,366)	0	128,230	(128,230)
17	Vacant Positions	0	0	(190,505)	0	0	71,687	0	(118,818)	118,818
18	South Florida Operations Center	0	0	0	0	(114,079)	42,928	0	(71,151)	71,151
19	Common Plant Allocations	0	0	0	0	(66,363)	24,972	0	(41,391)	41,391
20	Interest Synchronization	0	0	0	0	0	63,022	0	63,022	(63,022)
21	Total Commission Adjustments	(3,756,888)	0	(924,240)	355,732	(3,937,330)	344,852	0	(4,160,986)	404,096
	<u>OPC Recommended Adjustments</u>									
22	Trend Factors	0	0	(343,998)	0	0	129,446	0	(214,552)	214,552
23	Rate Case Expense	0	0	(52,799)	0	0	19,868	0	(32,931)	32,931
24	Infinium Software Maintenance	0	0	(2,173)	0	0	818	0	(1,355)	1,355
25	SSA Global WR and Budget Maint	0	0	(7,966)	0	0	2,998	0	(4,968)	4,968
26	Painting Main Office Building	0	0	(6,345)	0	0	2,388	0	(3,957)	3,957
27	Main Office Flooring (Net)	0	0	(6,750)	0	0	2,540	0	(4,210)	4,210
28	Landscaping for Main Office Bldg	0	0	(5,414)	0	0	2,037	0	(3,377)	3,377
29	Annual Report and Stock Exc Fees	0	0	(4,408)	0	0	1,659	0	(2,749)	2,749
30	Outside Services Other	0	0	(39,780)	0	0	14,969	0	(24,811)	24,811
31	Outside Services Accounting/Audit	0	0	(116,381)	0	0	43,794	0	(72,587)	72,587
32	Travel, Training, Conferences, Mtg Fees	0	0	(168,395)	0	0	63,367	0	(105,028)	105,028
33	Research and Development Costs	0	0	(50,000)	0	0	18,815	0	(31,185)	31,185
34	Sales and Marketing Expenses	0	0	(7,217)	0	0	2,716	0	(4,501)	4,501
35	Industry Association Dues	0	0	(10,976)	0	0	4,130	0	(6,846)	6,846
36	Summer Glen Conversion	0	0	(57,300)	0	0	21,562	0	(35,738)	35,738
37	Injuries and Damages Expense	0	0	(45,900)	0	0	17,272	0	(28,628)	28,628
38	Miscellaneous Office & General Expenses	0	0	(12,427)	0	0	4,676	0	(7,751)	7,751
39	Office Utility Expense	0	0	(43,631)	0	0	16,418	0	(27,213)	27,213
40	Maintenance of Mains Expenses	0	0	(13,125)	0	0	4,939	0	(8,186)	8,186
41	Plant Projections	0	0	0	(120,333)	(44,545)	62,044	0	(102,834)	102,834
42	South Florida Operations Center	0	0	0	0	(40,650)	15,297	0	(25,353)	25,353
43	Total OPC Recommended Adjustments	0	0	(994,985)	(120,333)	(85,195)	451,753	0	(748,760)	748,760
36	Commission Adjusted NOI	24,162,029	0	17,084,579	4,734,407	1,587,339	(733,076)	0	23,422,009	740,020

FLORIDA PUBLIC UTILITIES COMPANY
DOCKET NO. 080366-GU
13-MONTH AVERAGE CAPITAL STRUCTURE
DECEMBER 2009 TEST YEAR

DOCKET NO. 080366-1
Revenue Requirement
Exhibit __ (PWM-2)
Page 4 of 5

<u>Company As Filed</u>	(\$) Amount	Ratio	Cost Rate	Weighted Cost
Common Equity	31,130,696	42.21%	11.75%	4.96%
Long-term Debt	25,861,386	35.07%	7.90%	2.77%
Short-term Debt	7,363,771	9.99%	4.71%	0.47%
Preferred Stock	320,500	0.43%	4.75%	0.02%
Customer Deposits	6,181,495	8.38%	6.13%	0.51%
Deferred Income Taxes	2,773,818	3.76%	0.00%	0.00%
Tax Credits - Zero Cost	0	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	115,553	0.16%	9.38%	0.01%
Total	73,747,219	100.00%		8.74%
 Equity Ratio	 <u>48.13%</u>			

<u>Commission Adjusted</u>	(\$) Amount	(\$) Specific Adjustments	(\$) Pro Rata Adjustments	(\$) Commission Adjusted	Ratio	Cost Rate	Weighted Cost
Common Equity	31,130,696	0	(233,125)	30,897,571	42.17%	10.85%	4.58%
Long-term Debt	25,861,386	0	(193,665)	25,667,721	35.04%	7.90%	2.77%
Short-term Debt	7,363,771	0	(55,144)	7,308,627	9.98%	2.73%	0.27%
Preferred Stock	320,500	0	(2,400)	318,100	0.43%	4.75%	0.02%
Customer Deposits	6,181,495	0	0	6,181,495	8.44%	6.13%	0.52%
Deferred Income Taxes	2,773,818	0	0	2,773,818	3.79%	0.00%	0.00%
Tax Credits - Zero Cost	0	0	0	0	0.00%	0.00%	0.00%
Tax Credits - Weighted Cost	115,553	0	0	115,553	0.16%	8.72%	0.01%
Total	73,747,219	0	(484,335)	73,262,884	100.00%		8.17%
 Equity Ratio	 <u>48.13%</u>			<u>48.13%</u>			

<u>Interest Synchronization</u>	(\$) Adjustment Amount	Cost Rate	(\$) Effect on Interest Exp.	Tax Rate	(\$) Effect on Income Tax
<u>Dollar Amount Change</u>					
Long-term Debt	(193,665)	7.90%	(15,300)	38.575%	5,902
Short-term Debt	(55,144)	2.73%	(1,505)	38.575%	581
Customer Deposits	0	6.13%	0	38.575%	0
					<u>6,483</u>
 <u>Cost Rate Change</u>					
Short-term Debt	7,363,771	-1.98%	(145,803)	38.575%	56,243
Tax Credits - Weighted Cost	115,553	-0.66%	(768)	38.575%	296
					<u>56,539</u>
 TOTAL					<u><u>63,022</u></u>

FLORIDA PUBLIC UTILITIES COMPANY
 DOCKET NO. 080366-GU
 DECEMBER 2009 PROJECTED TEST YEAR
NET OPERATING INCOME MULTIPLIER

Line No.	(%) <u>As Filed</u>	(%) <u>Commission Adjusted</u>
1 Revenue Requirement	100.0000	100.0000
2 Gross Receipts Tax	0.0000	0.0000
3 Regulatory Assessment Fee	(0.5000)	(0.5000)
4 Bad Debt Rate	<u>(0.7300)</u>	<u>(0.5100)</u>
5 Net Before Income Taxes	98.7700	98.9900
6 Income Taxes (Line 5 x 37.63%)	<u>(37.1672)</u>	<u>(37.2499)</u>
7 Revenue Expansion Factor	<u>61.6028</u>	<u>61.7400</u>
8 Net Operating Income Multiplier (100%/Line 7)	<u>1.6233</u>	<u>1.6197</u>

	2008 13-Month Average Projected Plant Balance	OPC Recom. Plant Addition %	OPC Recom. Plant Addition \$	OPC Recomm. 2009 Projected Plant Balance	FPUC 2009 13-Month Average Projected Plant Balance	OPC Recom. Average Projected Plant Adjustment
Natural Gas Plant						
2 1 1010 3761 MAINS-PLASTIC	26,366,764	8.46%	2,230,621	28,597,385	29,781,134	\$ (1,183,749)
2 1 1010 379 MEASUR/REG.-EQP.CITY GATE STN	310,317	1.08%	3,365	313,682	2,274,266	(1,960,584)
2 1 1010 382 METER INSTALLATIONS	2,957,279	9.31%	275,398	3,232,677	3,331,001	(98,324)
2 1 1010 387 OTHER EQUIPMENT	698,277	8.04%	56,128	754,405	915,226	(160,821)
2 1 1010 390 STRUCTURES AND IMPROVEMENTS	1,486,735	2.19%	32,619	1,519,354	2,000,752	(481,398)
Subtotal						(3,884,877)
2 1 1010 389 LAND AND LAND RIGHTS						(3,545,163)
Total Plant in Service Adjustment						\$ (7,430,040)

	Deprec Rate	Depreciation Adjustment	Adjustment to Accumulated Depreciation
Depreciation Adjustment			
2 1 1010 3761 MAINS-PLASTIC	2.60%	\$ (30,777)	\$ (15,389)
2 1 1010 379 MEASUR/REG.-EQP.CITY GATE STN	3.50%	\$ (68,620)	\$ (34,310)
2 1 1010 382 METER INSTALLATIONS	3.00%	\$ (2,950)	\$ (1,475)
2 1 1010 387 OTHER EQUIPMENT	3.70%	\$ (5,950)	\$ (2,975)
2 1 1010 390 STRUCTURES AND IMPROVEMENTS	2.50%	\$ (12,035)	\$ (6,017)
Total Depreciation and Accumulated Depreciation Adjustments		\$ (120,333)	\$ (60,166)

Property Tax Adjustment	
Schedule G-2 (C-30) Property Taxes 2009	\$ 1,342,817
Schedule G-1 (B-4) Plant in Service 2009	\$ 117,109,410
Calculated Property Tax Rate Per \$ Plant	1.15%
OPC Recommended Plant Reduction Above	\$ (3,884,877)
Property Tax Exp Reduction - Plant	\$ (44,545)
OPC Recommended Reduction to Land	(3,545,163)
Property Tax Exp Reduction - Land	(40,650)
Total OPC Recommended Property Tax Adjustment	(85,195)

	2008 Tr Balance	2005 AR Balance	<u>2005 to 2006</u>		2006 AR Balance	<u>2006 to 2007</u>		2007 AR Balance	<u>2007 to 2008</u>		2008 AR Balance
			\$ Difference	% Difference		\$ Difference	% Difference		\$ Difference	% Difference	
<u>NATURAL GAS PLANT</u>											
2 1 1010 3761 MAINS-PLASTIC	25,656,688	19,338,445	2,557,807	13.23%	21,896,252	2,884,689	13.17%	24,780,941	2,096,461	8.46%	26,877,402
2 1 1010 379 MEASUR/REG.-EQP.CITY GATE STN	2,022,418	2,017,291	(3,134)	-0.16%	2,014,157	4,129	0.20%	2,018,286	21,883	1.08%	2,040,169
2 1 1010 3801 SERVICES-PLASTIC	22,027,519	18,294,452	1,542,315	8.43%	19,836,767	1,610,462	8.12%	21,447,229	1,212,026	5.65%	22,659,255
2 1 1010 381 METERS	5,755,054	4,968,374	595,557	11.99%	5,563,931	124,527	2.24%	5,688,458	135,582	2.38%	5,824,040
2 1 1010 382 METER INSTALLATIONS	2,922,469	2,187,436	255,963	11.70%	2,443,399	357,157	14.62%	2,800,556	260,803	9.31%	3,061,359
2 1 1010 383 HOUSE REGULATORS	1,993,362	1,551,032	184,607	11.90%	1,735,639	225,969	13.02%	1,961,608	85,258	4.35%	2,046,866
2 1 1010 384 HOUSE REGULATOR INSTALLATIONS	925,723	782,005	75,107	9.60%	857,112	47,040	5.49%	904,152	44,547	4.93%	948,699
2 1 1010 387 OTHER EQUIPMENT	643,853	507,201	(2,358)	-0.46%	504,843	90,338	17.89%	595,181	47,841	8.04%	643,022
2 1 1010 390 STRUCTURES AND IMPROVEMENTS	1,417,507	1,359,949	34,603	2.54%	1,394,552	9,191	0.66%	1,403,743	30,798	2.19%	1,434,541
2 1 1010 389 LAND AND LAND RIGHTS	648,880	262,041	(42,709)	-16%	219,332	3,545,163	1616%	3,764,495	-	0%	3,764,495

	2005-2008 Average Change	2008 Actual Change Over 2007	2009 Requested Change Over 2008		2009 Recomm Plant Additions	Recomm Reduction % to 2009 Additions
<u>NATURAL GAS PLANT</u>						
2 1 1010 3761 MAINS-PLASTIC	11.62%	8.46%	16%	**	8.46%	-7.18%
2 1 1010 379 MEASUR/REG.-EQP.CITY GATE STN	0.38%	1.08%	12%	**	1.08%	-11.29%
2 1 1010 3801 SERVICES-PLASTIC	7.40%	5.65%	6%			
2 1 1010 381 METERS	5.54%	2.38%	4%			
2 1 1010 382 METER INSTALLATIONS	11.88%	9.31%	14%	**	9.31%	-4.50%
2 1 1010 383 HOUSE REGULATORS	9.76%	4.35%	7%			
2 1 1010 384 HOUSE REGULATOR INSTALLATIONS	6.67%	4.93%	8%			
2 1 1010 387 OTHER EQUIPMENT	8.49%	8.04%	39%	**	8.04%	-30.83%
2 1 1010 390 STRUCTURES AND IMPROVEMENTS	1.80%	2.19%	39%	**	2.19%	-37.04%

Line No.	Natural Gas Plant	2008	2008	Projected	2008	2009	2009 \$	2009%
		Actual Plant 13 Mo Avg	2008 Projected 13 Mo Avg	Over Actual		Projected 13 Mo Avg	Proj Over Actual 08	Proj Over Actual 08
1	1 231010 303 MISC. INTANGIBLE PLANT	213,641	213,641	-	0	213,641	-	-
2	1 2 3 1010 3031 INTANGIBLE	1,900,000	1,900,000	-	0	1,900,000	-	-
3	1 231010 374 LAND	101,108	101,108	-	0	101,108	-	-
4	1 2 1 1010 3741 LAND RIGHTS	12,910	12,910	-	0	12,910	-	-
5	1 23 1010 375 STRUCTURES AND IMPROVEMENTS	474,409	473,984	(425)	-0.09%	457,330	(17,079)	-4%
6	1 23 1010 3761 MAINS-PLASTIC	25,656,688	26,366,764	710,076	2.77%	29,781,134	4,124,446	16%
7	1 231010 3762 MAINS -OTHER-(CAST IRON,STEEL)	27,059,751	27,203,166	143,415	0.53%	28,106,797	1,047,046	4%
8	1 231010 378 MEASURE/REGULATOR EQP.-GENERAL	310,887	310,317	(570)	-0.18%	307,102	(3,785)	-1%
9	1 2 3 1010 379 MEASURE/REG.-EQP.CITY GATE STN	2,022,418	2,035,546	13,128	0.65%	2,274,266	251,848	12%
10	1 23 1010 3801 SERVICES-PLASTIC	22,027,519	22,140,043	112,524	0.51%	23,310,131	1,282,612	6%
11	1 231010 3802 SERVICES -OTHER-CAST IRON,ETC	2,115,413	2,126,914	11,501	0.54%	2,113,030	(2,383)	0%
12	1 2 3 1010 381 METERS	5,755,054	5,776,009	20,955	0.36%	5,996,955	241,901	4%
13	1 2 3 1010 382 METER INSTALLATIONS	2,922,469	2,957,279	34,810	1.19%	3,331,001	408,532	14%
14	1 231010 383 HOUSE REGULATORS	1,993,362	2,010,852	17,490	0.88%	2,130,059	136,697	7%
15	1 23 1010 384 HOUSE REGULATOR INSTALLATIONS	925,723	931,598	5,875	0.63%	1,000,365	74,642	8%
16	1 2 3 1010 385 IND MEASURING/REG STATION EQP	49,017	44,442	(4,575)	-9.33%	29,222	(19,795)	-45%
17	2 1 1010 386 OTHER PROPTY.ON CUST.PREM-RENT	185	-	(185)	-100.00%	-	(185)	0%
18	1 231010 387 OTHER EQUIPMENT	643,853	698,277	54,424	8.45%	915,226	271,373	39%
19	1 2 3 1010 389 LAND AND LAND RIGHTS	3,764,497	3,764,497	-	0.00%	3,764,497	-	0%
20	1 231010 390 STRUCTURES AND IMPROVEMENTS	1,417,507	1,486,735	69,228	4.88%	2,000,752	583,245	39%
21	1 231010 3911 OFFICE FURNITURE	114,654	116,416	1,762	1.54%	127,011	12,357	11%
22	1 23 1010 3912 OFFICE MACHINES	68,186	65,519	(2,667)	-3.91%	78,898	10,712	16%
23	1 231010 3913 EDP EQUIPMENT	648,880	600,153	(48,727)	-7.51%	429,473	(219,407)	-37%
24	2 3 1010 391305 SOFTWARE	553,029	559,547	6,518	1.18%	581,892	28,863	5%
25	2 1 1010 3921 TRANSP EQUIP-CARS	134,030	115,810	(18,220)	-13.59%	53,675	(80,355)	-69%
26	1 231010 3922 TRANS-LIGHT TRUCK,VAN,	3,714,385	3,733,547	19,162	0.52%	3,822,105	107,720	3%
27	1 23 1010 3924 TRANS-TRAILERS	56,994	56,908	(86)	-0.15%	60,245	3,251	6%
28	1 231010 393 STORES EQUIPMENT	11,137	10,840	(297)	-2.67%	32,289	21,152	195%
29	1 2 3 1010 394 TOOLS, SHOP & GARAGE EQUIPMENT	322,717	328,645	5,928	1.84%	352,933	30,216	9%
30	1 2 3 1010 396 POWER OPERATED EQUIPMENT	357,899	347,015	(10,884)	-3.04%	382,282	24,383	7%
31	1 231010 397 COMMUNICATION EQUIPMENT	238,768	238,569	(199)	-0.08%	254,374	15,606	7%
32	1 231010 398 MISCELLANEOUS EQUIPMENT	193,953	187,240	(6,713)	-3.46%	205,204	11,251	6%
33	Subtotal	<u>105,781,043</u>	<u>106,914,291</u>	<u>1,133,248</u>	<u>1.07%</u>	<u>114,125,907</u>	<u>8,344,864</u>	<u>8%</u>

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

MFRs were prepared and the current estimate of completion and in service date, or whether the project has been delayed more than 3 months or cancelled.

Please refer to the responses and exhibits provided with FPSC Document Request #2, Items 24; and OPC Production of Document #2, Items 17 and 18.

The attached Exhibit 80.1 through Exhibit 80.6 contains actual construction data for the year 2008 and 2009 through February, for the South Florida, Central Florida Natural Gas, and Common operating divisions. These schedules substantially provide the requested information. See response to OPC 1st POD, question 1 for more information on variances and explanations. See response to number 23 in this set of interrogatories as well.

(Mesite)

- 81) **Plant Additions and CWIP. Please provide the actual and MFR projected/budgeted monthly balances of plant in service by primary account and CWIP for 2007, 2008 and 2009 to date.**

FPUC does not budget Plant-in-service nor CWIP monthly balances; budgeted Plant-in-service and CWIP is therefore not available for 2007 outside of the formats we use for our budget purposes. The actual and CWIP data for 2007 was provided in the MFR for both the natural gas segment and for allocated Common in Schedule B-8, pages 1 and 2. The actual Plant-in-service data for 2007 was provided in the MFR for the natural gas segment and for allocated Common in Schedule B-4 and Schedule B-5, respectively. Exhibits 81.1, 81.2, and 81.3 contain 2007 Budget information for the South Florida Natural Gas Division, Central Florida Natural Gas Division, and Common.

2008 Budget information for the South Florida Natural Gas Division, Central Florida Natural Gas Division, and Common is provided in the responses and exhibits to FPSC Staffs' First Data Request Item 24, and in responses and exhibits to OPC Second Production of Document Items 17 and 18. Actual data through April 2008 were included in all MFR plant-in-service and CWIP schedules. The attached Exhibit 81.4 contains the 13-month trial balance at December 31, 2008, for actual Plant-in-service and CWIP accounts of South Florida Natural Gas Division, Central Florida Natural Gas Division, and Common.

2009 Budget information for the South Florida Natural Gas Division, Central Florida Natural Gas Division, and Common is provided in the responses and exhibits to FPSC Staffs' First Data Request Item 24, and in responses and exhibits to OPC Second Production of Document Items 17 and 18. The attached Exhibit 81.5 contains 13-month trial balance at February 28, 2009, for actual Plant-in-service and CWIP accounts of South Florida Natural Gas Division, Central Florida Natural Gas Division, and Common. February 2009 is the most current actual data available.

(Mesite)

REPORT NAME: TB
DATE: 4/13/2009
USER: MESITE

Trial Balance 13 MTH Average
AS OF 12 2008

Trial Balance 13 MTH Average

C U D ACC1 SUB AC ACCOUNT DESCRIPTION	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave
COMMON PLANT														
1 0 0 1180 303 MISC INTANGIBLE PLANT	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833	1,833
1 0 0 1180 389 LAND	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926	341,926
1 0 0 1180 390 STRUCTURES AND IMPROVEMENTS	2,196,700	2,196,700	2,304,922	2,415,344	2,403,200	2,404,358	2,405,841	2,405,941	2,405,941	2,405,941	2,406,441	2,408,193	2,417,579	2,367,470
1 0 0 1180 3911 OFFICE FURNITURE & EQUIPMENT	39,509	39,509	41,073	41,632	41,632	41,632	41,632	41,632	41,632	41,632	41,632	41,632	41,632	41,262
1 0 0 1180 3912 OFFICE MACHINES	126,854	126,854	126,854	134,831	134,831	134,831	134,831	134,831	134,831	134,831	135,449	133,788	133,788	132,877
1 0 0 1180 3913 EDP EQUIPMENT	723,852	726,013	726,394	741,316	741,316	739,942	739,491	739,491	739,512	741,054	742,676	742,676	815,452	743,168
1 0 0 1180 391305 SOFTWARE	1,762,228	1,762,228	1,762,680	1,826,768	1,826,768	1,826,316	1,826,316	1,826,316	1,826,316	1,828,775	1,840,578	1,840,578	1,884,894	1,817,043
1 0 0 1180 3921 TRANSPORTATION EQUIP-CARS	84,127	84,127	84,127	84,127	84,127	84,127	84,127	84,127	84,127	84,127	84,127	101,872	89,531	85,908
1 0 0 1180 3922 TRANSP-LIGHT TRUCK, VAN	124,669	124,669	124,669	124,669	124,669	125,601	125,601	125,601	125,601	125,601	125,601	125,601	125,601	125,242
1 0 0 1180 397 COMMUNICATION EQUIPMENT	116,955	116,955	116,955	116,955	116,955	116,955	116,955	116,955	116,955	118,974	118,974	118,974	118,974	117,576
1 0 0 1180 398 MISCELLANEOUS EQUIPMENT	9,758	9,758	9,758	10,536	22,681	25,147	22,165	22,165	22,165	22,165	24,126	24,126	33,957	19,885
1 0 0 1180 399 MISC-TANGIBLE ASSETS	22,969	22,969	22,969	22,969	22,969	22,969	24,064	24,064	24,970	24,970	24,970	24,970	24,970	23,907
TOTAL COMMON PLANT	5,551,380	5,553,541	5,666,160	5,862,906	5,862,807	5,865,837	5,864,782	5,864,882	5,865,809	5,872,829	5,888,333	5,906,169	6,009,937	5,818,097

Trial Balance 13 MTH Average

Q	U	D	ACC1	SUB	AC	ACCOUNT DESCRIPTION	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave	
NATURAL GAS PLANT																					
1	2	1	1010	374		LAND	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	56,686	
1	2	1	1010	3741		LAND RIGHTS STRUCTURES AND IMPROVEMENTS	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	12,910	
1	2	1	1010	375		LAND RIGHTS IMPROVEMENTS	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	471,269	
1	2	1	1010	3761		MAINS- PLASTIC	17,412,352	17,445,794	17,782,895	18,038,240	18,073,836	18,115,042	18,116,356	18,134,074	18,120,074	18,500,518	18,512,894	18,512,965	19,236,187	18,153,925	
1	2	1	1010	3762		MAINS -OTHER-(CAST IRON,STEEL)	20,813,199	20,813,912	20,816,789	20,838,984	20,839,227	20,834,895	20,832,245	20,832,650	20,832,650	20,952,121	20,879,372	20,883,319	20,996,198	20,858,889	
1	2	1	1010	378		MEASURE/REGULATOR EQP.-GENERAL	259,306	259,306	259,306	259,306	259,306	259,306	259,306	259,306	262,056	263,435	263,435	263,435	263,435	260,788	
1	2	1	1010	379		MEASURE/REG.- EQP.CITY GATE STN	1,771,606	1,771,606	1,771,606	1,776,572	1,776,572	1,776,572	1,776,572	1,776,572	1,776,572	1,776,572	1,782,062	1,782,062	1,782,062	1,776,693	
1	2	1	1010	3801		SERVICES- PLASTIC SERVICES -OTHER- CAST IRON,ETC	16,784,199	15,877,430	16,972,289	16,013,125	16,074,499	16,118,728	16,166,076	16,218,512	16,279,350	16,307,033	16,388,186	16,451,188	16,568,479	16,169,930	
1	2	1	1010	3802		SERVICES -OTHER- CAST IRON,ETC	1,150,742	1,150,742	1,151,407	1,146,462	1,146,462	1,144,740	1,143,462	1,143,462	1,143,462	1,138,721	1,137,825	1,136,891	1,113,208	1,142,121	
1	2	1	1010	381		METERS	4,079,206	4,088,862	4,092,092	4,105,286	4,111,324	4,118,222	4,103,825	4,107,822	4,211,571	4,087,470	4,149,495	4,137,872	4,132,270	4,116,640	
1	2	1	1010	382		METER INSTALLATIONS	1,714,403	1,731,558	1,750,978	1,754,934	1,763,002	1,776,694	1,819,555	1,830,090	1,842,144	1,860,537	1,876,266	1,903,254	1,920,356	1,811,059	
1	2	1	1010	383		HOUSE REGULATORS	1,464,062	1,464,188	1,474,288	1,479,884	1,487,574	1,487,788	1,496,375	1,496,375	1,496,803	1,479,449	1,481,585	1,548,099	1,535,568	1,491,694	
1	2	1	1010	384		HOUSE REGULATOR INSTALLATIONS	566,811	568,437	570,344	572,856	574,601	577,921	580,711	582,773	589,393	591,794	593,835	595,291	596,672	591,834	
1	2	1	1010	385		IND MEASURING/REG STATION EQP	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	38,798	
1	2	1	1010	386		OTHER PROPTY.ON CUST.PREM-RENT	-	-	2,407	2,407	-	-	(2,407)	-	-	-	-	-	-	185	
1	2	1	1010	387		OTHER EQUIPMENT	393,117	393,117	393,117	393,117	393,117	393,117	381,788	381,788	381,788	381,788	388,508	388,508	388,508	388,418	
1	2	1	1010	389		LAND AND LAND RIGHTS	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	3,555,480	
1	2	1	1010	390		STRUCTURES AND IMPROVEMENTS	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	98,700	
1	2	1	1010	3911		OFFICE FURNITURE	48,589	48,589	48,589	48,589	48,589	48,589	48,589	48,589	48,589	50,545	52,502	52,502	51,950	49,600	
1	2	1	1010	3912		OFFICE MACHINES	39,220	39,220	39,220	38,692	38,692	38,692	38,692	38,692	42,100	42,100	42,100	42,100	41,465	40,076	
1	2	1	1010	3913		E D P EQUIPMENT	449,418	449,418	449,418	419,857	419,857	419,857	419,998	418,998	416,998	411,226	411,226	411,226	464,347	427,449	
1	2	1	1010	391305		SOFTWARE	335,090	335,090	341,804	350,825	350,825	350,825	353,684	353,684	353,684	353,684	353,684	353,684	345,504	348,621	
1	2	1	1010	3921		TRANSP EQUIP-CARS	124,837	124,837	124,837	124,837	124,837	124,837	149,837	149,837	149,837	149,837	149,837	149,837	132,092	134,030	
1	2	1	1010	3922		TRANS-LIGHT TRUCK,VAN,	2,504,263	2,504,263	2,504,263	2,504,263	2,504,263	2,504,263	2,504,263	2,504,263	2,507,627	2,470,424	2,470,424	2,492,541	2,508,442	2,496,736	
1	2	1	1010	3924		TRANS-TRAILERS	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	36,236	
1	2	1	1010	393		STORES EQUIPMENT	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	9,562	
1	2	1	1010	394		TOOLS, SHOP & GARAGE EQUIPMENT	240,800	240,800	240,800	240,800	240,800	240,800	239,842	240,402	240,402	240,402	240,402	240,402	240,402	236,768	240,186
1	2	1	1010	396		POWER OPERATED EQUIPMENT	214,323	214,323	214,323	214,323	218,957	218,957	221,363	224,158	224,158	224,158	224,158	224,158	224,158	224,158	220,117
1	2	1	1010	397		COMMUNICATION EQUIPMENT	137,454	137,454	137,454	137,454	138,150	138,150	138,150	138,150	138,150	138,150	138,150	138,150	138,150	230,034	145,004
1	2	1	1010	398		MISCELLANEOUS EQUIPMENT	97,385	97,385	113,983	136,844	140,245	146,578	155,756	154,596	154,596	156,565	150,590	154,504	159,980	139,845	

Trial Balance 13 MTH Average

C	U	D	ACCT	SUB	AC	ACCOUNT DESCRIPTION	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave
1	2	3	1010	303		MISC. INTANGIBLE PLANT	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841	213,841
1	2	3	1010	3031		INTANGIBLE	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
1	2	3	1010	374		LAND	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422	44,422
1	2	3	1010	375		STRUCTURES AND IMPROVEMENTS	5,665	5,665	5,665	5,665	5,665	5,665	-	-	-	-	-	-	-	2,815
1	2	3	1010	3761		MAINS- PLASTIC	7,368,586	7,364,592	7,378,411	7,524,981	7,515,033	7,528,834	7,498,208	7,481,814	7,468,314	7,610,002	7,585,306	7,570,847	7,641,213	7,502,763
1	2	3	1010	3762		MAINS -OTHER-(CAST IRON,STEEL)	6,187,782	6,188,431	6,208,725	6,192,792	6,192,792	6,190,753	6,190,641	6,190,641	6,190,641	6,217,666	6,217,503	6,218,950	6,223,884	6,200,862
1	2	3	1010	378		MEASURE/REGULATOR EQP.-GENERAL	48,951	48,951	47,496	50,298	50,298	49,640	49,640	49,640	49,640	52,086	52,086	52,086	54,471	50,099
1	2	3	1010	379		MEASURE/REG.-EQP.CITY GATE STN	246,680	246,680	246,680	245,534	245,534	245,534	245,534	245,534	245,534	240,104	240,104	242,870	258,107	245,725
1	2	3	1010	3801		SERVICES- PLASTIC	5,663,028	5,674,661	5,703,209	5,751,330	5,778,019	5,817,243	5,838,910	5,862,464	5,900,157	5,976,844	6,036,244	6,055,777	6,090,775	5,857,589
1	2	3	1010	3802		SERVICES -OTHER- CAST IRON,ETC	996,451	996,451	996,451	971,370	971,403	968,638	966,717	968,759	968,759	963,643	963,526	962,435	962,199	973,292
1	2	3	1010	381		METERS	1,609,254	1,609,254	1,609,254	1,618,523	1,619,162	1,619,870	1,637,769	1,637,974	1,637,974	1,665,810	1,663,678	1,676,490	1,691,773	1,638,214
1	2	3	1010	382		METER INSTALLATIONS	1,088,163	1,088,232	1,094,499	1,097,150	1,101,036	1,105,102	1,113,320	1,117,388	1,119,306	1,123,457	1,128,828	1,132,861	1,141,003	1,111,410
1	2	3	1010	383		HOUSE REGULATORS	497,547	497,547	497,547	497,900	498,053	495,689	498,571	498,571	498,571	511,922	509,785	508,686	511,299	501,868
1	2	3	1010	384		HOUSE REGULATOR INSTALLATIONS	337,343	338,391	339,330	340,021	341,074	342,911	344,614	346,395	345,997	347,050	348,594	349,406	352,028	344,089
1	2	3	1010	385		IND MEASURING/REG STATION EQP	10,210	10,210	10,210	10,210	10,210	10,210	10,257	10,257	10,210	10,210	10,237	10,210	10,210	10,210
1	2	3	1010	387		OTHER EQUIPMENT	224,004	224,004	224,004	259,818	259,818	259,818	259,818	259,818	260,745	269,600	270,906	270,906	276,391	255,435
1	2	3	1010	389		LAND AND LAND RIGHTS	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017	209,017
1	2	3	1010	390		STRUCTURES AND IMPROVEMENTS	1,305,042	1,305,192	1,309,059	1,310,731	1,310,676	1,313,072	1,318,738	1,318,738	1,322,950	1,322,774	1,335,840	1,335,840	1,335,840	1,318,807
1	2	3	1010	3911		OFFICE FURNITURE	61,893	65,893	65,893	65,192	65,192	65,192	65,192	65,192	65,192	65,192	65,192	65,192	65,192	65,054
1	2	3	1010	3912		OFFICE MACHINES	27,176	27,176	27,176	27,176	27,176	27,176	27,176	27,176	27,176	27,176	31,223	31,223	31,223	28,110
1	2	3	1010	3913		E D P EQUIPMENT	189,612	189,612	189,612	229,913	232,772	232,772	232,772	229,913	229,913	229,913	229,913	229,913	231,868	221,431
1	2	3	1010	391305		SOFTWARE	195,077	195,077	201,791	205,064	204,795	204,795	204,795	207,655	207,655	207,655	207,655	207,655	204,408	
1	2	3	1010	3922		TRANS-LIGHT TRUCK,VAN.	1,026,276	1,026,276	1,026,276	1,276,291	1,276,291	1,276,291	1,276,291	1,276,291	1,276,291	1,276,291	1,276,291	1,254,175	1,260,119	1,215,650
1	2	3	1010	3924		TRANS-TRAILERS	8,676	8,676	8,676	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	24,383	20,758
1	2	3	1010	393		STORES EQUIPMENT	-	-	1,861	1,861	1,861	1,861	1,861	1,861	1,861	1,861	1,861	1,861	1,861	1,575
1	2	3	1010	394		TOOLS, SHOP & GARAGE EQUIPMENT	75,993	75,993	75,993	84,492	84,492	84,492	84,492	84,492	84,492	84,492	84,492	84,492	84,492	82,531
1	2	3	1010	396		POWER OPERATED EQUIPMENT	108,208	108,208	108,208	146,220	146,220	146,220	146,220	146,220	146,220	146,220	146,220	146,220	146,390	137,782
1	2	3	1010	397		COMMUNICATION EQUIPMENT	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	89,979	139,182
1	2	3	1010	398		MISCELLANEOUS EQUIPMENT	52,502	52,502	52,502	52,502	52,502	52,502	55,484	55,484	55,484	55,484	55,484	55,484	55,484	54,108
TOTAL NATURAL GAS PLANT							103,667,291	103,838,705	104,417,417	105,323,344	105,475,692	105,639,736	105,758,740	105,873,751	106,084,169	106,743,064	106,902,385	107,070,885	108,358,407	105,781,043

FPUC - Natural Gas
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 Exhibit 81.4

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C	U	D	ACCT	SUB	AC	ACCOUNT DESCRIPTION	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave
COMMON CWIP																				
1	0	0	1070	376		ACCRUAL - CAPITAL ITEMS	(22,373)	(99,603)	(25,926)	(55,276)	(83,809)	(108,419)	(91,363)	(265,321)	(350,806)	(38,976)	(94,604)	(44,530)	(21,576)	(100,199)
1	0	0	1070	390		STRUCTURES AND IMPROVEMENTS	152,731	172,267	90,439	(12,145)	-	-	-	-	-	19,796	20,302	47,871	58,315	42,275
1	0	0	1070	3912		OFFICE MACHINES	7,977	7,977	7,977	-	-	-	-	-	-	-	-	-	-	1,841
1	0	0	1070	3913		EDP EQUIPMENT	14,187	14,187	14,298	4,318	4,419	4,419	4,419	4,419	4,419	55,642	84,949	85,521	4,990	23,091
1	0	0	1070	391305		CWIP-SOFTWARE	102,110	102,110	102,110	40,415	40,855	40,855	40,855	40,855	40,855	40,855	40,855	41,016	16,900	53,127
1	0	0	1070	398		MISCELLANEOUS EQUIPMENT	10,556	10,556	12,923	12,145	-	-	-	-	-	-	-	-	-	3,552
TOTAL COMMON PLANT							265,188	207,494	201,821	(10,543)	(38,535)	(63,145)	(46,089)	(220,047)	(305,532)	77,317	51,502	129,878	58,629	23,687

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Trial Balance 13 MTH Average

Account	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave
NATURAL GAS CWIP														
1 2 1 1070 375 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-	-	3,410	6,819	6,819	6,819	6,819	6,819	-	2,885
1 2 1 1070 376112 MAINS- PLASTIC - 1 1/4 "	165,984	166,094	166,094	156,866	156,866	157,657	158,943	159,325	159,325	159,085	159,124	159,131	158,953	160,265
1 2 1 1070 376120 MAINS- PLASTIC - 2 "	264,508	283,633	233,807	167,992	224,398	264,560	316,171	334,516	343,331	178,785	280,662	296,541	152,068	256,998
1 2 1 1070 376130 MAINS- PLASTIC - 3 "	27	27	27	27	27	27	27	27	27	27	27	27	27	25
1 2 1 1070 376140 MAINS- PLASTIC - 4 "	227,696	283,144	237,776	152,193	280,061	367,931	493,282	675,955	783,012	646,551	760,868	865,901	358,326	471,746
1 2 1 1070 376160 MAINS- PLASTIC - 6 "	233,539	233,539	48,585	1,794	3,185	7,821	7,927	8,359	5,791	39,847	42,208	50,861	80,038	58,713
1 2 1 1070 376212 MAINS -OTHER- 1 1/4 "	-	-	-	-	-	-	-	-	-	(485)	(485)	(485)	(485)	(149)
1 2 1 1070 376220 MAINS -OTHER- 2 "	-	-	803	821	821	908	908	986	986	165	165	165	78	523
1 2 1 1070 376230 MAINS -OTHER- 3 "	-	201	7,175	7,206	8,279	8,279	8,279	8,279	8,279	-	-	-	-	4,306
1 2 1 1070 376240 MAINS -OTHER- 4 "	36,846	48,712	50,279	46,338	48,121	57,811	57,829	58,761	59,019	29,179	29,179	29,179	23,644	44,223
1 2 1 1070 376260 MAINS -OTHER- 6 "	9,859	39,287	23,677	77,655	107,294	141,005	161,325	166,990	239,118	213,167	239,575	227,411	117,917	135,714
1 2 1 1070 376280 MAINS -OTHER- 8 "	-	-	-	-	-	-	18	57	472	1,073	2,507	2,560	61,638	5,256
1 2 1 1070 378 MEASURE/REGULATOR EQP.-GENERAL	3,873	3,873	3,873	3,873	5,252	5,728	5,728	5,728	5,728	4,349	4,349	4,349	4,349	4,696
1 2 1 1070 379 MEASURE/REG.-EQP.CITY GATE STN	4,966	4,966	4,966	-	-	-	-	-	-	-	-	-	-	1,146
1 2 1 1070 380105 SERVICES-PLASTIC 1/2 OR 5/8"	-	-	-	-	-	-	2,019	2,019	2,019	2,019	2,019	2,019	2,019	1,087
1 2 1 1070 380107 SERVICES- PLASTIC 3/4 "	77,564	92,601	95,307	97,689	99,675	141,739	179,262	192,672	194,915	190,942	192,007	192,685	183,180	148,480
1 2 1 1070 380112 SERVICES- PLASTIC 1 1/4 "	3,909	10,147	2,244	32,232	40,295	73,751	75,375	81,523	87,516	53,320	70,873	78,355	40,242	49,983
1 2 1 1070 380120 SERVICES- PLASTIC 2 INCH	13,653	13,837	11,622	9,790	16,569	22,147	36,772	60,555	61,433	21,346	22,804	22,895	(10,781)	23,280
1 2 1 1070 380140 SERVICES- PLASTIC 4 INCH	14,360	14,703	113	-	-	52	52	52	221	4,231	14,024	23,694	17,699	6,862
1 2 1 1070 380240 SERVICES -OTHER- 4 INCH	379	379	-	-	-	-	-	-	-	-	-	111	19,584	1,573
1 2 1 1070 381 METERS	-	-	(3,273)	(3,273)	(3,486)	(3,486)	(3,486)	(3,486)	(3,486)	(104)	(104)	(104)	-	(1,868)
1 2 1 1070 382 METER INSTALLATIONS	3,576	3,824	4,331	8,395	9,054	9,691	11,724	18,946	24,642	26,653	29,403	31,386	30,633	16,328
1 2 1 1070 384 HOUSE REGULATOR INSTALLATIONS	96	96	96	96	96	96	96	96	96	96	96	96	96	96
1 2 1 1070 385 IND MEASURING/REG STATION EQP	-	-	-	-	-	-	-	-	-	2,663	2,663	2,663	2,663	819
1 2 1 1070 390 STRUCTURES AND IMPROVEMENTS	-	-	-	-	-	-	-	-	-	-	55	55	12,055	936
1 2 1 1070 3913 E D P EQUIPMENT	39,997	39,997	39,997	-	-	-	-	-	-	-	91	49,721	1,660	13,189
1 2 1 1070 391305 CWIP-SOFTWARE	6,715	6,715	13,088	4,047	4,047	4,047	7,242	7,242	7,242	7,242	7,242	7,242	7,242	6,872
1 2 1 1070 3921 TRANSP EQUIP-CARS	-	-	-	-	25,000	25,000	-	-	-	-	-	-	-	3,846
1 2 1 1070 3922 TRANS-LIGHT TRUCK,VAN,	-	-	-	-	-	-	-	-	-	-	59,907	185,474	-	18,875
1 2 1 1070 396 POWER OPERATED EQUIPMENT	12,712	12,712	-	-	-	-	-	-	-	-	-	-	-	1,956
1 2 1 1070 397 COMMUNICATION EQUIPMENT	-	-	-	-	-	-	-	-	-	-	82,218	93,614	-	13,526
1 2 1 1070 398 MISCELLANEOUS EQUIPMENT	11,878	11,878	18,598	1,125	1,125	10,303	1,125	4,533	1,125	1,125	1,125	1,125	1,125	5,091

FPUC - Natural Gas
 File No. 080366-GU
 Interrogatory
 Exhibit 81.4

REPORT NAME: TB
 DATE: 4/13/2009
 USER: MESITE

Trial Balance 13 MTH Average
 AS OF 12 2008

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FPUC - Natural Gas
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 OPC Second Interrogatory
 Exhibit 81.4

Trial Balance 13 MTH Average

C	U	D	ACC1	SUB	AC	ACCOUNT DESCRIPTION	2007 DEC	2008 JAN	2008 FEB	2008 MAR	2008 APR	2008 MAY	2008 JUN	2008 JUL	2008 AUG	2008 SEP	2008 OCT	2008 NOV	2008 DEC	13 mth ave	
1	2	3	1070	376105		MAINS- PLASTIC - 1/2 "	-	-	-	-	-	-	-	246	246	-	-	-	-	38	
1	2	3	1070	376112		MAINS- PLASTIC - 1 1/4 "	39,482	53,918	77,085	12,439	34,630	55,104	55,814	50,889	55,493	4,055	4,145	6,776	1,962	34,752	
1	2	3	1070	376120		MAINS- PLASTIC - 2 "	48,110	64,178	107,597	97,554	129,439	154,485	209,826	243,926	245,853	108,921	84,353	87,294	16,186	122,902	
1	2	3	1070	376140		MAINS- PLASTIC - 4 "	678	678	678	564	564	1,094	564	564	564	564	564	564	564	564	631
1	2	3	1070	376220		MAINS -OTHER- 2 "	25,859	20,294	-	-	1,628	3,663	3,944	6,398	6,398	6,398	6,398	6,398	6,398	-	6,721
1	2	3	1070	376240		MAINS -OTHER- 4 "	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078	5,078
1	2	3	1070	376260		MAINS -OTHER- 6 "	17,113	17,113	17,805	17,805	17,805	17,805	60,548	89,085	67,707	17,909	17,909	17,909	17,909	18,003	30,348
1	2	3	1070	379		MEASURE/REG-EQP.CITY GATE STN	-	-	-	13,573	13,998	14,033	15,233	15,238	15,238	15,238	15,238	15,238	15,238	7,093	10,778
1	2	3	1070	380105		SERVICES-PLASTIC 1/2 OR 5/8" "	246	246	246	-	-	-	1,675	13,678	6,507	1,144	-	-	-	-	1,826
1	2	3	1070	380107		SERVICES- PLASTIC 3/4 "	16,270	16,371	27,015	10,691	13,266	17,663	33,001	45,705	46,661	23,173	9,971	17,241	9,515	22,042	
1	2	3	1070	380112		SERVICES- PLASTIC 1 1/4 "	(3,678)	(3,124)	173	1,756	2,768	3,332	3,558	4,442	8,893	1,333	774	774	(156)	1,604	
1	2	3	1070	380120		SERVICES- PLASTIC 2 INCH	-	192	192	-	-	-	23	23	23	-	-	-	-	-	35
1	2	3	1070	387		OTHER EQUIPMENT	-	-	35,101	-	-	-	-	-	5,310	6,414	6,414	6,414	-	4,589	
1	2	3	1070	390		STRUCTURES AND IMPROVEMENTS	-	-	-	-	17,998	24,533	24,533	24,533	28,197	28,197	15,130	15,130	15,130	14,875	
1	2	3	1070	3913		E D P EQUIPMENT	25,209	54,022	54,022	-	-	-	-	-	-	-	-	-	-	-	10,250
1	2	3	1070	391305		CWIP-SOFTWARE	6,715	9,978	3,263	-	-	-	-	-	-	-	-	-	-	-	1,535
1	2	3	1070	3922		TRANS-LIGHT TRUCK,VAN, COMMUNICATION EQUIPMENT	-	-	-	-	-	-	-	27,278	27,664	27,664	57,027	57,182	-	15,138	
1	2	3	1070	397		COMMUNICATION EQUIPMENT	-	-	-	-	-	-	-	-	-	-	-	49,203	-	3,785	
TOTAL NATURAL GAS CWIP							1,313,221	1,509,309	1,287,380	924,326	1,263,851	1,591,857	1,937,825	2,317,047	2,507,462	1,833,983	2,232,422	2,618,671	1,337,316	1,744,205	

9-16-2009

U.S. Department Of Labor
 Bureau of Labor Statistics
 Washington, D.C. 20212

Consumer Price Index
 All Urban Consumers - (CPI-U)

U.S. city average

All items

1982=84=100

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Annual Avg.	Percent Dec-Dec	change Avg-Avg
1913	9.8	9.8	9.8	9.8	9.7	9.8	9.9	9.9	10.0	10.0	10.1	10.0	9.9		
1914	10.0	9.9	9.9	9.8	9.9	9.9	10.0	10.2	10.2	10.1	10.2	10.1	10.0	1.0	1.0
1915	10.1	10.0	9.9	10.0	10.1	10.1	10.1	10.1	10.1	10.2	10.3	10.3	10.1	2.0	1.0
1916	10.4	10.4	10.5	10.6	10.7	10.8	10.8	10.9	11.1	11.3	11.5	11.6	10.9	12.6	7.9
1917	11.7	12.0	12.0	12.6	12.8	13.0	12.8	13.0	13.3	13.5	13.5	13.7	12.8	18.1	17.4
1918	14.0	14.1	14.0	14.2	14.5	14.7	15.1	15.4	15.7	16.0	16.3	16.5	15.1	20.4	18.0
1919	16.5	16.2	16.4	16.7	16.9	16.9	17.4	17.7	17.8	18.1	18.5	18.9	17.3	14.5	14.6
1920	19.3	19.5	19.7	20.3	20.6	20.9	20.8	20.3	20.0	19.9	19.8	19.4	20.0	2.6	15.6
1921	19.0	18.4	18.3	18.1	17.7	17.6	17.7	17.7	17.5	17.5	17.4	17.3	17.9	-10.8	-10.5
1922	16.9	16.9	16.7	16.7	16.7	16.7	16.8	16.6	16.6	16.7	16.8	16.9	16.8	-2.3	-6.1
1923	16.8	16.8	16.8	16.9	16.9	17.0	17.2	17.1	17.2	17.3	17.3	17.3	17.1	2.4	1.8
1924	17.3	17.2	17.1	17.0	17.0	17.0	17.1	17.0	17.1	17.2	17.2	17.3	17.1	0.0	0.0
1925	17.3	17.2	17.3	17.2	17.3	17.5	17.7	17.7	17.7	17.7	18.0	17.9	17.5	3.5	2.3
1926	17.9	17.9	17.8	17.9	17.8	17.7	17.5	17.4	17.5	17.6	17.7	17.7	17.7	-1.1	1.1
1927	17.5	17.4	17.3	17.3	17.4	17.6	17.3	17.2	17.3	17.4	17.3	17.3	17.4	-2.3	-1.7
1928	17.3	17.1	17.1	17.1	17.2	17.1	17.1	17.1	17.3	17.2	17.2	17.1	17.1	-1.2	-1.7
1929	17.1	17.1	17.0	16.9	17.0	17.1	17.3	17.3	17.3	17.3	17.3	17.2	17.1	0.6	0.0
1930	17.1	17.0	16.9	17.0	16.9	16.8	16.6	16.5	16.6	16.5	16.4	16.1	16.7	-6.4	-2.3
1931	15.9	15.7	15.6	15.5	15.3	15.1	15.1	15.1	15.0	14.9	14.7	14.6	15.2	-9.3	-9.0
1932	14.3	14.1	14.0	13.9	13.7	13.6	13.6	13.5	13.4	13.3	13.2	13.1	13.7	-10.3	-9.9
1933	12.9	12.7	12.6	12.6	12.6	12.7	13.1	13.2	13.2	13.2	13.2	13.2	13.0	0.8	-5.1
1934	13.2	13.3	13.3	13.3	13.3	13.4	13.4	13.4	13.6	13.5	13.5	13.4	13.4	1.5	3.1
1935	13.6	13.7	13.7	13.8	13.8	13.7	13.7	13.7	13.7	13.7	13.8	13.8	13.7	3.0	2.2
1936	13.8	13.8	13.7	13.7	13.7	13.8	13.9	14.0	14.0	14.0	14.0	14.0	13.9	1.4	1.5
1937	14.1	14.1	14.2	14.3	14.4	14.4	14.5	14.5	14.6	14.6	14.5	14.4	14.4	2.9	3.6
1938	14.2	14.1	14.1	14.2	14.1	14.1	14.1	14.1	14.1	14.0	14.0	14.0	14.1	-2.8	-2.1
1939	14.0	13.9	13.9	13.8	13.8	13.8	13.8	13.8	14.1	14.0	14.0	14.0	13.9	0.0	-1.4
1940	13.9	14.0	14.0	14.0	14.0	14.1	14.0	14.0	14.0	14.0	14.0	14.1	14.0	0.7	0.7
1941	14.1	14.1	14.2	14.3	14.4	14.7	14.7	14.9	15.1	15.3	15.4	15.5	14.7	9.9	5.0
1942	15.7	15.8	16.0	16.1	16.3	16.3	16.4	16.5	16.5	16.7	16.8	16.9	16.3	9.0	10.9
1943	16.9	16.9	17.2	17.4	17.5	17.5	17.4	17.3	17.4	17.4	17.4	17.4	17.3	3.0	6.1
1944	17.4	17.4	17.4	17.5	17.5	17.6	17.7	17.7	17.7	17.7	17.7	17.8	17.6	2.3	1.7
1945	17.8	17.8	17.8	17.8	17.9	18.1	18.1	18.1	18.1	18.1	18.1	18.2	18.0	2.2	2.3
1946	18.2	18.1	18.3	18.4	18.5	18.7	19.8	20.2	20.4	20.8	21.3	21.5	19.5	18.1	8.3
1947	21.5	21.5	21.9	21.9	21.9	22.0	22.2	22.5	23.0	23.0	23.1	23.4	22.3	8.8	14.4
1948	23.7	23.5	23.4	23.8	23.9	24.1	24.4	24.5	24.5	24.4	24.2	24.1	24.1	3.0	8.1
1949	24.0	23.8	23.8	23.9	23.8	23.9	23.7	23.8	23.9	23.7	23.8	23.6	23.8	-2.1	-1.2
1950	23.5	23.5	23.6	23.6	23.7	23.8	24.1	24.3	24.4	24.6	24.7	25.0	24.1	5.9	1.3
1951	25.4	25.7	25.8	25.8	25.9	25.9	25.9	25.9	26.1	26.2	26.4	26.5	26.0	6.0	7.9
1952	26.5	26.3	26.3	26.4	26.4	26.5	26.5	26.7	26.7	26.7	26.7	26.7	26.5	0.8	1.9
1953	26.6	26.5	26.6	26.6	26.7	26.8	26.8	26.9	26.9	27.0	26.9	26.9	26.7	0.7	0.8
1954	26.9	26.9	26.9	26.8	26.9	26.9	26.9	26.9	26.8	26.8	26.8	26.7	26.9	-0.7	0.7
1955	26.7	26.7	26.7	26.7	26.7	26.7	26.8	26.8	26.9	26.9	26.9	26.8	26.8	0.4	-0.4
1956	26.8	26.8	26.8	26.9	27.0	27.2	27.4	27.3	27.4	27.5	27.5	27.6	27.2	3.0	1.5
1957	27.6	27.7	27.8	27.9	28.0	28.1	28.3	28.3	28.3	28.3	28.4	28.4	28.1	2.9	3.3
1958	28.6	28.6	28.8	28.9	28.9	28.9	29.0	28.9	28.9	28.9	29.0	28.9	28.9	1.8	2.8
1959	29.0	28.9	28.9	29.0	29.0	29.1	29.2	29.2	29.3	29.4	29.4	29.4	29.1	1.7	0.7
1960	29.3	29.4	29.4	29.5	29.5	29.6	29.6	29.6	29.6	29.8	29.8	29.8	29.6	1.4	1.7
1961	29.8	29.8	29.8	29.8	29.8	29.8	30.0	29.9	30.0	30.0	30.0	30.0	29.9	0.7	1.0
1962	30.0	30.1	30.1	30.2	30.2	30.2	30.3	30.3	30.4	30.4	30.4	30.4	30.2	1.3	1.0
1963	30.4	30.4	30.5	30.5	30.5	30.6	30.7	30.7	30.7	30.8	30.8	30.9	30.6	1.6	1.3
1964	30.9	30.9	30.9	30.9	30.9	31.0	31.1	31.0	31.1	31.1	31.2	31.2	31.0	1.0	1.3
1965	31.2	31.2	31.3	31.4	31.4	31.6	31.6	31.6	31.6	31.7	31.7	31.8	31.5	1.9	1.6
1966	31.8	32.0	32.1	32.3	32.3	32.4	32.5	32.7	32.7	32.9	32.9	32.9	32.4	3.5	2.9
1967	32.9	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.9	33.4	3.0	3.1
1968	34.1	34.2	34.3	34.4	34.5	34.7	34.9	35.0	35.1	35.3	35.4	35.5	34.8	4.7	4.2
1969	35.6	35.8	36.1	36.3	36.4	36.6	36.8	37.0	37.1	37.3	37.5	37.7	36.7	6.2	5.5
1970	37.8	38.0	38.2	38.5	38.6	38.8	39.0	39.0	39.2	39.4	39.6	39.8	38.8	5.6	5.7
1971	39.8	39.9	40.0	40.1	40.3	40.6	40.7	40.8	40.8	40.9	40.9	41.1	40.5	3.3	4.4
1972	41.1	41.3	41.4	41.5	41.6	41.7	41.9	42.0	42.1	42.3	42.4	42.5	41.8	3.4	3.2
1973	42.6	42.9	43.3	43.6	43.9	44.2	44.3	44.5	45.2	45.6	45.9	46.2	44.4	8.7	6.2
1974	46.6	47.2	47.8	48.0	48.6	49.0	49.4	50.0	50.6	51.1	51.5	51.9	49.3	12.3	11.0
1975	52.1	52.5	52.7	52.9	53.2	53.6	54.2	54.3	54.6	54.9	55.3	55.5	53.8	6.9	9.1
1976	55.6	55.8	55.9	56.1	56.5	56.8	57.1	57.4	57.6	57.9	58.0	58.2	56.9	4.9	5.8
1977	58.5	59.1	59.5	60.0	60.3	60.7	61.0	61.2	61.4	61.6	61.9	62.1	60.6	6.7	6.5
1978	62.5	62.9	63.4	63.9	64.5	65.2	65.7	66.0	66.5	67.1	67.4	67.7	65.2	9.0	7.6
1979	68.3	69.1	69.8	70.6	71.5	72.3	73.1	73.8	74.6	75.2	75.9	76.7	72.6	13.3	11.3
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3	82.4	12.5	13.5

1981	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.0	90.9	8.9	10.3
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6	96.5	3.8	6.2
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3	99.6	3.8	3.2
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3	103.9	3.9	4.3
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	107.6	3.8	3.6
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	109.6	1.1	1.9
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	113.6	4.4	3.6
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	118.3	4.4	4.1
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	124.0	4.6	4.8
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	130.7	6.1	5.4
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	136.2	3.1	4.2
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	140.3	2.9	3.0
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	2.7	3.0
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	148.2	2.7	2.6
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	2.5	2.8
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	3.3	3.0
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	1.7	2.3
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	1.6	1.6
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	2.7	2.2
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	3.4	3.4
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	1.6	2.8
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	2.4	1.6
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	184.0	1.9	2.3
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	3.3	2.7
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	3.4	3.4
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	2.5	3.2
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	4.1	2.8
2008	211.080	211.693	213.528	214.823	216.632	218.815	219.964	219.086	218.783	216.573	212.425	210.228	215.303	0.1	3.8
2009	211.143	212.193	212.709	213.240	213.856	215.693	215.351	215.834							

Source: Schedule G-2 (C-5)

Operation and Maintenance Expenses

Line No.	A/C No.	Description	2007 Adjusted PR	2007 Adjusted Non-PR	2007 Total	Payroll Trend	Non-PR Trend	2009 Payroll	2009 Non-PR	Other Increase	2009 Total	Payroll Trend	Non-PR Trend	2009 Payroll	2009 Non-PR	Difference
SALES EXPENSES																
50	911	Supervision	102,086	18,358	120,444	11.30%	6.97%	113,624	19,638		133,262	6.09%	4.63%	108,303	19,208	(5,751)
51	9121	Selling Expenses	739,148	152,751	891,899	12.53%	8.15%	831,740	165,200	45,625	1,042,564	7.26%	5.78%	792,788	161,582	(42,569)
52	9122	Demonstrating Expenses	33,685	4,414	38,099	12.53%	8.15%	37,905	4,774		42,678	7.26%	5.78%	36,130	4,669	(1,880)
53	9131	Promotional Advertising		54,102	54,102	12.53%	8.15%	0	58,511		58,511	7.26%	5.78%	0	57,230	(1,281)
54	9132	Conservation Advertising		65	65	12.53%	8.15%	0	70		70	7.26%	5.78%	0	69	(2)
55	9133	Safety Advertising		41,058	41,058	12.53%	8.15%	0	44,404		44,404	7.26%	5.78%	0	43,432	(972)
56	9134	Other Info Instruct Cons/Adv		3,375	3,375	12.53%	8.15%	0	3,650		3,650	7.26%	5.78%	0	3,570	(80)
57	9135	Community Affairs Advertising		0	0	12.53%	8.15%	0	0		0	7.26%	5.78%	0	0	0
58	9136	Other Advertising		32,963	32,963	12.53%	8.15%	0	35,649		35,649	7.26%	5.78%	0	34,869	(781)
59	9123	Research and Development		0	0	12.53%	8.15%	0	0	50,000	50,000	7.26%	5.78%	0	0	0
60	9161	Misc Sales Exp - Pip and Conv		435,639	435,639	Direct	Direct		413,030		413,030	Direct	Direct			
61	9162	Misc Sales Exp - Promo & Other	18,230	88,499	106,729	12.53%	8.15%	20,514	95,711		116,225	7.26%	5.78%	19,553	93,615	(3,057)
ADMINISTRATIVE & GENERAL EXPENSES																
62	920	Administrative & General Salaries	1,299,432	9,596	1,309,028	Direct	Direct	1,590,175	11,742	573	1,602,490	Direct	Direct			0
63	9211	Office Supplies		20,859	20,859	11.30%	6.97%	0	22,313		22,313	6.09%	4.63%	0	21,825	(489)
64	9212	Office Postage & Mail supplies		10,511	10,511	11.30%	6.97%	0	11,244		11,244	6.09%	4.63%	0	10,998	(246)
65	9213	Off Computer Supplies & Exp	68	14,647	14,715	11.30%	6.97%	76	15,668		15,744	6.09%	4.63%	72	15,325	(347)
66	9214	Office Utility Expense		105,386	105,386	Direct	Direct		153,896		153,896	Direct	Direct			
67	9215	Misc Office Expense	3,712	169,813	173,525	Direct	Direct	4,281	195,845	10,200	210,326	Direct	Direct			
68	9216	Co Training Expense-Tracked		3,870	3,870	11.30%	6.97%	0	4,140	40,540	44,680	6.09%	4.63%	0	4,049	(91)
69	922	Admin Expense Transferred Credit		0	0	11.30%	6.97%	0	0		0	6.09%	4.63%	0	0	0
70	9231	Outside Service Other		6,701	6,701	Direct	Direct		44,232	39,780	84,012	Direct	Direct			
71	9232	Outside Service Empl Legal/Fee		36,390	36,390	11.30%	6.97%	0	38,927		38,927	6.09%	4.63%	0	38,075	(852)
72	9233	Outside Audit & Accounting Fee		275,024	275,024	Direct	Direct		425,117		425,117	Direct	Direct			
73	924	Property Insurance		216,577	216,577	Direct	Direct		214,531		214,531	Direct	Direct			
74	9251	Injuries & damages	84,265	36,066	120,331	11.30%	6.97%	93,789	38,581	107,015	239,385	6.09%	4.63%	89,397	37,736	(5,237)
75	9252	General Liability	(114,958)	1,133,351	1,018,393	Direct	Direct	(90,851)	895,684		804,833	Direct	Direct			
76	9261	Employee Pensions	(367,049)	1,040,727	673,678	Direct	Direct	(595,678)	1,688,979		1,093,301	Direct	Direct			
77	9262	Employee Benefits - Other	(368,415)	1,223,603	855,188	Direct	Direct	(42,690)	141,784		99,094	Direct	Direct			
78	9263	Retiree Benefits - Post Retirement		75,151	75,151	Direct	Direct		109,661		109,661	Direct	Direct			
79	9264	401(K) expense	(16,531)	53,178	36,647	11.30%	6.97%	(18,399)	56,886		38,487	6.09%	4.63%	(17,538)	55,640	(384)
80	9265	Employee Benefits Medical		0	0	Direct	Direct	(563,438)	1,871,324		1,307,886	Direct	Direct			
81	928	Regulatory Commission Expenses	2,588	109,564	112,152	Direct	Direct	6,949	294,220	164	301,333	Direct	Direct			
82	9301	Institutional & Goodwill Advert		0	0	11.30%	6.97%	0	0		0	6.09%	4.63%	0	0	0
83	9302	Misc General Expenses		123,428	123,428	11.30%	6.97%	0	132,034	12,228	144,262	6.09%	4.63%	0	129,143	(2,891)
84	93022	Industry Assoc Dues		36,211	36,211	11.30%	6.97%	0	38,736	2,992	41,728	6.09%	4.63%	0	37,888	(848)
85	93023	Economic Development Expenses		0	0	11.30%	6.97%	0	0		0	6.09%	4.63%	0	0	0
86	931	Rents		20,802	20,802	11.30%	6.97%	0	22,253		22,253	6.09%	4.63%	0	21,765	(487)
87		Total Operation Expenses	5,456,061	8,786,132	14,242,193			5,912,169	11,121,760	627,386	20,225,489			5,344,500	3,937,463	(343,998)
88		Total Operation Excl Conserv	5,456,061	8,786,132	14,242,193			5,912,169	11,121,760	627,386	17,661,315			5,344,500	3,937,463	(343,998)
MAINTENANCE EXPENSES																
DISTRIBUTION EXPENSES																
89	885	Maintenance Superv & Engineering	92,127	15,464	107,591	11.30%	6.97%	102,540	16,542		119,082	11.30%	6.97%	102,540	16,542	0
90	886	Maintenance Structure & Improve	34,159	79,517	113,676	11.30%	6.97%	38,020	85,062		123,081	11.30%	6.97%	38,020	85,062	0
91	887	Maintenance of Mains	209,968	116,603	326,571	12.53%	8.15%	236,270	126,106	96,277	458,653	12.53%	8.15%	236,270	126,106	0
92	889	Maintenance of Meas & Reg Stn Ger	8,106	7,953	16,059	11.30%	6.97%	9,022	8,508		17,530	11.30%	6.97%	9,022	8,508	0
93	890	Maintenance of Meas & Reg Stn Ind		0	0	11.30%	6.97%	0	0		0	11.30%	6.97%	0	0	0
94	891	Maintenance of Meas & Reg Stn GS	14,673	35,403	50,076	11.30%	6.97%	16,331	37,872		54,203	11.30%	6.97%	16,331	37,872	0
95	892	Maintenance of Services	154,115	20,007	174,122	12.53%	8.15%	173,421	21,637	20,027	215,085	12.53%	8.15%	173,421	21,637	0
96	8931	Maintenance of Meters	82,356	28,544	110,900	12.53%	8.15%	92,673	30,870		123,543	12.53%	8.15%	92,673	30,870	0
97	8932	Maintenance of House Regulator	8,176	2,315	10,491	12.53%	8.15%	9,200	2,504		11,704	12.53%	8.15%	9,200	2,504	0
98	894	Maintenance of Other Equipment	3,956	7,646	11,602	12.53%	8.15%	4,452	8,269		12,721	12.53%	8.15%	4,452	8,269	0
ADMINISTRATIVE & GENERAL EXPENSES																
99	935	Maintenance of General Plant	2,015	159,718	161,733	11.30%	6.97%	2,243	170,855	34,537	207,635	11.30%	6.97%	2,243	170,855	0
100		Total Maintenance Expenses	609,651	473,170	1,082,821			684,171	508,224	150,841	1,343,236			684,171	508,224	0
101		Total O&M Expenses	6,065,712	9,259,302	15,325,014			6,596,340	11,629,984	778,227	21,568,725			6,028,671	4,445,687	(343,998)
102		Total O&M Excl Conservation	6,065,712	9,259,302	15,325,014			6,596,340	11,629,984	778,227	19,004,551			6,028,671	4,445,687	(343,998)
103		Total Operating Expenses	6,069,128	9,261,956	15,331,084			6,596,340	11,629,984	778,227	21,568,725			6,028,671	4,445,687	(343,998)

2008	2009	combined	
5.50%	5.50%	11.30%	payroll
4.12%	2.74%	6.97%	inflation
1.10%	0%	1.10%	customer growth
5.27%	2.74%	8.15%	inflation and customer growth
6.66%	5.50%	12.53%	payroll and customer growth

OPC Recommended

3.00%	3.00%	6.09%	payroll
3.80%	0.80%	4.63%	inflation
1.10%	0%	1.10%	customer growth
4.94%	0.80%	5.78%	inflation and customer growth
4.13%	3.00%	7.26%	payroll and customer growth

Congressional **CBO** Budget Office Summary

The Budget and Economic Outlook: An Update

The Congressional Budget Office (CBO) estimates that the federal budget deficit for 2009 will total \$1.6 trillion, which, at 11.2 percent of gross domestic product (GDP), will be the highest since World War II. That deficit figure results from a combination of weak revenues and elevated spending associated with the economic downturn and financial turmoil. The deficit has been boosted by various federal policies implemented in response, including the stimulus legislation and aid for the financial, housing, and automotive sectors.

Although various indicators suggest that the recession may have ended or is likely to end within the next few months, CBO's economic forecast anticipates a relatively slow and tentative recovery. A number of forces, including global economic weakness, continued strains in financial markets, and households' desire to rebuild their savings, are expected to restrain economic growth for the next few years.

CBO estimates that, as the economy recovers, if current laws and policies remained in place, the deficit would shrink but remain above \$500 billion per year, or more than 3 percent of GDP, throughout the 2010–2019 period. As a result, debt held by the public would continue to grow as a percentage of GDP during that time. That debt, which was as low as 33 percent of GDP in 2001, would reach an estimated 54 percent of GDP this year and grow to 68 percent of GDP by 2019.

Those baseline projections, which are similar in many respects to the projections CBO prepared in March, reflect spending and revenue assumptions that may underestimate potential deficits. Because they presume no changes in current tax laws, the projections assume the expiration of tax reductions enacted earlier in this decade

and provisions that have kept the alternative minimum tax (AMT) from affecting many more taxpayers. Consequently, those assumptions result in projected revenues that, as a percentage of GDP, would be high by historical standards. They also assume that future annual appropriations are held constant in real (inflation-adjusted) terms, resulting in projections of discretionary spending that would be low, relative to GDP, by historical standards. Many other policy outcomes are possible, however. If, for example, those tax reductions were assumed to continue (along with the indexing of the AMT for inflation) and future annual appropriations were assumed to remain at their 2009 share of GDP, the deficit in 2019 would equal 8.5 percent of GDP.

Beyond the 10-year budget window, the nation will face further significant fiscal challenges posed by rising health care costs and the aging of the population. Continued large deficits and the resulting increases in federal debt would, over time, reduce economic growth. Putting the nation on a sustainable fiscal course will require some combination of lower spending and higher revenues than the amounts now projected.

The Budget Outlook from 2009 to 2019

The dramatic expansion of the deficit in 2009 (up from 3.2 percent of GDP in 2008) results from a projected rise in outlays of 24 percent (the largest percentage increase since 1952) and a drop in revenues of 17 percent from last year's levels (the largest percentage drop since 1932). Those changes have largely been the result of the severe economic downturn and the fiscal impact of federal policies enacted in response.

Summary Table 1.

CBO's Baseline Budget Outlook

	Actual											Total,	Total,	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2010-2014	2010-2019
In Billions of Dollars														
Total Revenues	2,524	2,100	2,264	2,717	3,010	3,221	3,403	3,577	3,737	3,908	4,081	4,260	14,614	34,177
Total Outlays	2,983	3,688	3,644	3,638	3,600	3,759	3,961	4,135	4,358	4,534	4,703	4,982	18,602	41,314
Total Deficit (-) or Surplus	-459	-1,587	-1,381	-921	-590	-538	-558	-558	-620	-626	-622	-722	-3,988	-7,137
On-budget	-642	-1,720	-1,485	-1,029	-721	-684	-711	-710	-765	-761	-747	-834	-4,630	-8,446
Off-budget ^a	183	133	104	108	131	146	152	151	145	136	125	111	642	1,310
Debt Held by the Public at the End of the Year	5,803	7,612	8,868	9,782	10,382	10,870	11,439	11,986	12,581	13,174	13,611	14,324	n.a.	n.a.
As a Percentage of Gross Domestic Product														
Total Revenues	17.7	14.9	15.7	18.1	19.1	19.4	19.6	19.9	19.9	20.0	20.1	20.2	18.5	19.3
Total Outlays	21.0	26.1	25.2	24.3	22.8	22.6	22.9	22.9	23.2	23.2	23.2	23.6	23.5	23.4
Total Deficit	-3.2	-11.2	-9.6	-6.1	-3.7	-3.2	-3.2	-3.1	-3.3	-3.2	-3.1	-3.4	-5.0	-4.0
Debt Held by the Public at the End of the Year	40.8	53.8	61.4	65.2	65.9	65.5	66.0	66.5	67.1	67.5	67.0	67.8	n.a.	n.a.
Memorandum:														
Gross Domestic Product (Billions of dollars)	14,222	14,140	14,439	14,993	15,754	16,598	17,319	18,019	18,760	19,524	20,308	21,114	79,103	176,828

Source: Congressional Budget Office.

Note: n.a. = not applicable.

a. Off-budget surpluses comprise surpluses in the Social Security trust funds and the net cash flow of the Postal Service.

On the basis of tax collections through July 2009, CBO expects federal revenues to decline by more than \$400 billion from last year's total. Revenues are projected to be 14.9 percent of GDP, nearly 3 percentage points below the 2008 level (see Summary Table 1). Although CBO anticipates declines in almost all sources of revenue, the decrease is largely attributable to the drop in receipts from individual income taxes (which are expected to fall from 8.1 percent of GDP to 6.5 percent) and corporate income taxes (which are estimated to decline from 2.1 percent of GDP to 1.0 percent).

Outlays will rise by about \$700 billion this year, in CBO's estimation. Much of that increase results from legislation enacted in calendar year 2008 in response to turmoil in the housing and financial markets—in particular, \$133 billion for the Troubled Asset Relief Program (TARP) and \$291 billion for the estimated costs of placing Fannie Mae and Freddie Mac into conservatorship.

CBO expects that total spending in 2009 from funding provided by the American Recovery and Reinvestment Act (ARRA, Public Law 111-5) will reach about \$115 billion.

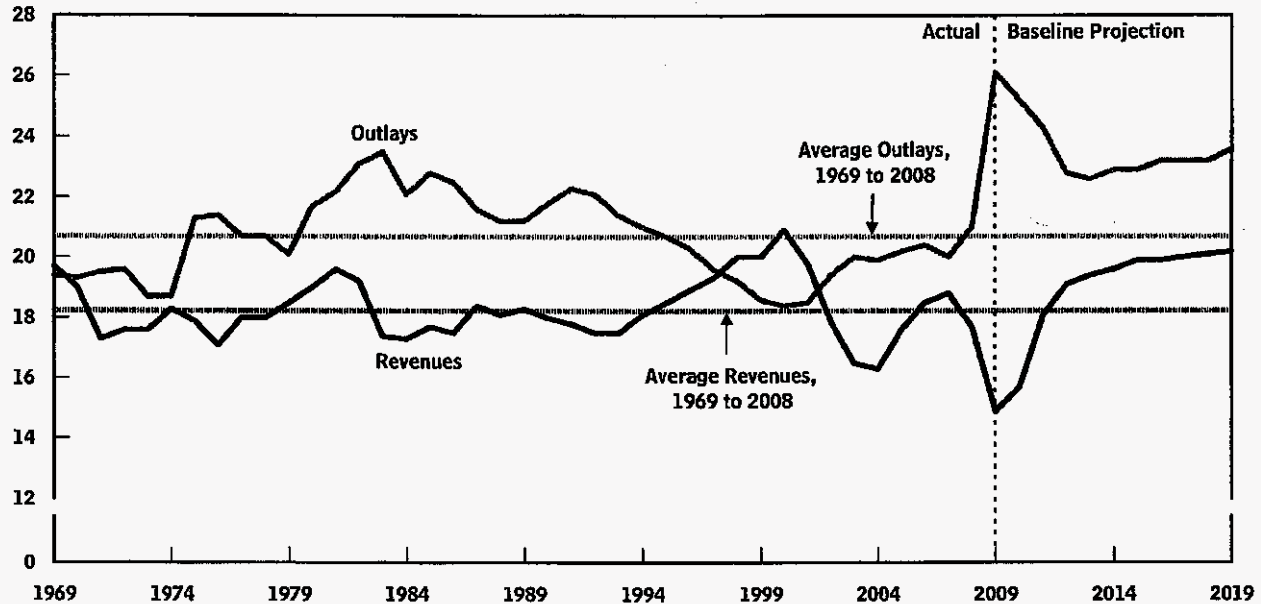
Since it last issued baseline projections in March, CBO has reduced its estimate of the deficit for 2009 by \$80 billion. Both outlays and revenues are now expected to be lower in the current year than previously estimated, by \$165 billion and \$85 billion, respectively. A large drop (of \$203 billion) in the estimated subsidy cost of the TARP dominates the change in projected outlays for 2009; other changes (mostly in revenues) offset much of that decrease.

CBO has also updated its baseline projections for the coming decade. In accordance with long-standing procedures, CBO's projections assume that current laws and

Summary Figure 1.

Total Revenues and Outlays

(Percentage of gross domestic product)



Source: Congressional Budget Office based on data from the Office of Management and Budget.

policies remain in place.¹ The resulting baseline is therefore not intended to be a prediction of future budgetary outcomes; rather, it serves as a benchmark that lawmakers can use to measure the effects of spending or revenue proposals.

As the economy improves and spending related to the financial rescue and the economic stimulus package tails off, the deficit is projected to gradually diminish; by 2013, it would amount to 3.2 percent of GDP (about the same level as in 2008), under the assumption that various tax provisions expire as scheduled and that discretionary spending rises at the rate of inflation. Between 2013 and 2019, deficits are projected to range from 3.1 percent to 3.4 percent of GDP, well above the 2.4 percent of GDP that they have averaged over the past 40 years.

1. Exceptions exist for discretionary funding provided in ARRA, as well as for certain mandatory programs—primarily those established on or before the date the Balanced Budget Act of 1997 was enacted—and for expiring excise taxes that are dedicated to trust funds.

Outlays are projected to inch down each year from 2010 to 2012 as spending under ARRA concludes and as the anticipated economic recovery allows payments for unemployment compensation and other benefit programs to return to more typical levels. Total spending is projected to head up again beginning in 2013, with outlays for Medicare, Medicaid, and Social Security contributing significantly to that growth. Over the 2010–2019 period, under the assumptions for CBO’s baseline, total outlays would average 23.4 percent of GDP—higher than the 20.7 percent of GDP that federal spending has averaged over the past 40 years (see Summary Figure 1).

Revenues are projected to rise from 14.9 percent of GDP this year to 15.7 percent in 2010. Then, in CBO’s baseline, projected revenues increase sharply with the expiration of provisions originally enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, the Jobs and Growth Tax Relief Reconciliation Act of 2003, and ARRA. By 2012, revenues in the baseline reach 19.1 percent of GDP. Because of the structure of the individual income tax, projected revenues rise slowly thereafter relative to the size of the economy, reaching 20.2 percent of GDP by 2019. By comparison, federal

revenues have averaged 18.3 percent of GDP over the past 40 years.

Debt held by the public is projected to exceed 61 percent of GDP by the end of next year, which is the highest level since 1952, and reach 68 percent by the end of 2019. That accumulating federal debt, coupled with rising interest rates, would lead to a near tripling of net interest payments (relative to the size of the economy) between 2009 and 2019.

Since March, projected deficits over the 2010–2019 period have risen by \$2.7 trillion. About half of the increase is the result of assuming that appropriations in each year include an additional \$106 billion (with adjustments for inflation) to reflect the supplemental appropriations that were enacted in June (mostly to finance military operations in Iraq and Afghanistan); that approach is in accordance with rules governing projections of discretionary spending in the baseline. Reductions in projected revenues and increases in interest costs account for most of the remaining difference.

The Economic Outlook

CBO anticipates that economic activity will begin to rebound in the second half of 2009, largely the result of fiscal stimulus provided under ARRA, improving conditions in the financial markets, slower declines in both residential and business investment, and a slowing in the rate at which inventories are being drawn down. However, a number of forces are expected to restrain growth for some time: Economies worldwide remain weak, financial markets continue to be strained, and households will want to restrain spending in order to rebuild their savings. Moreover, experience suggests that recovery from recessions triggered by financial crises and sharp drops in the value of assets tends to be protracted; CBO's forecast reflects that experience.

Specifically, CBO estimates positive economic growth during the second half of calendar year 2009, at an annual rate of 1.6 percent, following declines at an annual rate of 6.4 percent in the first quarter and 1.0 percent in the second quarter. In CBO's forecast, real GDP grows by 2.8 percent between the fourth quarter of 2009 and the fourth quarter of 2010, by 3.8 percent in 2011, and by an average of 4.5 percent in 2012 and 2013 (see Summary Table 2). With the economy functioning well below its potential level, inflation is projected to remain

very low; the consumer price index for all urban consumers (CPI-U), with food and energy prices excluded, is expected to increase by 1.6 percent this year, by 1.1 percent in 2010, and by 1.0 percent in 2011 (as measured by the change in the index from the fourth quarter of one year to the fourth quarter of the next year).

Despite the anticipated turnaround in economic growth, at least several more months of declines in employment are anticipated, albeit at a slower pace than in the first half of this year. Hiring usually lags behind the initial stages of a recovery because firms tend to increase output by first boosting the number of hours that existing employees work, and their productivity, and only later by adding employees. In addition, the unemployment rate tends to lag behind the turning point because the number of people seeking work tends to rebound faster than employment. In CBO's forecast, the unemployment rate continues to rise, climbing from 9.3 percent this year to an average of 10.2 percent next year (peaking at 10.4 percent around the middle of the year), and then falls to 9.1 percent in 2011.

Interest rates are expected to remain at historically low levels for the next few years. In CBO's forecast, the interest rate on 3-month Treasury bills averages 0.2 percent in 2009 and 0.6 percent and 1.7 percent in 2010 and 2011, respectively; the rate on 10-year Treasury notes averages 3.3 percent in 2009, 4.1 percent in 2010, and 4.4 percent in 2011.

Between 2014 and 2019, CBO's projections indicate real growth that averages 2.4 percent and CPI-U inflation that averages 1.9 percent. By the agency's estimates, the unemployment rate will average 4.8 percent during the 2014–2019 period, and the interest rate on 3-month Treasury bills will average 4.7 percent and the rate on 10-year Treasury notes will average 5.5 percent.

The Long-Term Budget Outlook

Over the long term (beyond the 10-year baseline projection period), the budget remains on an unsustainable path. Unless changes are made to current policies, the nation will face a growing demand for budgetary resources caused by rising health care costs and the aging of the population. Continued large deficits and the resulting increases in federal debt over time would reduce long-term economic growth by lowering national saving

Summary Table 2.

CBO's Economic Projections for Calendar Years 2009 to 2019

	Forecast			Projected Annual Average	
	2009	2010	2011	2012-2013	2014-2019
Fourth Quarter to Fourth Quarter (Percentage change)					
Real GDP	-1.0	2.8	3.8	4.5	2.4
GDP Price Index	1.6	0.9	0.3	0.7	1.6
PCE Price Index	1.2	1.1	0.8	0.8	1.6
Core PCE Price Index ^a	1.7	0.8	0.5	0.7	1.6
Consumer Price Index ^b	0.8	1.5	1.2	1.1	1.9
Core Consumer Price Index ^a	1.6	1.1	1.0	1.2	1.9
Calendar Years					
Nominal GDP					
Billions of dollars	14,163	14,570	15,146	16,799 ^c	21,320 ^d
Percentage change	-0.7	2.9	4.0	5.3	4.1
Unemployment Rate (Percent)	9.3	10.2	9.1	6.4	4.8
Interest Rates (Percent)					
Three-month Treasury bills	0.2	0.6	1.7	3.6	4.7
Ten-year Treasury notes	3.3	4.1	4.4	4.8	5.5

Source: Congressional Budget Office.

Notes: GDP = gross domestic product; PCE = personal consumption expenditure.

The dollar values for nominal GDP and the tax bases are derived from data from the national income and product accounts that were available at the end of June 2009 and do not reflect the July revisions. Economic projections for each year from 2009 to 2019 are available at www.cbo.gov/spreadsheets.shtml.

- a. Excludes prices for food and energy.
- b. The consumer price index for all urban consumers.
- c. Level in 2013.
- d. Level in 2019.

and investment relative to what would otherwise occur, causing productivity and wage growth to gradually slow.

Last year, outlays for Social Security, Medicare, and Medicaid combined accounted for about 9 percent of GDP. Outstripping the growth of GDP, spending for those programs is expected to rise rapidly over the next 10 years, totaling nearly 12 percent of GDP by 2019. Under long-term projections recently published by CBO, such spending would continue to rise under current laws and policies and could total 17 percent of GDP by 2035.²

If outlays for those programs reached that level, federal spending would be well above its historical percentage of

GDP. Unless revenues were increased correspondingly, annual deficits would climb and federal debt would grow significantly, posing a threat to the economy. Alternatively, if taxes were raised to finance the rising spending, tax rates would have to reach levels never seen in the United States. Some combination of significant changes in benefit programs and other spending and tax policies will be necessary in order to attain long-term fiscal balance.

2. See Congressional Budget Office, *The Long-Term Budget Outlook* (June 2009).

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 64) **Driver's License Monitoring.** Please provide the annual expense for drivers license monitoring that the company has incurred for 2004 through 2008.

The company has not incurred any costs relating to drivers license monitoring from 2004 to 2008. We had incurred costs prior to 2004 as it was part of our routine processes. We had a change in personnel in 2004 and the routing monitoring checks were not continued. However, for certain company personnel routine monitoring is a requirement and as such the company began the process in the second quarter of 2009. These costs are necessary, required and uncontrollable by the company. Recovery of this expense is appropriate. The company recognized we did not have these costs in our historical trends and we added \$2,550 as an over and above adjustment (included on MFR Schedule G-6 page 6).

(Lundgren)

- 65) **Outside Services.** Please explain provide the annual expense incurred for tax consultants associated with the IRS audits of 2003/2004 in 2007 and 2005/2006 in 2008.

See our response and exhibits to Item #32 of this Set of Interrogatories for the annual expense incurred for tax consultants associated with the IRS audits. Due to the frequency of historical IRS audits, along with new tax related reporting requirements for FIN 48, and increasing complexity on the tax return we anticipate this will be a recurring activity and we will incur future costs associated with additional IRS audits and other tax services. (Lundgren)

- 66) **Software Maintenance.** Please provide the invoices for the Infinium software maintenance for 2005, 2006, 2007 and 2008.

Response: See Exhibit 66.1 (Lundgren)

- 67) **Deferred Income Taxes** Please provide the corresponding adjustments to deferred income taxes related to the prior period income tax adjustments addressed in Ms. Lundgren's testimony on page 72.

The testimony on page 72 refers to the Commission adjustments listed on Schedules C-2 and G-2 (C-2) in the MFRs. Please see page 2 and page 4 of Schedule G-2 (C-2), and page 2 of Schedule C-2 for the impact to each specific general ledger account, including the impact to the deferred income taxes (if any). We are also including a copy of the entry recorded in the historic year general ledger period 2007 relating to prior year tax (Exhibit 67.1). Additionally, we have included in response to Item #40 of this Set of Interrogatories copies of the entries relating to the IRS audits and tax returns.

(Lundgren)

- 68) **Projection and Inflation Factors.** Please provide the actual average 2008 growth rates for inflation in the CPI-U and customer growth.

084.12%
09 2.74%
Price inflation, measured by the consumer price index for urban areas (CPI-U), rose by 1.72% during 2008.

Consolidated Gas average customer growth, excluding interdepartmental, was 0.72% for the year 2008 over 2007. In our rate filing we projected a 1.1% increase in customer growth for 2008. Exhibit 68.1

(Cox)



Billing Office	Invoice No	Invoice Date	Due Date	Exhibit
0001	P - 13659- 0001	9 Oct 2007	9 Oct 2007	01GM01000

Invoice

Bill to: Florida Public Utilities Co.
 401 S Dixie Hwy
 West Palm Beach FL 33401
 USA
 Attn : Vincent Messina

Deliver to: Florida Public Utilities Co.
 401 S Dixie Hwy
 West Palm Beach FL 33401
 USA
 Attn : Vincent Messina

Customer No.	Tax Reg. No.	Customer PO No.	Currency	Contract Information
38269			USD	Maintenance Renewal

Deliverable	Quantity	Rate	Amount
Infinium Application Manager Extended (1 Jan 2008- 31 Dec 2008)	1.00	9,177.00	9,177.00
Infinium Query (1 Jan 2008- 31 Dec 2008)	1.00	0.00	0.00
Infinium Income Reporting (1 Jan 2008- 31 Dec 2008)	1.00	0.00	0.00
Infinium Fixed Assets (1 Jan 2008- 31 Dec 2008)	1.00	11,931.99	11,931.99
Infinium General Ledger (1 Jan 2008- 31 Dec 2008)	1.00	19,087.15	19,087.15
Infinium Payables Ledger (1 Jan 2008- 31 Dec 2008)	1.00	13,767.40	13,767.40
Tax (Type - RP)	1.00	3,507.63	3,507.63

ENTERED
 NOV 08 2007

Remit to:
 Infor Global Solutions
 Wachovia Bank
 P. O. Box 933751
 Atlanta
 GA 31193- 3751
 USA
 Account # 2000035274362
 ABA # 031201467

Net	Tax	Total
53,963.54	3,507.63	57,471.17

Your team of account contacts: Sales Manager- Wendell O'Connell, Support Account Manager- Catherine Walton

Payment Terms:
Special Instructions:

For credit control or q
 or email: vivian.elston

DB- LPO# please?

312-258-6272

*Thanks,
 @*

*Please use:
 0.5013R*

Invoice Total	USD	57,471.17
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*Yes
Please
process
this*



forward faster.

Billing Office 0001	Invoice No P - 8818	Invoice Date 11/14/06	Due Date 12/31/06
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Invoice

Bill to: Florida Public Utilities Co.
401 S Dixie Hwy
WEST PALM BEACH, FL 33401
USA

Deliver to: Florida Public Utilities Co.
401 S Dixie Hwy
WEST PALM BEACH, FL 33401
USA

Attn: Michelle Napier

Attn: Michelle Napier

Customer No 38269	Tax Reg No.	Customer PO No.	Currency USD	Contract Information Renewal Maintenance 1/1/07 - 12/31/07
-----------------------------	--------------------	------------------------	------------------------	---

DELIVERABLE	QTY	UNIT PRICE	TOTAL
1 Infinium Application Manager Extended	1.00	8,497.22	8,497.22
1 Infinium Fixed Assets	1.00	11,048.14	11,048.14
1 Infinium General Ledger	1.00	17,673.29	17,673.29
1 Infinium Payables Ledger	1.00	12,747.59	12,747.59

100,1650.4

ENTERED
DEC 01 2006

Tax

State FL

3,247.82

Remit to:
Wire Transfer To:
JPMorgan Chase
60603 Chicago
United States
Account # 4233395
ABA # 021000021

Checks Payable to:
SSA Global
36549 Eagle Way
Chicago, IL 60678- 1365

Net	Tax Rate	Tax	Total
49,966.24	0.00	3,247.82	53,214.06

Payment Terms: Net 30

Special Instructions: For credit control, please contact Lynne Karbin on 312- 258- 6540 or email Lynne.Karbin@ssaglobal.com.

Global
500 West Madison
Suite 2200
Chicago, IL 60661
Tel. +1 312 258 6000
Fax. +1 312 474 7500
FEIN #: 84- 1542338

Invoice Total USD 53,214.06



forward faster

Docket No. 080366-GU
 OPC Interrogatory No. 66
 Exhibit ___ PWM-8
 Page 4 of 5

Corporate Headquarters
 500 West Madison, Suite 2200
 Chicago, IL 60661

Telephone: 312-258-6000
 Facsimile: 312-258-6371

BILL TO: Florida Public Utilities Co.
 Attn: Michell Napier
 401 South Dixie Hwy
 West Palm Beach, FL 33401

SHIP TO:

DATE: 11/17/2005

INVOICE #: P4818-STX

CUSTOMER NUMBER		P.O. NUMBER	ORDER DATE	ORDER	Terms	SE
038269		NA	1/1/2006	RENEWAL	NET 45	
QTY	U/M				UNIT PRICE	TOTAL
12	M	AM/X/400			655.65	\$7,867.80
12	M	FA/400			852.48	\$10,229.76
12	M	GL/400			1,363.68	\$16,364.16
12	M	PL/400			983.61	\$11,803.32
Term: 1/1/06 - 12/31/06						
1	U	Sales Tax			3,007.23	\$3,007.23

SUBTOTAL \$49,272.27

PAYMENT OPTIONS

1. WIRE TRANSFER
 SSA GLOBAL
 JPMorgan Chase
 Chicago, IL 60603
 ABA No. 021000021
 Account No. 4233395

2. CHECKS PAYABLE TO:
 SSA GLOBAL
 36549 Eagle Way
 Chicago, IL 60678-1365

Please reference invoice & client numbers
 on all checks & correspondence
FEIN# 84-1542338

Address Inquiries to: ssaglobal.nacontracts@ssaglobal.com, Subject: Infinium



forward faster

Docket No. 080366-GU
OPC Interrogatory No. 66
Exhibit PWM-8
Page 5 of 5

53183

Corporate Headquarters
500 West Madison, Suite 1600
Chicago, IL 60661

Telephone: 312-258-6000
Facsimile: 312-258-6371

BILL TO: Florida Public Utilities Co.
Attn: **Michell Napier**
401 South Dixie Hwy
West Palm Beach, FL 33401

SHIP TO:

DATE: 11/1/2004

INVOICE #: P16075-01

CUSTOMER NUMBER		P.O. NUMBER	ORDER DATE	ORDER RENEWAL	Terms	
050201		NA	11/1/2004	RENEWAL	1/1/2005	
QTY	U/M				UNIT PRICE	TOTAL
12	M	AM/X/400			607.08	\$7,285
12	M	FA/400			789.33	\$9,472
12	M	GL/400			1,262.67	\$15,152
12	M	PL/400			910.75	\$10,929
Term: 1/1/05 - 12/31/05						
1	U	Sales Tax			2,570.28	2,570.28

100.1650.4

ENTERED
DEC 28 2004

SUBTOTAL \$45,408.28

PAYMENT OPTIONS

1. WIRE TRANSFER
SSA GLOBAL
BankOne
Chicago, IL 60670
ABA No. 071000013
Account No. 4233395

2. CHECKS PAYABLE TO:
SSA GLOBAL
36549 Eagle Way
Chicago, IL 60678-1365

Please reference invoice & client numbers on all checks & correspondence
FEIN# 84-1542338

Address Inquiries to: Lynne Karbin 312/416-6709 or lynne.karbin@ssaglobal.com

		54% Alloc to NG	
		FPUC O/U Adj	Div
<hr/>			
Infinium software Maintance			
Cost in 2007 total company	\$ 57,471		
Over/Under Incr 2007	\$ 4,257	7.41%	
Over/Under Total Company	\$ 61,728		
Over/Under Incr 2008	<u>\$ 4,598</u>	7.45%	
Total 2008/2009 O/U Adjust		15.41%	
Over/Under Total Company	\$ 66,326	\$ 8,855	\$ 4,782
Cost in 2007 total company	\$ 57,471		
7% Inflation Adjust in MFRs	<u>\$ 4,023</u>	\$ 4,023	\$ 2,172
Total 2009 in Acct 935 for Infinium Software Costs	\$ 61,494		
Total 2008/2009 O/U Adjust	<u>\$ 8,855</u>		
Total Cost in MFRs for Inf. Software	\$ 70,349		
Recommended Cost	\$ 66,326		
Overstated Inflation Adjust	\$ (4,023)	\$ (4,023)	\$ (2,172)

Q. Explain the \$14,751 adjustment for SSA Global report writer and budget maintenance.

A. The Company has historically utilized Excel templates to prepare the budget. Due to the complex calculations, linked files, and integrated components of our budget, we are quickly exceeding the capabilities of this application. We have researched various applications designed to meet our budget and forecasting needs and have included in our 2009 projections a budget and report writer application from SSA Global. We have revised the application quote received from the vendor in our projection to account for inflation. The Company has included \$7,966 (or 54% of \$14,751) in 2009 for recovery of maintenance on this software application. The allocation percentage of 54% to natural gas is based on allocated common plant. Although we will not incur the maintenance fees until years 2010 and beyond, we will incur approximately the same cost in 2009 as training expense. Because we will be incurring maintenance fees on an annual basis going forward, it is appropriate to seek recovery of these costs.

SSA Global Report Writer and Budget Application

	2003 Pricing	2004 Projection	2005 Projection	2006 Projection	2007 Projection	2008 Projection	2009 Projection	3/4 in 2009	1/4 in 2010
Software	60,000	62,100	64,274	66,523	68,851	71,261	73,755	55,316	18,439
Installation	62,000	64,170	66,416	68,741	71,146	73,637	76,214	57,160	19,053
Seats - Financial Manager	33,000	34,155	35,350	36,588	37,868	39,194	40,565	30,424	10,141
Seats - Report Manager	2,400	2,484	2,571	2,661	2,754	2,850	2,950	2,213	738
	157,400	162,909	168,611	174,512	180,620	186,942	193,485	145,114	48,371
Annual maintenance	12,000	12,420	12,855	13,305	13,770	14,252	14,751	14,751	15,267

SSA Global Profile

Name and version of your budgeting and reporting application:

SSAG Financial Manager powered by Cognos – Budgeting, Financial Statements

SSAG Report Manager powered by Cognos – Ad Hoc Reporting

Describe your company in terms of its background, vision, and mission. Please include years in business, employee count, and any information you feel should be considered in our purchase decision.

SSA Global Technologies, Inc., with over 3,500 employees, is a leading provider of extended enterprise resource planning (ERP) solutions for manufacturing, services, and public organizations worldwide. In addition to core ERP applications, SSA GT offers a full range of practical integrated extended solutions including corporate performance management, customer relationship management (CRM), supply chain management and supplier relationship management.

SSA Global has a growth strategy to acquire market share, and to develop customer share by satisfying the critical software solutions and services requirements of the company's growing client base of 13,000 active customers worldwide. The company's execution on that business strategy has resulted in a 220 percent increase in revenue, with operating profit exceeding 20 percent over the past two fiscal years, from July 31, 2001 to July 31, 2003.

Describe your company's customer support policy and structure.

SSA Global offers in-depth Professional Services assistance during the implementation phase and comprehensive customer support during the production phase. There is a Support Hot Line available 24 hours a day, 7 days a week, as well as on line help via the One Point Support web site

Describe any strategic partnerships existing between your company and others.

SSA Global's vast network of global, regional, and local partners offers products and services including systems integration, hardware, extended solution software, business information and application hosting. We speak our customers' language and we understand how they work ... wherever in the world they may conduct business. We have attached a spreadsheet listing our Alliance partners in electronic format with our response.

Our global partnerships include:

- **Service Alliances — with organizations whose capabilities strengthen our own offerings ... whether enhancing service in a key market, providing a new technology or process, or extending coverage to new geographies.**

- **Software Alliances** — that add value to SSA Global's solutions through vendors who are leaders in their own business niches. Our flexible technical foundation allows seamless integration with the partner solutions that add critical industry and business process functionality to our extended ERP offerings. **Cognos for Corporate Performance Management and RecruiterNet for Applicant Tracking** are two great examples of **Software Alliances SSAG has formed.**

- **Technology Alliances** — that provide technology and hardware platforms, operating systems, and network or database solutions upon which our solutions run. Our alliances also extend to the channel partners of these technology companies to deliver a complete technology infrastructure and related services to our customers.

- **Channel Network** — Extending our reach and expanding our localized resources and expertise. The **SSA Global Certified Affiliate Network** represents business opportunities on a worldwide scale.

Is your company publicly held?

SSA Global has filed a registration statement with the Securities and Exchange Commission for a proposed initial public offering (IPO). SSA Global is currently in a quiet period.

Please understand that SSAG is in a quiet period and we can make no further comment at this time. All available details are in the announcement that is posted on the SSA Global home page and with the Securities and Exchange Commission. The S-1 can be found at www.sec.gov and should be reviewed for any additional information that you may require.

What is your worldwide installed base for these applications?

SSA Global is COGNOS' leading OEM partner with over 1,500 accounts globally utilizing the SSAG Corporate Performance Management Suite of solutions powered by COGNOS.

Customer References

Please list three of your customers whom we may contact as references for your products and services. **ABC Stores**

**Caesars
Colin Services
Key Energy**

Please include contact information.

Our customers have requested that any reference calls be arranged through the appropriate sources within SSAG. Please contact Roger Fallows at 972 781 6569 to set up desired reference calls.

1.0 Technical Environment

Please indicate the name of your product(s) and if the application(s) can provide solutions for the following criteria:

Product Name:

SSAG Financial Manager Powered by Cognos and SSAG Report Manager Powered by Cognos

Reporting and Budgeting Application		YES
1.1	Interface with iSeries DB2 applications	YES
1.2	Excel, Web or Windows based report creation and maintenance	YES
1.3	Versatile report components Mix budget, actual, statistical and calculated fields Report on both account balance and transaction type	YES
1.4	Drill to transactional detail	YES
1.5	Versatile time periods	YES
1.6	Permits user defined groups for accounts	YES
Budgeting Application		
1.7	Versatile forecast and allocation methods	YES
1.8	What if Scenario	YES
1.9	Top down allocation of costs	YES
1.10	Version and security controls	YES
1.11	Budget by account	YES
1.12	Budget by transaction type within an account	YES
1.13	Mix budget, actual, statistical and calculated fields	YES

2.0 Time to Implementation

2.1	How many person days are typically required to implement this application to fully operational status?	A "typical" implementation involves between 25 to 35 days of installation, implementation support, training, and report writing guidance; depending on the complexity of the reporting
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	requirements.
2.2 Is this application designed to be installed and configured by the user?	SSA Global will perform the installation and assist in the configuration
2.3 How many days of consulting support is recommended for this application?	20 – 25 days including both Financial and general reporting
2.4 How many days of training is recommended for the administrators?	1 day.
How many days of training is recommended for the support analysts?	Included
How many days of training is recommended for the managers?	Included
How many days of training is recommended for the end users?	4 for Financial Reporting , 2-3 for general reporting.

3.0 Service and Support

3.1 Does periodic maintenance include updates and upgrades to this application?	YES
3.2 Does your company offer internet-based product support?	YES
3.3 Does this application include hardcopy documentation?	YES
3.4 Does this application include online documentation?	YES
3.5 What training is offered for this application?	SSAG provides either Onsite or regional training for the proposed applications. We have quoted regional training in the Services quote for costs purposes.

Pricing Estimate

Application

SSAG Financial Manager	Starter Kit Includes:	\$35,000
	1 Finance Administrator & 5 User Licenses	
	5 User Licenses (Additional)	\$16,500
SSAG Report Manager:	1 Administrator License	\$ 1,330
	10 User Licenses (10x \$800)	\$ 8,000
SSAG Integration Bundle : (\$30,000 value)		\$ N/C
Total Software Price:		\$59,630

Price per Seat:

SSAG Financial Manager	\$3,300 per User (minimum of 10 users per purchase)
SSAG Report Manager	\$ 800 per User

Periodic Maintenance & Support Fee: \$11,926.00 (20% of List Price)

Professional Services estimate \$62,000.00

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Colin Services
Key Energy

Please include contact information.

Our customers have requested that any reference calls be arranged through the appropriate sources within SSAG. Please contact Roger Fallows at 972 781 6569 to set up desired reference calls.

1.0 Technical Environment

Please indicate the name of your product(s) and if the application(s) can provide solutions for the following criteria:

Product Name:

SSAG Financial Manager Powered by Cognos and SSAG Report Manager Powered by Cognos

Reporting and Budgeting Application		YES
1.1	Interface with iSeries DB2 applications	YES
1.2	Excel, Web or Windows based report creation and maintenance	YES
1.3	Versatile report components Mix budget, actual, statistical and calculated fields Report on both account balance and transaction type	YES
1.4	Drill to transactional detail	YES
1.5	Versatile time periods	YES
1.6	Permits user defined groups for accounts	YES
Budgeting Application		
1.7	Versatile forecast and allocation methods	YES
1.8	What if Scenario	YES
1.9	Top down allocation of costs	YES
1.10	Version and security controls	YES
1.11	Budget by account	YES
1.12	Budget by transaction type within an account	YES
1.13	Mix budget, actual, statistical and calculated fields	YES

2.0 Time to Implementation

2.1 How many person days are typically required to implement this application to fully operational status?	A "typical" implementation involves between 25 to 35 days of installation, implementation support, training, and report writing guidance; depending on the complexity of the reporting
--	--

	requirements.
2.2 Is this application designed to be installed and configured by the user?	SSA Global will perform the installation and assist in the configuration
2.3 How many days of consulting support is recommended for this application?	20 – 25 days including both Financial and general reporting
2.4 How many days of training is recommended for the administrators?	1 day.
How many days of training is recommended for the support analysts?	Included
How many days of training is recommended for the managers?	Included
How many days of training is recommended for the end users?	4 for Financial Reporting , 2-3 for general reporting.

3.0 Service and Support

3.1 Does periodic maintenance include updates and upgrades to this application?	YES
3.2 Does your company offer internet-based product support?	YES
3.3 Does this application include hardcopy documentation?	YES
3.4 Does this application include online documentation?	YES
3.5 What training is offered for this application?	SSAG provides either Onsite or regional training for the proposed applications. We have quoted regional training in the Services quote for costs purposes.

Pricing Estimate

Application

SSAG Financial Manager	Starter Kit Includes:	\$35,000
	1 Finance Administrator & 5 User Licenses	
	5 User Licenses (Additional)	\$16,500
SSAG Report Manager:	1 Administrator License	\$ 1,330
	10 User Licenses (10x \$800)	\$ 8,000
SSAG Integration Bundle : (\$30,000 value)		\$ N/C
Total Software Price:		\$59,630

Price per Seat:

SSAG Financial Manager	\$3,300 per User (minimum of 10 users per purchase)
SSAG Report Manager	\$ 800 per User

Periodic Maintenance & Support Fee: \$11,926.00 (20% of List Price)

Professional Services estimate \$62,000.00

Natural Gas Rate Proceeding, Corporate or Natural Gas Expenses

Department General Accounting

Approved by: MDN Date: 7/08/08

Item	New Item or Over and Above	Account number	Actual	Actual	Projected	Amount	Projected	Amount	<i>Details of Item and Projection Method/Support and/or basis and calculation.</i>
			YTD Amount	YTD Amount	Annual Amt.	over YTD	Annual Amt.	over YTD	
			<u>Dec-07</u>	<u>Apr-08</u>	<u>2008</u>	<u>Dec-07</u>	<u>2008</u>	<u>Dec-07</u>	
<i>Annualization for position vacancy, Construction Accountant</i>	Over and above	101.1849.920	\$ 44,786	\$ -	\$ 26,000	\$ (18,786)	\$ 53,820	\$ 9,034	<i>Vacant one and half months in 2007. Need over and above adjustment.</i>
<i>Infinium Software Maintenance</i>	Over and above	100.1849.935	\$ 57,471			\$ (57,471)	\$ 62,069	\$ 4,598	<i>Increase of about 8% per year</i>
<i>Bank fees</i>	Over and above	100.1849.9215	\$ 112,664	\$ 49,710	\$ 119,304	\$ 6,640	\$ 123,480	\$ 10,816	
					\$ 9,942				
					\$ 7				
					\$ 69,594				
					\$ 119,304				

From: Lundgren April
Sent: Wednesday, June 11, 2008 7:52 AM
To: Mesite Jim
Subject: RE: 2009 Common Capital Expenditure Budget - An Addendum

For SSA implementation, I calculate:

\$60,000 in software
\$62,000 installation services
\$33,000 seats – fin manager
\$2,400 seats – report manager
\$157,400 TOTAL

\$12,000 annual maintenance

Thanks,
April
x1788

-----Original Message-----

From: Mesite Jim
Sent: Tuesday, June 10, 2008 3:06 PM
To: Lundgren April
Subject: FW: 2009 Common Capital Expenditure Budget - An Addendum

This is for the 2009 CapEx budget. Please, your opinion on what we will end up with. I don't care which one, just how much.

I figure we will probably end up with spending about \$60K with \$12K annual maintenance costs.

Thanks,

Jim

tel.561.838.1733
fax.561.366.1533

From: Martin Cheryl
Sent: Tuesday, June 10, 2008 8:55 AM
To: Mesite Jim
Subject: FW: 2009 Common Capital Expenditure Budget - An Addendum

For our corporate capital budget. Put this in early 2009. Pick what cost you think is appropriate. Probably SSA. Cheryl

From: Lundgren April
Sent: Tuesday, June 10, 2008 8:53 AM

To: Martin Cheryl
Subject: RE: 2009 Common Capital Expenditure Budget - An Addendum

Sure do! The cost will depend on the application selected and the pricing is outdated, but here are the cost estimates I have from each vendor...

Thanks,
April
x1788

-----Original Message-----

From: Martin Cheryl
Sent: Monday, June 09, 2008 2:02 PM
To: Lundgren April
Subject: FW: 2009 Common Capital Expenditure Budget - An Addendum

April, do you have any estimates from when we looked at the reporting software? I would like to attach something official for this project in 2009. Thanks Cheryl Martin

CBIZ - Proposal

Chris Wittig (CBIZ ATA-Boca Raton) [cwittig@CBIZ.com]
Friday, June 20, 2008 8:11 AM
Mr. George Bachman; Shasha Nadira
Proposal
-MHM FPU ERUSA Audit Proposal.pdf; CBIZ FPU Eng Letter.pdf

Mr. George and Nadira,

We have received your proposal for 2007 audit services for your two retirement plans.

We have also attached an engagement letter for consulting services for retirement plan consulting and financial statement audit services in the event you do not choose MHM to be the Plan auditors.

We appreciate the opportunity to once again submit a proposal and would be pleased to meet with the audit committee or you to discuss our proposal.

Next week is the firm's annual conference so most shareholders and managers will be out of town. However, I will be in town and available Monday the 23rd or Tuesday afternoon the 24th, but not available again until July 14th.

Thanks again.

Christopher W. Wittig
Director, CBIZ Accounting, Tax & Advisory Services &
Shareholder, Mayer Hoffman McCann, P.C. An Independent CPA Firm
399 NW Boca Raton Blvd
Boca Raton, Florida 33432
(561) 392-7929 ext. 334 or direct dial (561) 544-8334
(561) 391-3018 fax

For more information about CBIZ, Inc. (NYSE: CBZ) & Mayer Hoffman McCann P.C. please visit www.cbiz.com & www.mhmc.com

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CBIZ Accounting, Tax & Advisory Services

399 Northwest Boca Raton Boulevard
Boca Raton, FL 33432
Phone: (561) 392-7929
Fax: (561) 391-3018

June 19, 2008

Mr. George Bachman
Florida Public Utilities Company
401 South Ovide Highway
West Palm Beach, Florida 33401

Dear Mr. Bachman:

CBIZ Accounting, Tax & Advisory Services, LLC is pleased to provide Florida Public Utilities Company with professional consulting services. This engagement letter and the attached Terms and Conditions of Services, embodies the entire agreement regarding the consulting services to be rendered by CBIZ Accounting, Tax & Advisory Services, LLC to Florida Public Utilities Company for the following matters:

1. Provide assistance in the preparation of the 2007 financial statements for the Florida Public Utilities Company Employees' Pension Plan and supplemental schedule(s).
2. Consult as to accounting and reporting matters, as requested, for the 2007 Florida Public Utilities Company 401(k) Plan with company personnel.

Our fees for these services will be based upon actual time spent at our standard hourly rates in effect at the time services are rendered. You will also be billed for travel and other out-of-pocket costs such as report production, typing, postage, etc. The fee estimate can be impacted by cooperation from your personnel and unexpected circumstances encountered during the audit. Based on our understanding of the nature and timing of the services being requested, we estimate the fees for item 1 above will range from \$3,000 to \$4,500.

We cannot predict with certainty what the fees may be for item two above. Fees will be based upon our standard hourly rates.

Our invoices should be examined upon receipt. If you have any complaints, claimed errors, discrepancies or objections to an invoice we should be notified within 30 days

of our invoice will have been accepted as correct, accurate and fair.

FPUC-Natural Gas
Docket No. 080366-GU
FPSC Data Request No. 2
Exhibit 54.1

Q. Explain the over and above non- personnel adjustments for Corporate Services.

A. The non-personnel adjustments for South Florida operations include an adjustment for Smith System training, third party claims administration, license monitoring, Worksteps program, Bulli Ray, SGA Super Week, FGT Shippers meetings, Gas Mart, Occupational health and Safety seminars, Corporate office landscaping, Corporate office painting, Corporate office flooring, and gas distribution integrity. Witness Schneidermann has included in his testimony the nature of each of these adjustments. The adjustment amount for each of these items has been computed as follows:

Corporate office painting \$11,750 in 2009 – The adjustment is based on vendor quote of \$29,500 for interior painting and \$17,500 for exterior painting. The total \$47,000 has been allocated over a four year recovery period for an annual cost of \$11,750. Of the total annual cost, \$6,345 has been allocated to natural gas based on common plant allocation factors.



advanced painting contractors

FAX BID PROPOSAL

JOB NAME:

FLORIDA PUBLIC UTILITIES COMPANY

Interior & Exterior Re-Painting of Entire Building
401 South Dixie Highway - West Palm Beach

BID TO: Mr. Mark Schneidermann

PHONE#: (561) 723-3467

OWNER: Florida Public Utilities Company

FAX #: (561) 833-8562

ADDRESS: 401 South Dixie Highway
West Palm Beach, FL 33401

DATE: 8/13/08

BID BY: Daniel Eggertsson

SCOPE: Interior & Exterior Re-Painting of Entire Building

- On the Exterior, we will first pressure clean all the Exterior Walls & Ceilings of the building to remove all dirt, mold, mildew, etc.
- When the pressure cleaning is complete we will apply one coat of PPG Permacrete® Masonry Surface Sealer to lock in the existing paint and provide a sound surface for the finish paint.
- Before the finish coat we will patch any small cracks in the surface with an Elastomeric Patching Material floated out to match the existing texture as closely as possible.
- After all prep work is complete we will apply one coat of PPG ProSidingPlus+® Exterior Flat Paint in the color selected by the Owner.
- All Exterior Hollow Metal or Steel Swing Doors will be sanded, spot primed where necessary and given two coats of a Semi-Gloss Enamel.
- On the interior we will patch any small holes in the drywall walls with a spackling material or 20 minute drywall mud. We will then re-paint the walls of the Common Areas, Restrooms, Stairwells & Offices that weren't newly painted an alternate color by the employee with PPG Speedhide® Interior Latex Flat Paint. Any Drywall Ceilings or Soffits will also be painted.
- All Interior Doors & Frames as well as any wood trim will be sanded, spot primed where necessary and given two coats of a Semi-Gloss Enamel.
- The Concrete Floors of both Stairwells will be acid etched and given two coats of H&C® Concrete Stain with SharkGrip® in the color selected by the Owner.
- Quote includes all Labor, Materials & Boom Lift Rental. All work to be completed during normal business hours, M-F.

INTERIOR TOTAL: \$29,500.00

EXTERIOR TOTAL: \$17,500.00

EXCLUSIONS: Work is only as described above. Any additional work requested will be priced out for approval prior to commencement of same. **We will not caulk any windows or paint any folding shutters. No Sidewalks or roofs will be pressure cleaned or painted. **All Offices or any walls that are not currently painted white will be excluded. Any OT or Weekend work will be an additional 15%.

PAYMENT: 30% DEPOSIT, THE REMAINING BALANCE FOR THE EXTERIOR & INTERIOR TO BE PAID UPON THE COMPLETION OF EACH PHASE.

NOTE: All paint materials are to be quality products as manufactured by PPG unless specifically noted otherwise. Colors not specified are "to be selected". Please call if there are any questions concerning this bid. **Pricing is valid for 1 Year.

Signed:

Daniel Eggertsson

8/13/08

advanced painting contractors, Inc.

date

Approved:

Florida Public Utilities Company

date

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 58) Conferences, Please provide the annual expense and a description of all conferences fees and travel incurred for or allocated to the gas division from 2000 to 2009, This should include the names of the conference, number of staff members in attendance each year,**

The company does not track this information in the formats requested and it would require significant resources to retrieve some of this data for the time period requested. However, we have provided data as it relates to conferences. Exhibit 58.1 includes copies of all travel request forms we had readily available. While this may not represent all travel incurred since 2000, it is a significant amount of information including employee names, dates, conference names, and approximated costs. Exhibit 58.2 is a list of conferences and attendee by year for Central Florida as provided by the divisional General Manager. It is not all inclusive, but provides the information readily available at this time. Also, see the budgets provided in response to Item 3 of the Citizens' First Set of Production of Documents for additional information on planned conferences. Our projections for the current rate case was based on a historic year 2007, and adjustments to that year as required as over and above adjustments. We have provided details for those over and above items as they relate to conferences and travel within our testimony and MFRs.

(Lundgren)

- 59) Membership Dues Please provide the annual expense and a description of all membership dues incurred for or allocated to the gas division from 2000 to 2009, This should include the names of the organization and purpose of the organization,**

We do not specifically track this type of information for historic purposes, but for the historic base year 2007 we have shown these items on Schedules C-11 (Industry Association Dues) included in the MFRs. We show this information in our MFR and budgets each year as a memo. Those also have been provided in other responses within this rate proceeding.

Central Florida Division General Manager Don Kitner is a member of NACE (National Association of Corrosion Engineers) to remain current with corrosion practices and procedures. The division belongs to the following organizations:

West Volusia Chamber of Commerce - \$250
Sanford Chamber of Commerce - \$375
Metro Orlando Home Builders Association - \$665
Sales & Marketing - \$60
Green building Council - \$50
Volusia Home builders Association - \$595

For additional information, see the Miscellaneous General Expenses (Account 930.2) (Gas) page included in the Annual Report of Natural Gas Utilities filed with the FPSC for each of the years requested.

(Lundgren, Kitner)

- 60) Research and Development Please provide the annual expense and a description and purpose of the projects for research and development incurred for the gas division from 2000 to 2009,**

The research and development projections consist only of the over and above adjustment included in our 2009 projection. It is not included in our historical as we have not yet incurred these costs. For a description and purpose of the projects please see the testimony included in the MFRs. (Lundgren)

- 61) Corporate Office Maintenance: Please provide the date and expense incurred to paint the corporate office and replace the flooring since 1988.**

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

This information is unavailable as we do not track these costs in the format needed to provide this type of analysis. However, the majority of the corporate office painting and flooring was last replaced approximately 12 years ago.

(Schneidermann)

- 62) **Corporate Office Maintenance: Please provide the budgeted and actual corporate office maintenance for the years 2005 through 2008 and budgeted for 2009.**

Corporate office maintenance is included in account 935. The actual and budget amounts for this account on a consolidated, company-wide basis are as follows:

	Budget	Actual
2005	240,684	239,998
2006	587,680	490,508
2007	540,313	316,662
2008	311,896	294,108

(Lundgren)

- 63) **Landscaping: Please provide the annual expense for landscaping for the years 2005 through 2008 and budgeted for 2009 and provide a description of the projects including how the costs were assigned/distributed/allocated.**

The actual 2005 through 2008 landscaping costs for Central Florida are as follows:

2005	17,478
2006	17,230
2007	22,076
2008	18,550

Central Florida's costs are split between 123.4020.886 (80%); 123.4020.891 (10%); and 993.4020.886 (10%). Natural gas is more heavily impacted due to the landscape maintenance required at the 5-gate stations which is above and beyond the work performed at the DeBary Office. The work includes routine grass cutting/trimming, shrubbery pruning and tree maintenance.

For South Florida, the Company did not have a landscaping contractor for any reasonably continuous period during 2005 through 2008. During this time one part time building maintenance position was used for the routine landscaping and irrigation repair work. A professional landscaping firm was hired during the end of 2008 and we were able to reduce our part time building maintenance staff from 2 people to 1 person. The second employee was then used to fill a need in our operations department to help with records. The budgeted base landscaping contractor expense projected for 2009 is \$3,726 for the main office facility. This does not include the cost of any replacement planting that may be needed due to damages by others, infestations and /or storms.

The budgeted 2009 landscaping costs are based on trended historical amounts. These include projects for routine landscaping work. However, we do have an adjustment for additional landscaping expenses included in MFR G-6 page 6. See Exhibit 63.1 for supporting vendor quote. Any allocation of charges would be based on the allocation schedules provided in the exhibits to Items 8 and 9 of this set of Interrogatories. (Lundgren, Kitner, Schneidermann)

FPUC's Responses to STAFF'S SECOND DATA REQUEST

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 52. Please provide a copy of the "cost estimates provided by the vendor AON" discussed by witness Lundgren on page 55 of her direct testimony.**

Please see Exhibit 52.1 (Lundgren)

- 53. Please provide the support for the training expense discussed by witness Lundgren on page 60 of her direct testimony.**

Please see Exhibit 53.1 (Lundgren)

- 54. Please provide a copy of the vendor quotes discussed by witness Lundgren on pages 50, 61, 65, 66, 67 and 68, of her direct testimony.**

Please see Exhibit 54.1 through 54.16 (Lundgren)

- 55. What is the expected life of the new flooring for the corporate office? (Lundgren page 67)**

The expected life of the flooring for the corporate office is eight years as noted on page 6 of MFR G-6. We amortized this expense over the period of time that the new rates are expected to be in place. Our prior rate proceeding was four years ago. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenditures.

(Lundgren)

- 56. Please explain why four years was chosen for Bridge Crossing Repairs and Maintenance?**

The repairs and maintenance for 2009 is anticipated to be \$105,000. We put in ¼ of the total expense or \$26,250 for recovery in 2009. Our prior rate case proceeding was four years ago. We chose a four year period as this is the period of time the new rates are expected to be in place. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenses.

(Lundgren)

- 57. Please provide in electronic and hard copy format all historical data (independent and dependent variables) by rate class used to estimate the econometric models used to forecast the 2009 test year bills and therms.**

The historical data are contained in "cen_dat.txt" and "wpb_dat.txt". See Exhibit 57.1 CD

(Cox)

- 58. Please provide all the econometric equations used to forecast the 2009 test year bills and therms by rate class including all supporting statistics.**

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

This information is unavailable as we do not track these costs in the format needed to provide this type of analysis. However, the majority of the corporate office painting and flooring was last replaced approximately 12 years ago.

(Schneidermann)

- 62) Corporate Office Maintenance: Please provide the budgeted and actual corporate office maintenance for the years 2005 through 2008 and budgeted for 2009.**

Corporate office maintenance is included in account 935. The actual and budget amounts for this account on a consolidated, company-wide basis are as follows:

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(Lundgren)

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The actual 2005 through 2008 landscaping costs for Central Florida are as follows:

2005	17,478
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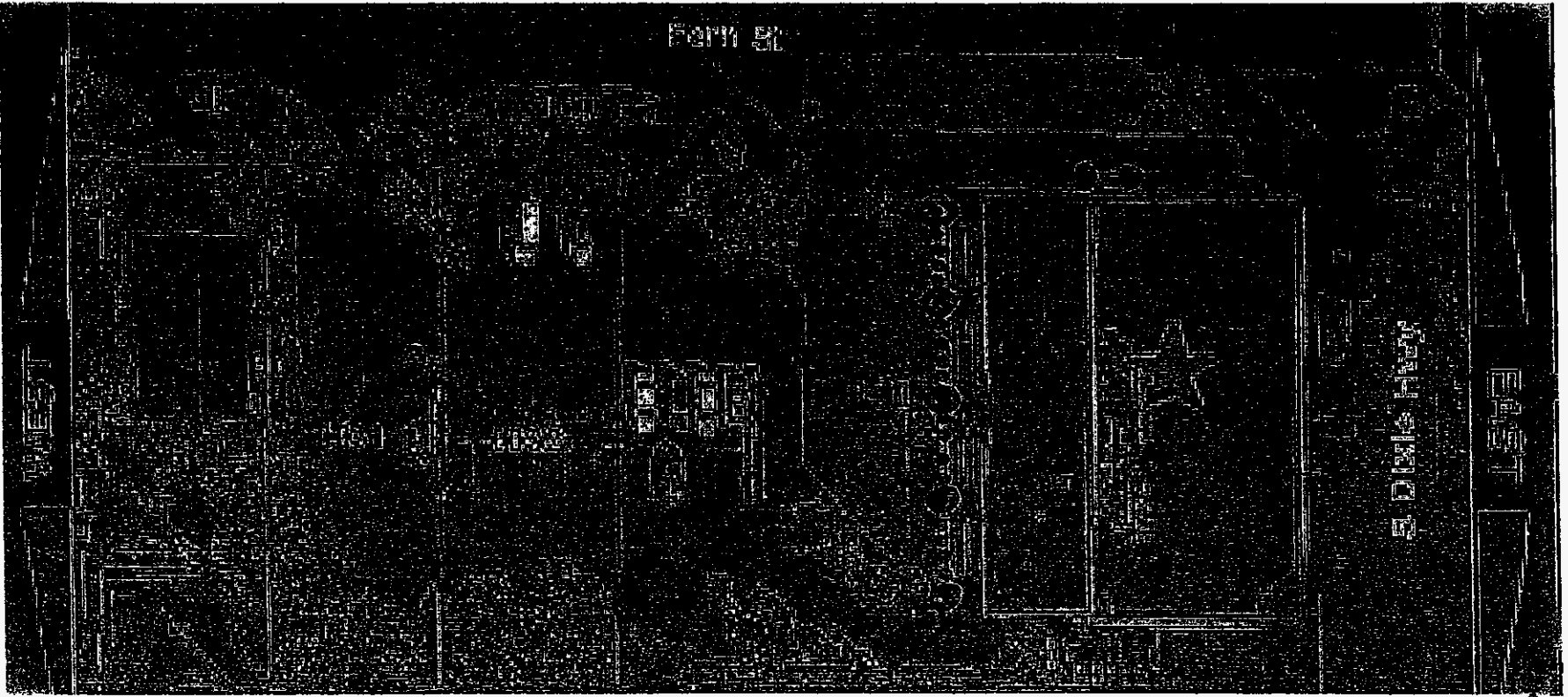
Central Florida's costs are split between 123.4020.886 (80%); 123.4020.891 (10%); and 993.4020.886 (10%). Natural gas is more heavily impacted due to the landscape maintenance required at the 5-gate stations which is above and beyond the work performed at the DeBary Office. The work includes routine grass cutting/trimming, shrubbery pruning and tree maintenance.

For South Florida, the Company did not have a landscaping contractor for any reasonably continuous period during 2005 through 2008. During this time one part time building maintenance position was used for the routine landscaping and irrigation repair work. A professional landscaping firm was hired during the end of 2008 and we were able to reduce our part time building maintenance staff from 2 people to 1 person. The second employee was then used to fill a need in our operations department to help with records. The budgeted base landscaping contractor expense projected for 2009 is \$3,726 for the main office facility. This does not include the cost of any replacement planting that may be needed due to damages by others, infestations and /or storms.

The budgeted 2009 landscaping costs are based on trended historical amounts. These include projects for routine landscaping work. However, we do have an adjustment for additional landscaping expenses included in MFR G-6 page 6. See Exhibit 63.1 for supporting vendor quote. Any allocation of charges would be based on the allocation schedules provided in the exhibits to Items 8 and 9 of this set of Interrogatories. (Lundgren, Kitner, Schneidermann)

- Q. Explain the over and above non- personnel adjustments for Corporate Services.**
- A. The non-personnel adjustments for South Florida operations include an adjustment for Smith System training, third party claims administration, license monitoring, Worksteps program, Bulli Ray, SGA Super Week, FGT Shippers meetings, Gas Mart, Occupational health and Safety seminars, Corporate office landscaping, Corporate office painting, Corporate office flooring, and gas distribution integrity. Witness Schneidermann has included in his testimony the nature of each of these adjustments. The adjustment amount for each of these items has been computed as follows:

Corporate office landscaping (\$3,600) in 2008 and \$3,600 in 2009 – Based on vendor quote, \$1,750 for 7 of the 45 gallon pots (unit cost of \$250), \$900 for 20 of the 3 gallon pots (unit cost of \$45), \$400 for 2 planters with drip system at the office entry, \$200 for tax and \$400 for delivery and installation. Of the total \$3,600 cost for 2009, \$1,944 has been allocated to natural gas based on common plant allocation factors.



Bambusa vulgaris 'wamin' ● x 7 @ \$250 each = \$1750
Bambusa glaucophylla ● x 200 @ 45 each = $\frac{900}{2650}$
2 planters w/ drip system
of 1/2 inch tubing $\frac{400}{3050} + 19825 = 319825$
delivery & install $\frac{400}{359825} \approx 3600$



Bambusa vulgaris Wamin - Dwarf Buddha Belly Bamboo

A dwarf bamboo that is perfect by a pond but will fit just about any landscape. Swollen internodes are unusual and are sure to attract your visitors' attention. This bamboo could have been conjured up by Tim Burton or Dr. Seuss. In Florida (and other warm, humid areas) this species is much more reliable and consistent in producing swollen internodes (bellies) than the first species given the name Buddha Belly Bamboo, *Bambusa ventricosa (tukdoides)*. 12' - 15' with up to 3" dia. culms. Min. temp 27°F. Min USDA zone 9b



[More Photos...](#)

[View Video...](#)

Add To Cart 3 gallon -

All other sizes, local pick-up or delivery only

Product type and Price List							
1 gal	3 gal	7 gal	10 gal	25 gal	35 gal	65 gal	100 gal
\$12.00	\$25.00	\$45.00	\$75.00	\$150.00	\$250.00	\$350.00	\$500.00+

$\times 7$
 1750

Bambusa glaucophylla (heterostachya)

Long, narrow, highly variegated leaves. Introduced as 'Taiwan variegated'. One of the few small growing tropical bamboos. Grows in a bush-like habit. May grow to 12' with 3/4" dia. culms. Min. temp 25°F. Min USDA zone 9b



Add To Cart 3 gallon -

All other sizes, local pick-up or delivery only

[More Photos...](#)

Product type and Price List							
1 gal	3 gal	7 gal	10 gal	25 gal	35 gal	65 gal	100 gal
N/A	\$45.00	\$75.00	\$100.00	N/A	N/A	N/A	\$500.00+

$\times 20$
 900

Q. Why is an adjustment for Annual Report and Stock Exchange fees appropriate?

A. The cost for producing the 2007 annual report was significantly less than a typical annual report due to the paper weight and the type of cover. The adjustment for the stock exchange fees is the difference between historical cost and the future cost estimate provided by the vendor. The portion of the cost increase for 2009 that has been allocated to natural gas is \$4,408.

FLORIDA PUBLIC UTILITIES COMPANY
 CONSOLIDATED NATURAL GAS DIVISION
 RECAP OF MISC GENERAL EXPENSES (9302) 2007 - 2009

DESCRIPTION	ACTUAL	PROJECTED		RATE
	2007	2009	2009 BASIS	
ANNUAL CASH RETAINER - DIRECTORS	26,701	28,877	INFLATIONARY	1.0815
ANNUAL STOCK RETAINER - DIRECTORS	24,797	26,818	INFLATIONARY	1.0815
MEETINGS - DIRECTORS	24,480	26,475	INFLATIONARY	1.0815
ANNUAL STOCKHOLDER MEETING	5,063	5,476	INFLATIONARY	1.0815
ANNUAL REPORT	5,039	9,347	NOTE 1	
PRESS RELEASES - MARKET WIRE,INC	1,691	1,829	INFLATIONARY	1.0815
STOCK TRANSFER AGENT	12,389	13,399	INFLATIONARY	1.0815
AMER. STOCK EXCHANGE LISTING	9,690	14,025	NOTE 2	
BANKING FEES	4,600	4,975	INFLATIONARY	1.0815
ASSOC. GAS DISTR. OF FLORIDA	3,045	3,293	INFLATIONARY	1.0815
MISCELLANEOUS	5,933	6,417	INFLATIONARY	1.0815
TOTAL	123,428	140,930		

NOTE 1: EXPENSES ESTIMATED AT \$18328 X 51%

NOTE 2: FEE ESTIMATED AT \$27,500 X 51%

••0••

9,347• +
 5,039• -
 14,025• +
 9,690• -
 8,643• ◊
 8,643• x
 0•51 =
 4,407•93 +

Troy Darryl

From: Napier Michelle
Sent: Tuesday, October 07, 2008 5:34 PM
To: Troy Darryl
Subject: FW: Annual Report

Darryl,
Here is what Laura stated for annual report.

Michelle Napier
General Accounting Manager
561-838-1712

From: Scotten Laura
Sent: Tuesday, October 07, 2008 4:09 PM
To: Napier Michelle
Cc: Jaeger Melanie
Subject: RE: Annual Report

Michelle,
I'd estimate \$16,000.00 to produce the 2008 annual report.

From: Napier Michelle
Sent: Tuesday, October 07, 2008 3:53 PM
To: Scotten Laura
Cc: Jaeger Melanie
Subject: Annual Report

Laura,
I would like to verify with you the estimated fee for the 2008 Annual report. At this time we are accruing \$12,000 for the Annual Report. Do you agree with this amount or will it be different? Please let me know so that we can true-up the accrual this month, if necessary. Thanks.

Michelle Napier
General Accounting Manager
561-838-1712

BOOKED

2007 REPORT	16,446 *		
2008 EST	17,839	.0527%	2008
2009 EST	18,328	.0274%	2009

* ACTUAL COST
BOOKED WAS!
8207 JELG
x 51%
4185 ALLOCATED
854 DIRECT
5039

ANNUAL REPORT

2007

J-D 2187.50 x 12 = 26,250

JUNE (18,043.34) (18,043)

8,207

x 51%

4185 VEB

+ 854 DIRECT

2007 ACTUAL
EXPENSE

5039

ACTUAL COSTS 2006 REPORT # 6,956

ACTUAL COSTS 2007 REPORT # 16,946

INFLATION EST COSTS 2008 REPORT 17,839

INFLATION EST COSTS 2009 REPORT 18,328 +

Florida Public Utilities Company
100.2420.9
MISC. CURRENT & ACCRUED LIABILITY
 Period Ending: **Dec-07**

Prepared By: AW 2/1/08

Approved By: MW 2/1/08

DATE	ENTRY TYPE	DESCRIPTION	2006 ANNUAL REPORT AMOUNT	2007 Annual Report	2007 PAYMENTS	ACCOUNT BALANCE	G/L BALANCE	DIFFERENCE
BALANCE FWD.			(25,000.00)			(25,000.00)	(25,000.00)	0.00
January	JE 6	Annual Report		(2,187.50)		(27,187.50)	(27,187.50)	0.00
February	JE 6	Annual Report		(2,187.50)		(29,375.00)	(29,375.00)	0.00
March	JE 6	Annual Report		(2,187.50)		(31,562.50)	(31,562.50)	0.00
April	PL	Annual Report printout of Proxy by street name	25.00	(2,187.50)		(33,725.00)	(33,725.00)	0.00
May	JE 6	Annual Report		(2,187.50)		(35,912.50)	(35,912.50)	0.00
June	JE 6	Annual Report and 2006 true-up	6,931.66 18,043.34	(2,187.50)		(13,125.00)	(13,125.00)	0.00
July	JE 6	Annual Report		(2,187.50)		(15,312.50)	(15,312.50)	0.00
August	JE 6	Annual Report		(2,187.50)		(17,500.00)	(17,500.00)	0.00
September	JE 6	Annual Report		(2,187.50)		(19,687.50)	(19,687.50)	0.00
October	JE 6	Annual Report		(2,187.50)		(21,875.00)	(21,875.00)	0.00
November	JE 6	Annual Report		(2,187.50)		(24,062.50)	(24,062.50)	0.00
December	JE 6	Annual Report		(2,187.50)		(26,250.00)	(26,250.00)	0.00
YTD TOTALS			0.00	(26,250.00)	0.00	(26,250.00)	(26,250.00)	0.00

Florida Public Utilities Company
 100.2420.9
 MISC. CURRENT & ACCRUED LIABILITY
 Period Ending: Aug-08

Prepared By: *M. Jaeger*

M Jaeger

Approved By: *MSL* 10/3/08

DATE	ENTRY TYPE	DESCRIPTION	2007 ANNUAL REPORT AMOUNT	2008 Annual Report	2008 PAYMENTS	ACCOUNT BALANCE	G/L BALANCE	DIFFERENCE
BALANCE FWD.			(26,250.00)			(26,250.00)	(26,250.00)	0.00
January	JE 6	Annual Report		(1,000.00)		(27,250.00)	(27,250.00)	0.00
February	JE 6	Annual Report		(1,000.00)		(28,250.00)	(28,250.00)	0.00
March	JE 6	Annual Report		(1,000.00)		(29,250.00)	(29,250.00)	0.00
April	PL	Annual Report and 2007 Annual Report Covers	846.90	(1,000.00)		(29,403.10)	(29,403.10)	0.00
May	JE 6	Annual Report		(1,000.00)		(30,403.10)	(30,403.10)	0.00
June	JE 6	Annual Report		(1,000.00)		(31,403.10)	(31,403.10)	0.00
July	JE 6	Annual Report		(1,000.00)		(32,403.10)	(32,403.10)	0.00
August	JE 6	Annual Report Accrual and 2007	16,099.17	(1,000.00)		(17,303.93)	(8,000.00)	(9,303.93)
August	JE 6	2007 True Up	9,303.93			(8,000.00)	(8,000.00)	0.00
September								
October								
November								
December								
YTD TOTALS			0.00	(8,000.00)	0.00	(8,000.00)	(8,000.00)	0.00

LAURA EST. # 16,000 FOR ANNUAL REPORT 2008

10/07/2008 14:40:17

Interactive Trial Balance
Monthly activity

Docket No. 080366-GU

Case Data Request No. ~~GLGIT~~

Exhibit 40.7

Exhibit PWM-16

Pg. 8 of 13

Page 8 of 13

Select option, press Enter.

Account . : 001.0.0.2420.9

MISC CURRENT & ACCRUED LI

ANNUAL REPORT

Period End	Starting Balance	Posted Activity	Ending Balance
JAN 1/31/2008	26,250.00-	1,000.00-	27,250.00-
FEB 2/29/2008	27,250.00-	1,000.00-	28,250.00-
MAR 3/31/2008	28,250.00-	1,000.00-	29,250.00-
APR 4/30/2008	29,250.00-	153.10-	29,403.10-
MAY 5/31/2008	29,403.10-	1,000.00-	30,403.10-
JUN 6/30/2008	30,403.10-	1,000.00-	31,403.10-
JUL 7/31/2008	31,403.10-	1,000.00-	32,403.10-
AUG 8/31/2008	32,403.10-	24,403.10	8,000.00-
SEP 9/30/2008	8,000.00-	.00	8,000.00-
OCT 10/31/2008	8,000.00-	.00	8,000.00-
NOV 11/30/2008	8,000.00-	.00	8,000.00-
DEC 12/31/2008	8,000.00-	.00	8,000.00-
ADJ 12/31/2008	8,000.00-	.00	8,000.00-

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

10/01/2008 16:13:55

Interactive Trial Balance Journals

Docket No. 080366-GU Exhibit 40.7
Staff Data Request No. 407 Pg. 9 of 13
Exhibit PWM-16
Page 9 of 13

Select journal to display account transactions.

Account : 001.0.0.2420.9

MISC CURRENT & ACCRUED LI

Period : 2008 8 AUG 8/31/2008 Monetary USD
Start balance : 32,403.10- Posted activity . 24,403.10
End balance : 8,000.00- Unposted activity .00

Journal Date	Reference	Source	N/A	Amount
51594 9/15/2008	6	JE		16,099.17
51595 9/15/2008	6	JE		9,303.93
51624 9/18/2008	6	JE		1,000.00-

Bottom

F2=Function keys F3=Exit F5=Fold/unfold F24=More keys

AMER. STOCK EXC. FE

Troy Darryl

From: Erdek Bonnie
Sent: Wednesday, October 08, 2008 1:41 PM
To: Troy Darryl
Subject: FW: Amex Fee Schedule: Florida Public Utilities Co - ISR1008804

Darryl: The attached fee structure shows the minimum fee for AMEX is now \$27,500. Thanks,

Bonnie

From: Steve Pettibone [mailto:stevep@ar-dept.com]
Sent: Thursday, February 21, 2008 10:11 AM
To: Erdek Bonnie
Subject: Amex Fee Schedule: Florida Public Utilities Co - ISR1008804

Hi Bonnie,

Very nice speaking with you this morning. I have included a copy of the Listing Fee Schedule, reflecting the new billing structure for the Annual Fees for you review. Please contact me with any questions or concerns.

Kind regards,

Steve Pettibone | Options, Equities, ETF - Trans Fees & Issuer | AMEX Accounts Receivable Department | P: (941) 363-5398 | F: (941) 363-5280 |
PRIVILEGED/CONFIDENTIAL INFORMATION may be contained in this message and/or any file attached hereto. If you are not the addressee indicated in this message (or responsible for its delivery of the message to such person), you may not copy or deliver this message to anyone. In such case, you should destroy this message, and notify us immediately. If you or your employer does not consent to Internet E-mail messages of this kind, please advise us immediately. Opinions, conclusions and other information expressed in this message are not given or endorsed by this firm or any of its employees unless otherwise indicated by an authorized representative of this firm independent of this message.

Sec. 141. ANNUAL FEES

Stock Issues

Shares Outstanding	Fee
50,000,000 shares or less	\$27,500
50,000,001 to 75,000,000 shares	\$32,500
In excess of 75,000,000 shares	\$34,000

Issues Listed Under Section 106 and Section 107 of the Company Guide; Rule 1000A-AEMI (Index Fund Shares); Rule 1200-AEMI (Trust Issued Receipts); Rule 1200A-AEMI (Commodity-Based Trust Shares); Rule 1200B-AEMI (Currency Trust Shares); Rule 1400 (Paired Trust Shares); Rule 1500-AEMI (Partnership Units); Rule 1600 (Trust Units); and Closed-End Funds

Shares or Units Outstanding	Fee
5,000,000 shares (units) or less	\$15,000
5,000,001 to 10,000,000 shares (units)	17,500
10,000,001 to 25,000,000 shares (units)	20,000
25,000,001 to 50,000,000 shares (units)	22,500
50,000,001 to 100,000,000 shares (units)	30,000
100,000,001 or greater	50,000

The Board of Governors or its designee may, in its discretion, defer, waive or rebate all or any part of the applicable annual listing fee specified above for Stock Issues.

The annual fee is payable in January of each year and is based on the total number of all classes of shares (excluding treasury shares) and warrants according to information available on Exchange records as of December 31 of the preceding year. (The above fee schedule also applies to issuers whose securities are admitted to unlisted trading privileges.)

In the calendar year in which an issuer first lists, the annual fee will be prorated to reflect only that portion of the year during which the security has been admitted to dealings and will be payable within 30 days of the date the issuer receives the invoice, based on the total number of outstanding shares of all classes of stock at the time of original listing.

Index Fund Shares, Trust Issued Receipts, Commodity Based Trust Shares, Currency Trust Shares, Partnership Units, Paired Trust Shares and Trust Units—The annual fee for issues listed under Rule 1000A-AEMI (Index Fund Shares), Rule 1200-AEMI (Trust Issued Receipts), Rule 1200A-AEMI (Commodity-Based Trust Shares), Rule 1200B-AEMI (Currency Trust Shares), Rule 1400 (Paired Trust Shares), Rule 1500-AEMI (Partnership Units) and Rule 1600 (Trust Units) is based upon the number of shares of a series of Index Fund Shares, Trust Issued Receipts, Commodity-Based Trust Shares, Currency Trust Shares, Paired Trust Shares, Partnership Units or Trust Units outstanding at the end of each calendar year. For multiple series of Index Fund Shares issued by an open-end management investment company, for multiple series of Trust Issued Receipts and/or Commodity-Based Trust Shares, for multiple series of Currency Trust Shares, for multiple series of Paired Trust Shares, for multiple series of Partnership Units or for multiple series of Trust Units, the annual listing fee is based on the aggregate number of shares in all series outstanding at the end of each calendar year. Annual listing fees are applied to each product class of a particular issuer separately. Therefore, for a particular issuer, the aggregate number of shares in all series outstanding at the end of each calendar year for each of Index Fund Shares,

Trust Issued Receipts, Commodity-Based Trust Shares, Currency Trust Shares, Paired Trust Shares, Trust Units and Closed-End Funds are separately calculated.

Closed-End Funds—The annual fee for a Closed-End Fund listed under Section 101 of the Company Guide is based upon the number of shares outstanding of such Fund at the end of each calendar year. For multiple Closed-End Funds of the same sponsor, the annual listing fee is based on the aggregate number of shares outstanding of all such Funds at the end of each calendar year. Annual listing fees are applied to each product class of a particular issuer separately. Therefore, for a particular issuer, the aggregate number of shares in all series outstanding at the end of each calendar year for each of Index Fund Shares, Trust Issued Receipts, Commodity-Based Trust Shares, Currency Trust Shares, Paired Trust Shares, Trust Units and Closed-End Funds are separately calculated.

Bond Issues—There is an annual fee of \$5,000 for listed bonds and debentures of companies whose equity securities are not listed on the Exchange. The annual fee is payable in January of each year. In the calendar year in which a company lists, the annual fee will be prorated to reflect only that portion of the year during which the security was admitted to dealings. The Board of Governors or its designee may, in its discretion, defer, waive or rebate all or any part of the annual listing fee applicable to bonds.

Late Fee—The Exchange will assess a late fee of \$2,500 for failure to remit annual fees within 60 days of the invoice date (this fee does not apply to trust issued receipts, index fund shares, or debt issues).

NOTE: In all cases, if after payment in full of the annual fee for any year, all of the issuer's securities are removed from listing and registration, the Exchange will not reimburse that part of the annual fee applicable to the portion of the year remaining after the date of suspension from dealings.

Amended.

November 15, 2001 (Amex-2001-58).

February 6, 2002 (Amex-2001-100).

August 1, 2003 (Amex-2003-41).

January 9, 2004 (Amex-2003-103).

August 26, 2004 (Amex-2004-070).

January 19, 2005 (Amex-2004-038).

January 5, 2006 (Amex 2005-128).

March 7, 2006 (Amex-2005-124).

March 31, 2006 (Amex-2005-127).

April 26, 2006 (Amex-2006-33).

May 9, 2006 (Amex-2005-125).

June 6, 2006 (Amex-2006-20).

November 29, 2006 (Amex-2006-82).

January 12, 2007 (Amex-2007-03).

November 15, 2007 (Amex-2007-108).

December 3, 2007 (Amex-2006-96).

December 28, 2007 (Amex-2007-116).

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- d. Please provide actual expense for the calendar year 2007 and the trending factor used to project 2009.

Actual historical amounts for January through April 2008 were annualized to arrive at the projected total for 2008. The actual expense for these months is as follows:

Jan 2008	\$10,147	Jan 2007	\$4,894
Feb 2008	\$10,642	Feb 2007	\$4,566
Mar 2008	\$11,366	Mar 2007	\$2,678
Apr 2008	\$11,932	Apr 2007	\$21,043

The actual expense for the calendar year 2007 was \$105,386. The trending factor used to project 2009 is 1.13. (Lundgren)

- 92) **Outside Services Other.** Witness Lundgren's testimony (Pages 49-50) indicates FPUC projected the Outside Services Other Expense account (92.31) based on the historical rates for consultants multiplied by the anticipated number of hours to be worked by the consultants. Schedule 0 (Page 6 of 7) includes an increase of \$79,560 for this account.

- a. Are these the same adjustments?
b. If not, please explain each adjustment and provide amounts for each adjustment.
c. Please provide an explanation, for each consultant, regarding how FPUC estimated the future hours to be billed.
d. Please list the hourly rates used for each projection.
e. Please provide actual expense for 2007 and 2008.
f. Please provide actual expense for January through June 2009.

- a) No, these are not the same adjustments.
b) The testimony refers to the following projections:
a. Adjustment for Accounting outside service Jennifer Starr \$59,280 (\$38/hr)
b. Adjustment for Accounting outside service Darryl Troy \$9,450 (\$63/hr)
c. Adjustment for IT outside service Suzanne Gause \$8,000
d. Adjustment for IT outside service Jim Gause \$5,000
e. Adjustment for IT outside service Mike Wolf \$5,000

Schedule G includes an adjustment of \$39,780 in 2008 and \$39,780 in 2009 (or a combined adjustment of \$79,560 for both years) for tax consulting for IRS audits, FIN 48, special tax projects, and tax assistance.

- c) For all of these consultants, the Company used management's best estimate to determine future hours to be billed.
d) The IT projections were estimated by project work, not by hours and rates. The Accounting hourly rates are shown above.
e) 2007 total expense was \$6,699. 2008 total expense was \$14,524.
f) January - June 2009 total expense was \$223 to account 9231 and \$44,045 to account 920 for J. Starr (106 hours on invoice and 742 hours on payroll) and D. Troy (217 hours on payroll).

(Lundgren)

- 93) **Outside Services, Audit and Accounting.** Witness Lundgren's testimony (Page 50) indicates FPUC projected the Outside Audit and Accounting costs (923.3) based partially on quotes provided by vendors and partially on trended historical data.

FPUC's Responses to CITIZENS' THIRD SET OF DOCUMENT REQUEST (NOS. 31-38)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

31. **Payroll. Schedule G - 6 for Account 100.1849.920 states that payroll was "projected by employee, normalized hours for 2007, increased for annual inflation increase and merit."**

- a) **Please provide all work sheets and information used to "normalize" hours for 2007.**
- b) **Please provide documentation showing actual 2007 expense and individual adjustments for normalization, inflation, and merit.**

Please see Exhibit 31.1 CONFIDENTIAL for all the worksheets pertaining to 2007 historical payroll data and the individual adjustments for normalization, inflation and merit. (Lundgren)

32. **Outside Services Other. Schedule G - 6 for Account 100.1849.9231 states that Outside Services Other Expense was projected based on consultant fees for Information Technology and Accounting. Please provide all work sheets, assumptions, and historical data used to increase the 2007 expense to the 2009 projected expense.**

Please see Exhibit 32.1 for all worksheets, assumptions and historical data used to project the 2009 expense for account 9231. (Lundgren)

33. **Outside Services, Audit and Accounting. Schedule G - 6 for Account 100.1849.9233 states that Audit and Accounting Expense was projected based on quotes from Tax Consultant, BOO, Crowe, Templeton, and AON. Witness Lundgren's testimony (Page 50, Lines 14-20) indicates that the Company used quotes and historical data to project the expense. Please provide the work sheets and historical data used to increase the 2007 expense to the 2009 projected expense.**

Please see Exhibit 33.1 for the worksheets and historical data used to project the 2009 expense for account 9233. (Lundgren)

34. **GPS, Dispatching and Navigational system. Schedule G - 6 for Account 123.4010.8802 includes \$24,500 (Page 6 of 7) and \$64,800 (Page 7 of 7) for a new system with dispatching capability. Please provide all invoices supporting documentation for the cost.**

Please see Exhibits 34.1 and 34.2 for copies of the typical monthly invoices. (Kitner)

Exhibit 40.10 to the FPSC Data Request No. 1 contains additional information on the GPS, Dispatching and Navigational system. (Lundgren)

35. **Regarding the Summer Glen conversion project, please provide work papers showing the 2007 costs and how these costs were annualized to reach the Over and Under Adjustments listed below.**

- a) **Supervision, Mktg., & Office payroll - \$66,600**
- b) **Field employees, meter reading - \$24,000**
- c) **Misc. Office expenses - \$24,000**

The amounts listed above are for two years, not just the test year. However we have included the computation as Exhibit 35.1 that details the amount of over and above adjustments for the projected test year. See the over and above schedule in our MFRs for the individual year amounts.

	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	YTD Total	
4010.920 Total	248,951	222,790	278,844	171,211	238,182	235,893	243,445	251,505	219,846	249,777	232,997	262,539	2,851,981	
ACCOUNT DESCRIPTION	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	YTD Total	
ADM & GENERAL SALARI	248,951	222,790	278,844	171,211	238,182	235,893	243,445	251,505	219,846	249,777	232,997	262,539	2,851,981	
OUTSIDE SERVICES - O	2,616	3,054	3,047	2,886	7,111	8,174	9,812	11,999	10,775	10,333	7,992	9,121	88,730	31,398
OUTSIDE AUDIT & ACCO	53,236	52,700	52,700	57,251	51,213	52,097	53,547	53,547	112,682	64,465	54,641	(103,484)	554,815	
PROPERTY INSURANCE	17,010	17,124	25,634	30,734	28,415	46,248	23,892	30,544	23,033	20,981	24,108	19,801	307,325	
SAFETY	91,297	91,889	95,393	100,948	155,943	438,312	103,451	103,492	188,016	97,905	94,920	364,903	1,924,471	
GENERAL LIABILITY	78,474	79,323	189,278	114,873	114,093	83,280	110,529	110,224	54,791	104,362	109,025	110,981	1,259,243	
EMPLOYEE PENSIONS	17,441	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	
RETIREE BENEFITS-POS	17,441	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	17,442	
RENTS	4,888	4,515	4,846	4,864	4,947	4,913	4,046	5,984	4,848	4,653	4,911	3,899	57,293	
MAINTENANCE OR GENERAL	18,000	9,450	59,280	86,750										

18,000.00
 9,450.00
 59,280.00
 86,750.00

IT
 D. Troy
 J. Starr

ACCOUNT DESCRIPTION	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	YTD Total
4010.920 Total ADM & GENERAL SALARI	233,607	219,813	233,607	233,607	225,765	223,596	230,754	238,393	208,385	236,756	220,851	248,852	2,871,210
4010.921 Total OFFICE SUPPLIES	1,371	757	1,371	1,371									
4010.9212 Total OFFICE POSTAGE & MAI	3,043	857	3,043	3,043	1,241	980	3,235	1,968	3,391	429	3,231	1,090	23,109
4010.9214 Total OFF COMPUTER SUPPLIE	816		816	816									
4010.9215 Total OFFICE UTILITY EXPEN	22,072	22,072	22,072	22,072	21,361	24,172	24,365	24,458	19,363	23,205	25,221	25,865	282,015
4010.9215 Total MISC OFFICE EXPENSE	311,387	338,685	311,387	311,387	64,558	41,800	66,291	54,978	60,751	40,393	50,572	56,173	653,277
4010.922 Total CO TRAINING EXPENSE-ADMIN EXP TRANSFERRE	(2,811)	(2,811)	(2,811)	(2,811)									
4010.9231 Total OUTSIDE SERVICES - O					4,394	5,432	7,034	9,171	7,976	7,543	5,254	6,358	54,090
4010.9233 Total OUTSIDE SERVICES LEG	2,747	1,080	2,747	2,747									
4010.924 Total OUTSIDE AUDIT & ACCO	41,058	41,058	41,058	41,058	81,467	82,321	83,722	83,722	140,857	94,289	84,779	(87,999)	751,728
4010.924 Total PROPERTY INSURANCE	19,488	19,488	19,488	19,488	22,005	21,089	20,858	18,316	18,178	20,258	6,902	24,052	228,208
4010.9251 Total SAFETY	17,970	18,598	17,970	17,970	28,806	43,303	22,183	28,599	21,568	19,645	22,574	18,540	276,274
4010.9252 Total GENERAL LIABILITY	95,647	99,175	95,647	95,647	152,437	428,502	101,126	101,165	183,789	95,704	92,786	356,699	1,902,868
4010.9261 Total EMPLOYEE PENSIONS	122,757	119,252	119,252	119,252	114,093	83,290	110,529	110,224	54,791	104,382	109,025	110,981	1,280,115
4010.9262 Total EMPLOYEE BEN-OTHER	171,821	(188,907)	171,821	171,821	25,662	(11,584)	13,437	(613)	27,038	4,928	15,124	41,965	144,576
4010.9263 Total RETIREE BENEFITS-POS	12,500	12,500	12,500	12,500	17,050	17,050	17,050	17,050	17,050	17,050	17,050	(39,384)	129,968
4010.9263 Total 401(K) EXPENSE COMPA	10,391	7,017	10,391	10,391									
4010.9263 Total EMPLOYEE BEN-MEDICAL	(28,872)	288,730	(28,872)	(28,872)	124,517	124,517	124,517	124,517	124,517	124,517	124,517	124,517	1,505,943
4010.928 Total REGULATORY COMMISSIO	19,534	17,658	19,534	19,534	21,860	21,763	21,536	23,303	34,104	20,858	16,248	23,862	258,613
4010.930 Total MISC GENERAL EXPENSE	1,528	5,233	1,528	1,528	2,525	(2,366)	1,077	3,465	1,017	1,835	2,248	2,569	26,498
4010.9302 Total MISC. GENERAL EXPENS	19,088	33,787	19,088	19,088	21,998	(5,464)	11,643	23,851	11,302	13,681	17,147	17,917	219,340
4010.93022 Total INDUSTRY ASSOCIATION	4,604	7,805	4,604	4,604	4,256	-	23,702	-	3,917	-	-	-	48,738
4010.93023 Total ECONOMIC DEVELOPMENT	-	-	-	-	-	-	5,175	-	-	-	-	-	5,175
4010.931 Total RENTS	4,751	5,843	4,751	4,751	4,836	4,803	3,955	5,850	4,739	4,744	4,801	3,812	56,721
4020.935 Total MAINTENANCE OF GENER	25,420	18,829	25,420	18,829	20,703	29,597	29,070	46,730	20,130	28,103	25,205	20,403	301,171

8

888,138

15,000.00 IT Consult
 9,450.00 Darryl Troy
 29,640.00 J. Starr

003

54,090.00

DARRYL L. TROY
2720 WEST END ROAD
WEST PALM BEACH, FL 33406

INVOICE 08152008GRC
08/15/2008

PURCHASE ORDER NO. 17989 ASSIST WITH 2008 GAS RATE CASE

UTILITY CONSULTING SERVICES RENDERED FOR PERIOD:
AUGUST 01- AUGUST 15

	<u>HOURS</u>	<u>RATE</u>	<u>TOTAL</u>
2008 GAS RATE CASE	36.5	\$63.00	\$2,299.50

Handwritten initials

TOTAL AMOUNT DUE

\$2,299.50

TERMS: NET 5

Handwritten initials

Stamp:
0-#
0-#
150-x
63-k
9,450-*

hours
hourly rate

Invoice

Jennifer Starr
 141 Craigue Hill
 Springfield, Vt 05156
 Phone (802) 885-5457
 email: jystarr@gmail.com

DATE July 31, 2008

Invoice # 73108

Bill To:
 Cheryl Martin
 Florida Public Utilities
 P.O. Box 3395
 West Palm Beach, FL 33402-3395
 Phone (561) 838 - 1725

Date	Consultant Work Description	Hours
1-Jul	Allocation updates and correcting JE 9m for Cutshaw/USR/file cleanup	7
2-Jul	Allocation updates and correcting JE 9m for Cutshaw/budget/USR	5
3-Jul	USR	7
4-Jul	USR	6
7-Jul	budget/USR	7
8-Jul	USR	1
14-Jul	budget/allocation updates JE9m/usr/rc	8
15-Jul	JE 9m adjustment/USR	7
16-Jul	USR	5
17-Jul	USR	5
18-Jul	USR	6
21-Jul	USR	7
22-Jul	USR	4
23-Jul	USR	6
24-Jul	USR	5
25-Jul	USR	7
28-Jul	USR	5
29-Jul	USR/allocations	4
30-Jul	USR/allocations	5
31-Jul	budget/allocation/USR filing	6
Total Hours Worked		113
Hourly Rate		\$ 38.00
Net		\$ 4,294.00

✓ CW

Lundgren April

From: Martin Cheryl
Sent: Friday, August 22, 2008 3:31 PM
To: Lundgren April
Subject: Est for budget

Jennifer Starr will be working 1560 hours in 2009, and 1/2 of that in 2008 as a Contractor. Thanks Cheryl Martin

50000	
1,560 * K	
59,280 * K	2009
59,280 * K	
2 * K	
29,640 * K	2008

- 9231 IT Consulting

Lundgren April

From: Knowles Terry
Sent: Wednesday, August 06, 2008 2:44 PM
To: Lundgren April
Subject: RE: IT rate case expense projections

\$15,000 (for 2008)

From: Lundgren April
Sent: Wednesday, August 06, 2008 2:40 PM
To: Knowles Terry
Subject: IT rate case expense projections

I am including \$18,000 as "over and above" expenses to your 2009 projections for 102.1849.9231. I'm still not sure how much you want put in for 2008...

Thanks,
April Lundgren
561.838.1788

From: Knowles Terry
Sent: Wednesday, August 06, 2008 2:36 PM
To: Lundgren April
Subject: RE: Expense

Yes you are correct, I read the wrong one. The 2008 budget has the same thing. \$22,000 for IT consulting. I think this total number is good, usage depends on a lot of factors, if we have employees or not, or if we have to use outside people.

From: Lundgren April
Sent: Wednesday, August 06, 2008 2:28 PM
To: Knowles Terry
Subject: RE: Expense

Account 9215 is for "Misc office expenses". I would think account 9231 "Outside services other" would be more appropriate. Last year's budget actually had a line for IT Consulting within account 9231.

As for the 2008 projections, you will need to tell me how much money you want to put in for the rate case. I need your best estimate...

Thanks,
April Lundgren
561.838.1788

From: Knowles Terry
Sent: Wednesday, August 06, 2008 2:19 PM
To: Lundgren April
Subject: RE: Expense

They may be doing some in 2008, it depends on need and their availability. Can it be 102.1849.9215?

From: Lundgren April
Sent: Wednesday, August 06, 2008 2:11 PM
To: Knowles Terry
Subject: RE: Expense

And to which account are you going to charge these amounts?

Thanks,
April Lundgren
561.838.1788

From: Lundgren April
Sent: Wednesday, August 06, 2008 1:58 PM
To: Knowles Terry
Subject: RE: Expense

Do you want this added to 2009 projections? Do you want any portion of it also included in 2008 (meaning will Suzanne, Jim, or Mike be providing any services in 2008)?

Thanks,
April Lundgren
561.838.1788

From: Knowles Terry
Sent: Thursday, July 24, 2008 11:18 AM
To: Lundgren April
Subject: RE: Expense

I do not think there is any big expenses we should plan for above 2007 numbers. Except plan for:

\$8000 for Suzanne Gause, consulting, \$5,000 for Jim Gause, consulting and \$5,000 for Mike Wolf, consulting. Could be they are all zero, however we may need to ask for their assistance at times.

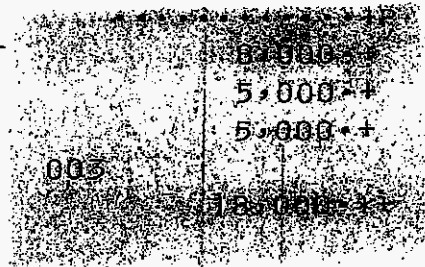
From: Lundgren April
Sent: Thursday, July 24, 2008 7:14 AM
To: Knowles Terry
Subject: RE: Expense

Hi Terry:

Here's a list of the transactions that hit 102 in 2007, as well as the 2007 vendor detail for department 102. Please let me know if I can be of further assistance!

Thanks,
April Lundgren
561.838.1788

From: Knowles Terry
Sent: Wednesday, July 23, 2008 4:23 PM
to: Lundgren April
Subject: RE: Expense



Ok, were you able to do this?

From: Lundgren April
Sent: Wednesday, July 23, 2008 7:59 AM
To: Knowles Terry
Subject: RE: Expense

Hi Terry:

I can pull all the transactions running through department code 102 for IT (102.184x.xxxx). Unfortunately this will only capture the expenses coded to your department. If you coded any expenses through corporate (100.184x.xxxx), or as direct charges (121.4010.xxxx), I would have a difficult time separating your expenses from all the others.

Thanks,
April Lundgren
561.838.1788

From: Knowles Terry
Sent: Tuesday, July 22, 2008 4:01 PM
To: Lundgren April
Subject: Expense

April, is it possible to get a list of IT spending for expense for 2007, detail?

Q. Why is the Company seeking recovery of costs relating to a tax consultant?

A. The Company has experienced increased demands relating to tax work. Multiple ongoing IRS audits, increased complications within the Company's tax return, new FIN 48 requirements and ongoing special tax projects have caused a need for a tax consultant. The Company will continue to face these complexities and requirements in future years and will therefore require the resources to meet these demands. These costs will be recurring.

Q. Is \$78,000 an appropriate projection for this service?

A. The Company has included \$78,000 in our projections to recover the cost of a tax consultant. This cost is based on our current cost of \$75 per hour for one-half of a year (1040 hours). Because this cost was not incurred in 2007, the Company has added the entire amount as an adjustment to project 2009. These costs have been reviewed for reasonableness and are expected to be incurred annually. 51% (or \$39,780) of this expense is allocated to natural gas based on adjusted gross profit.

75 • x
1,040 • =
78,000 • **

0 • *

IFG Project Resourcing, LLC
490 Sawgrass Corporate Parkway
Suite D-201
Sunrise, FL 33325

(954)861-3955
donaldness@ifgpr.com



Invoice

DATE: 10/02/2008 INVOICE #: 4203

TERMS: Due on receipt

BILL TO:

Cheryl Martin
Florida Public Utilities
401 S. Dixie Highway
West Palm Beach, FL 33401

TAX ID#:

83-0385037

Week	Consultant's Name/s	Hours	Bill Rate/s	Total
09/26/2008	Professional Services provided by Tom Smitha	41	127.50	5,227.50
09/26/2008	Professional Services provided by Keith Harris	42	75.00	3,150.00

Please make check payable to
IFG Project Resourcing, LLC.
Invoices are due upon receipt.

TOTAL \$8,377.50

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- d. **Please provide actual expense for the calendar year 2007 and the trending factor used to project 2009.**

Actual historical amounts for January through April 2008 were annualized to arrive at the projected total for 2008. The actual expense for these months is as follows:

Jan 2008	\$10,147	Jan 2007	\$4,894
Feb 2008	\$10,642	Feb 2007	\$4,566
Mar 2008	\$11,366	Mar 2007	\$2,678
Apr 2008	\$11,932	Apr 2007	\$21,043

The actual expense for the calendar year 2007 was \$105,386. The trending factor used to project 2009 is 1.13. (Lundgren)

- 92) **Outside Services Other. Witness Lundgren's testimony (Pages 49-50) indicates FPUC projected the Outside Services Other Expense account (92.31) based on the historical rates for consultants multiplied by the anticipated number of hours to be worked by the consultants. Schedule 0 (Page 6 of 7) includes an increase of \$79,560 for this account.**

- a. **Are these the same adjustments?**
b. **If not, please explain each adjustment and provide amounts for each adjustment.**
c. **Please provide an explanation, for each consultant, regarding how FPUC estimated the future hours to be billed.**
d. **Please list the hourly rates used for each projection.**
e. **Please provide actual expense for 2007 and 2008.**
f. **Please provide actual expense for January through June 2009.**

- a) No, these are not the same adjustments.
b) The testimony refers to the following projections:
a. Adjustment for Accounting outside service Jennifer Starr \$59,280 (\$38/hr)
b. Adjustment for Accounting outside service Darryl Troy \$9,450 (\$63/hr)
c. Adjustment for IT outside service Suzanne Gause \$8,000
d. Adjustment for IT outside service Jim Gause \$5,000
e. Adjustment for IT outside service Mike Wolf \$5,000

Schedule G includes an adjustment of \$39,780 in 2008 and \$39,780 in 2009 (or a combined adjustment of \$79,560 for both years) for tax consulting for IRS audits, FIN 48, special tax projects, and tax assistance.

- c) For all of these consultants, the Company used management's best estimate to determine future hours to be billed.
d) The IT projections were estimated by project work, not by hours and rates. The Accounting hourly rates are shown above.
e) 2007 total expense was \$6,699. 2008 total expense was \$14,524.
f) January - June 2009 total expense was \$223 to account 9231 and \$44,045 to account 920 for J. Starr (106 hours on invoice and 742 hours on payroll) and D. Troy (217 hours on payroll).

(Lundgren)

- 93) **Outside Services, Audit and Accounting. Witness Lundgren's testimony (Page 50) indicates FPUC projected the Outside Audit and Accounting costs (923.3) based partially on quotes provided by vendors and partially on trended historical data.**

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- a. Are these increases included on Schedule G-6, Pages 6 and 7 (Over and Under Adjustments)?
- b. If so, please indicate specific adjustments.
- c. Please provide a chart showing what expenses were projected based on vendor quotes. Please indicate whether vendor quote was used in total or if adjusted by FPUC for other factors (please explain all adjustments).
- d. Please provide a chart showing all expenses that were trended based on historical data. Include the historical amounts and all projection factors used.
- e. Please provide actual expense for 2007 and 2008.
- f. Please provide actual expense for January through June 2009.

a) No, these amounts were not included on pages 6 and 7 of Schedule G-6 (Over and Under Adjustments).

b) N/A

c & d) The account was budgeted as follows:

	Vendor Quote (VQ)	FPUC Adjusted
BDO External Audit	VQ \$267,500	\$258,750
BDO S-8 fees	trend \$15,937 2008 actual by 103.5%	\$16,495
BDO Sox 404	VQ \$185,000	\$173,363
Crowe Internal Audit	trend \$132,979 2008 actual by - 100.6%	\$132,169
Goodwill Impairment	trend \$16,000 2008 actual by 103.5%	\$16,560
Tax return & consult	VQ \$105,000 increase-additional consulting	\$115,439
Templeton pension	VQ range \$25,000-\$29,500	\$28,980
AON	trend \$91,999 2008 actual by -100.2%	\$91,807
	Total	\$833,563
	M&J Alloc	\$(25,010)
	2009 Budget	\$808,553

e & f)	<u>2008 Actual</u>	<u>2007 Actual</u>	<u>Jan-June 2009</u>
BDO	\$303,437	\$250,000	\$106,500
Crowe 2008	\$132,979	\$190,778	\$34,837
RSM McGladrey	\$16,000	\$16,750	\$0
Ana Blanchard	\$97,250	\$39,270	\$72,100
Templeton	\$28,000	\$0	\$23,668
AON	\$91,999	\$66,811	\$123,189

(Lundgren)

94) **Rate Case Expense. Please provide a schedule of actual rate case expense updated from February 28, 2009 through June 30, 2009. For each consultant and category of charge:**

- a. Include a description of the tasks performed, the number of hours for each task and the rates charged.

See disclosure below for 94b and attached Exhibit 94.1 for details of legal and consulting fees with rates charged and tasks performed. Exhibit 94.2 shows the actual dollars by item as well. See response to question 92 with respect to Darryl Troy and Jennifer Starr. Consultants prepared

**FPUC's Responses to CITIZENS' SECOND SET OF PRODUCTION OF DOCUMENTS
(NOS. 9-30)**

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

our budget. For instance, our rate case projection may include one amount for pension costs. If our actuary were to contact us with a revised projection after the MFR projection had been filed but before our budget had been finalized, we would revise the pension projection to reflect the most current data available at the time of publication. To see these revisions, please see the 2009 projections on MFR G-2 (C-5) in comparison to the budgets provided in exhibits 3.6-3.10 in response to Item 3 of the Citizens' First Set of Production of Documents.

(Lundgren)

- 19) **Regulatory Asset Retirement Plan.** Please provide all documents that show how the actual 2006, 2007 and 2008 regulatory asset retirement plan is determined and when this calculation is performed.

See Exhibits 19

(Martin)

- 20) **Audit Fees** Please provide a copy of all engagement letters, emails or other correspondence from outside audit and accounting firms for 2006 through 2009 that address the fees or services performed.

(CONFIDENTIAL): See Exhibits 20.1 through 20.2.

(Lundgren)

- 21) **Audit Fees.** Please provide a copy of all documents and correspondence between the company and other parties that address the need and timing for the company to become an accelerated filer for SOX (Sarbanes - Oxley) and 404 accounting requirements.

In accordance with SEC regulation, public companies whose aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates of \$75 million or more, but less than \$700 million, as of the last business day of the issuer's most recently completed second fiscal quarter, are classified as an accelerated filer. The need and timing of becoming accelerated will depend solely on the market value of our stock and the number of shares. As disclosed in our Form 10-K filed with the SEC for December 2008 (and included in exhibits 1.B4-1.B7 in response to Item 1 of the Citizens' First Set of Production of Documents), the aggregate market value of our common stock held by non-affiliates (based upon the closing price of the common stock on that date on the NYSE Amex) was approximately \$69,085,000. Accordingly, we believe our classification will be that of an accelerated filer in the near future. While it is difficult to predict our future stock market value, we are currently close to triggering accelerated filer status. Although correspondence as to the need and timing for the company to become an accelerated filer for SOX (Sarbanes - Oxley) and 404 accounting requirements is not relevant to our status, see exhibit 20.2 included in response to Item 20 of this set of Production of Documents for copies of the requested communications.

(Lundgren)

- 22) **Materials and Supplies.** Please provide documentation to support the 9% non-regulated allocation factor for materials and supplies.

Lundgren April

From: Bhatia Nadira
Sent: Friday, July 18, 2008 10:25 AM
To: Dale Buschmann
Cc: Lundgren April
Subject: RE: Audit fees for 2009

Thanks much!

From: Dale Buschmann [mailto:dbuschmann@bdo.com]
Sent: Friday, July 18, 2008 10:20 AM
To: Bhatia Nadira
Cc: Lundgren April
Subject: RE: Audit fees for 2009

404 is the work that is extra for being accelerated. Therefore, yes the \$452,500 includes the fee for being accelerated.
Thanks Dale

From: Bhatia Nadira [mailto:nbhatia@fpuc.com]
Sent: Fri 7/18/2008 10:08 AM
To: Dale Buschmann
Cc: Lundgren April
Subject: RE: Audit fees for 2009

Hi Dale:

Good morning.

I just need one more clarification on the fees. Does the \$452,500 include the fees of being accelerated? If not, how much is the total fee including being accelerated?

Thanks,
Nadira

From: Dale Buschmann [mailto:dbuschmann@bdo.com]
Sent: Wednesday, July 09, 2008 9:37 PM
To: Bhatia Nadira
Subject: RE: Audit fees for 2009

Total for 3 quarters, the audit and 404 would be \$452,500. Thanks Dale

From: Bhatia Nadira [mailto:nbhatia@fpuc.com]
Sent: Wed 7/9/2008 5:25 PM
To: Dale Buschmann
Subject: RE: Audit fees for 2009

Hi Dale,

Is that a total of \$370,000 all together for everything? If not, how much is the overall total for audit work and 404?

Thanks,

Nadira

From: Dale Buschmann [mailto:dbuschmann@bdo.com]
Sent: Wednesday, July 09, 2008 12:39 PM
To: Bhatia Nadira
Cc: Jim Teter; Martin Cheryl; Bachman George
Subject: RE: Audit fees for 2009

Hi! Sorry we didn't get this to you sooner. It is difficult to estimate - especially for the first time 404. At this point, the following is our best estimate. We'll certainly work with you to find ways to reduce the cost of 404 and audit.

Audit	per Q	404
185,000	27,500	185,000

Thanks. Take care Dale

From: Bhatia Nadira [mailto:nbhatia@fpuc.com]
Sent: Fri 6/27/2008 2:35 PM
To: Dale Buschmann
Subject: RE: Audit fees for 2009

No problem, that works fine.

Thanks,
Nadira

From: Dale Buschmann [mailto:dbuschmann@bdo.com]
Sent: Friday, June 27, 2008 2:34 PM
To: Bhatia Nadira
Subject: RE: Audit fees for 2009

working on it but I keep getting other things like s-8's and such. I'll hopefully have it to you Monday - sorry.

From: Bhatia Nadira [mailto:nbhatia@fpuc.com]
Sent: Fri 6/27/2008 2:32 PM
To: Dale Buschmann
Subject: FW: Audit fees for 2009

Hi Dale:

Good Afternoon.

I just wanted to check if you had a chance to put together an estimate for our 2008 audit fees.

Thanks,
Nadira

From: Martin Cheryl
Sent: Wednesday, May 28, 2008 6:19 PM
To: Dale M. Buschmann (dbuschmann@bdo.com)
Cc: Bhatia Nadira
Subject: Audit fees for 2009

For 2009, can you send us estimates for audit fees with and without being accelerated. If you can send us this estimate by June 13, 2008. Please send a copy to Nadira Bhatia since I will be out of the office. Thanks Cheryl Martin

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-----[BDO Seidman, LLP]-----

From: Dale Buschmann [mailto:dbuschmann@bdo.com]
Sent: Monday, December 03, 2007 9:57 PM
To: Bhatia Nadira
Cc: Martin Cheryl
Subject: RE: Audit fees

Hi! This is the budget for 2008 for having the 404 audit as well as the regular quarterly reviews and the regular financial audit. Just a clarification - I don't believe you will be an accelerated filer although there is always that possibility. We don't expect additional costs if you become an accelerate filer but that would depend on when things were completed. Hope that helps. Thanks Dale

From: Bhatia Nadira [mailto:nbhatia@fpuc.com]
Sent: Mon 12/3/2007 9:38 AM
To: Dale Buschmann
Subject: Audit fees

Hi Dale:

Good morning. Hope all is well.

Sometime back, around May 17, you had sent an estimated audit fee to April for our 2008 budget as follows:

Each quarterly review	$\$27,500 \times 3 =$	\$82,500
Audit		<u>\$167,500</u>
Total		\$ 250,000
ICFR		<u>\$ 167,500</u>
Total		\$ 417,500

Does this include all related fees for becoming accelerated?

Thanks,
Nadira

Lundgren April

From: Dale Buschmann [dbuschmann@bdo.com]
Sent: Thursday, May 17, 2007 12:01 PM
To: Lundgren April
Cc: Martin Cheryl
Subject: RE: Audit fee projections

Okay - Bob says he'd be happy to take that deal but I think what you need for the 2008 is the following:

Each Quarterly review	\$27,500
3 Quarterly reviews	82,500
Audit	167,500
Total	250,000
ICFR	167,500
Total with 404	\$ 417,500

Based on the current status of 404 - you will need the Internal control and financial reporting audit (ICFR) for 2008 regardless of whether you become accelerated or not. If you have any questions, please let me know. Thanks Dale

From: Lundgren April [mailto:alundgren@fpuc.com]
Sent: Thu 5/17/2007 11:11 AM
To: Dale Buschmann
Cc: Martin Cheryl
Subject: Audit fee projections

Hi Dale:

I'm calculating an estimate of our 2008 audit expenses for the rate case. Based on the current fee estimate (attached), and the assumption that fees will double in the event we become accelerated filers, can you confirm the following amounts are reasonable projections of the fees we will incur in 2008 assuming we are accelerated filers?

		Total Annual Projection
Audit and Attest Services	\$480,000	
Quarterly Review Services	\$200,000	
Audit of Employee Benefit Plans	\$ 20,000	

Thank you,
April Lundgren
Sr. SEC Accountant
Florida Public Utilities Company
561.838.1788

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**FPUC's Responses to CITIZENS' SECOND SET OF PRODUCTION OF DOCUMENTS
(NOS. 9-30)**

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 29) **Bridge Crossing Repairs and Maintenance. Please provide all correspondence, reports, emails or Commission orders addressing the Commission's Bureau of Safety recommendation for extensive repair and maintenance activities on 14 bridges.**

See Exhibit 29.F1

(Kitner)

- 30) **Steel Tubing Replacement Please provide all correspondence, reports, emails or Commission orders addressing the Commission's Bureau of Safety recommendation for steel tubing replacement.**

Response:

We introduced our Bare Steel Replacement Program, which was approved by the Commission, in our previous rate proceeding for several reasons. The increasing instances of necessary repairs and replacements of existing bare steel mains and services indicated that a commitment to replacing the mains and services would have to be a priority. Industry experience with older steel mains and services reinforced the realization that due to the older age of a major portion of our system a dedicated replacement procedure was required.

We also have steel tubing within our system. Mr. Don Kitner, FPUC Central Florida General Manager, discussed the steel tubing issue with Mr. Ed Mills, engineer at the FPSC. Mr. Mills expressed his agreement with our dedication to the replacement of all existing steel tubing in conjunction with the replacement of the bare steel.

Attached as Exhibits 30.1, 30.2, and 30.3 are excerpts from annual FPSC Engineering Evaluations. These evaluations clearly indicate that it was imperative that steps be taken to replace existing bare steel.

(Mesite)

FPUC - Natural Gas
Docket No. 080366-GU
OPC POD Request #2
Exhibit 30.1

COMMISSIONERS:
LILA A. JABER, CHAIRMAN
J. TERRY DEASON
BRAULIO L. BAEZ
MICHAEL A. PALECKI
RUDOLPH "RUDY" BRADLEY

STATE OF FLORIDA



DIVISION OF AUDITING & SAFETY
DANIEL M. HOPPE, DIRECTOR
(850) 413-6480

Public Service Commission

December 31, 2002

John T. English
President
Florida Public Utilities Company
401 South Dixie
West Palm Beach, Florida 33402-3395

Re: Annual Natural Gas Pipeline Safety Evaluation - West Palm Beach - 2002

Dear Mr. English:

Mr. Norm C. Witman, Gas Utility Engineer, has completed the pipeline safety evaluation of the physical facilities and records of the West Palm Beach natural gas system. Mr. Witman's evaluation consisted of review and verification of related documents, field tests and interviews with employees. The natural gas system was found overall compliance with state and federal natural gas pipeline safety rules in the areas evaluated.

It has been determined by a review of Operator's leak log and leak repair reports that the total number of above and below ground corrosion leaks on mains and services in 2001 was 113. This includes a total of 19 below ground corrosion leaks on mains and services on cathodically protected steel pipe, and 56 below ground corrosion leaks on mains and services on cathodically unprotected pipe during the same period. It appears that at the ratio of approximately three to one, the majority of below ground corrosion leaks occurred on cathodically unprotected mains and services. There were 3 below ground corrosion leaks on cathodically protected steel mains, compared to 14 on cathodically unprotected steel mains, a 4.6 to 1 ratio. There were 16 below ground corrosion leaks on cathodically protected services, and 42 below ground corrosion leaks on cathodically unprotected services. This is approximately a 2.6 to 1 ratio.

It was clear from these numbers, Operator had below ground corrosion occurring on their cathodically unprotected steel pipe. The largest number of below ground corrosion leaks in their system was on the unprotected steel pipe, with 55% of all below ground corrosion leaks on mains and services occurring on the cathodically unprotected steel pipe during 2001. This represents an improvement of 21% compared with the year 2000 (76%).

The operator has advised Commission staff that approximately 2.9 miles of cathodically unprotected steel pipe and 2 miles of cathodically unprotected steel services were abandoned/replaced through 9/2002 as part of Operator's voluntary replacement program. It is recommended this program continue at an expedited rate.

Mr. Witman makes these gas safety recommendations in the safety report. These are recommendations at this time. However, they can become violations if not corrected. Commission safety staff will reevaluate these compliance recommendations in approximately one hundred and eighty days.

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PSC Website: <http://www.floridapsc.com>

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Internet E-mail: contact@psc.state.fl.us

FPUC – Natural Gas
Docket No. 080366-GU
OPC POD Request #2
Exhibit 30.2

COMMISSIONERS:
LILA A. JABER, CHAIRMAN
J. TERRY DEASON
BRAULIO L. BAEZ
RUDOLPH "RUDY" BRADLEY
CHARLES M. DAVIDSON

STATE OF FLORIDA



*to CALVIN
for review
by 12/4/03
DMS*
DIVISION OF AUDITING & SAFETY
DANIEL M. HOPPEL, DIRECTOR
(850) 415-6480

Public Service Commission

December 4, 2003

John T. English
President
Florida Public Utilities Company
401 South Dixie
West Palm Beach, Florida 33402-3395

Re: Annual Natural Gas Pipeline Safety Evaluation - West Palm Beach - 2003

Dear Mr. English:

Mr. Norm C. Witman, Gas Utility Engineer, has completed the pipeline safety evaluation of the physical facilities and records of the West Palm Beach natural gas system. Mr. Witman's evaluation consisted of review and verification of related documents, field tests and interviews with employees. The natural gas system was found overall compliance with state and federal natural gas pipeline safety rules in the areas evaluated.

It has been determined by a review of Florida Public Utilities Company's (Operator) leak log and leak repair reports that the total number of above and below ground corrosion leaks on mains and services in 2002 was 114. This includes a total of 24 below ground corrosion leaks on mains and services on cathodically protected steel pipe, and 54 below ground corrosion leaks on mains and services on cathodically unprotected pipe during the same period. It appears that at the ratio of approximately 2 to 1, the majority of below ground corrosion leaks occurred on cathodically unprotected mains and services. There were 7 below ground corrosion leaks on cathodically protected steel mains, compared to 19 on cathodically unprotected steel mains, a 2.7 to 1 ratio. There were 17 below ground corrosion leaks on cathodically protected services, and 35 below ground corrosion leaks on cathodically unprotected services. This is approximately a 2 to 1 ratio.

The operator had below ground corrosion occurring on their cathodically unprotected steel pipe. The largest number of below ground corrosion leaks in their system was on the unprotected steel pipe. Sixty-nine percent of all below ground corrosion leaks on mains and services occurred on the cathodically unprotected steel pipe during 2002.

Staff firmly believes Operator should develop, as soon as possible, a formal bare steel/cathodically unprotected steel pipe replacement program. It would be beneficial if this program could be completed within 5 years. This program should be developed/completed due to the corrosion and corrosion leaks occurring on this system and in order to assure continuing public *safety*

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Interact E-mail: contact@psc.state.fl.us

RE: Annual Pipeline Safety Evaluation

December 10, 2004

It should be noted that this is a continued improvement over the historic data concerning Operator's cathodic protection system. Operator appears to be making progress toward maintaining and correcting deficiencies in their cathodic protection system due to the efforts of their employees. Staff recommends this effort continue.

- 2) Operator is in the process of painting and protecting from atmospheric corrosion their gate stations. However, this process must be speeded up, since not all gate stations have been repainted and protected from atmospheric corrosion. Additionally, staff recommends the same actions should be taken at all of their district regulator stations. This must be scheduled/completed as soon as possible, in order to protect the stations from atmospheric corrosion and to assure public safety.

- 3) Staff has ascertained the following above ground pipeline crossings need to have maintenance performed on them as specified below:

- A) Crossing # 109 = needs repainting/recoating.
- B) Crossing # 132 = needs repainting/recoating; broken brackets.
- C) Crossing # 157 = needs repainting/recoating.
- D) Crossing # 149 = needs repainting/recoating.
- E) Crossing # 161 = needs repainting/recoating.
- F) Crossing # 151 = needs repainting/recoating; broken brackets.
- G) Crossing # 118 = broken brackets.

- 4) Staff recommends Operator set up a formal program to track/record "brittle like cracking" should it occur and be found/located in their system. The specifics of this program should be included in their O&M Manual.

- 5) Staff has ascertained the following critical valves (CV) must have maintenance performed on them as specified below as soon as possible:

- A) CV # 016 = cannot be turned.
- B) CV # 037 = cannot be turned.

- 6) Staff continues to strongly believe Operator must develop and implement, as soon as possible, a formal bare steel/cathodically unprotected steel pipe replacement program. This program must be developed/completed due to the corrosion and erosion leaks occurring on their system and in order to assure continuing public safety and pipeline integrity.

- 7) Operator needs to provide all Company supervisors with copies of OQ employee/contractor covered tasks qualification lists.

**Florida Public Utilities Company
Docket No. 080366-GU
Over and Under Adjustments
Travel, Training, Conferences, and Meetings**

<u>Account #</u>	<u>Sub#</u>	<u>Item</u>	<u>Reason</u>	<u>2009</u>
1	101.1849. 9215	Travel for Compliance Accountant	Travel to all divisions for additional compliance work	\$10,200
34	12*.4010. 813	FGT Shippers Meetings	Restart full participation in meetings with pipeline	1,500
35	12*.4010. 813	Gas Mart for Director & Energy Log Mgr	restart full participation in 3rd party NG supply meetings	4,000
36	12*.4010. 813	LNG Meetings/Supply Conference	Prepare to review more projects involving LNG for FL	0
50	121.4010. 8802	Operational, Technical, Safety and Leadership Training	Did not attend in 2007 or 2008, will be attending in 2009	65,000
55	121.4010. 9121	Non-Conservation Industry Training	Did not participate in non-conservation industry training in 2008	10,000
20	123.4010. 9216	Seminars, Dues, Training	Did not attend training in 2007, will be attending in 2009	27,140
23	12*.4010. 9216	Web Base Operator Qualification Training	Training program-Operator Qualifications	13,400
27	106.1849. 9251	Smith System Driver Training	To improve skills of FPU vehicle operators	28,535
28	106.1849. 9251	Smith System Train the Trainer	For recertifying drivers in house and training new drivers	2,550
32	106.1849. 9251	Bulli Ray Recertification & Training	Certify safety staff to be able to train in dog bite prevention	3,060
33	121/123. 9251	SGA Superweek Comm & Safety Section	restart support of SGA Superweek and Safety Committee	3,000
37	106.1849. 9251	Occupational Health & Safety Seminars	Improve training of safety staff	1,530
57	SRVP	Conferences	FNGA Board meeting Feb & Sept, annual convention June, SGA annual meeting & dist operating roundtable, exec wholesale summit	573
				<u>\$170,488</u>

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

(Lundgren)

48) **Prior Rate Case Adjustments.** Please provide a comparison of the dollars requested and approved for the over and above adjustments from the last rate case Docket No. 040216-GU, by Order No. PSC-04-1110-PAA-GU, with the actual expense incurred in 2005, 2006, 2007 and 2008 for each line item. No analysis is necessary for rate case expense. For all new positions for which rate recovery was requested in that case, state when each position was filled or why not filled and the corresponding expense level incurred for each subsequent year. If any of the non-payroll adjustments allowed resulted in expense levels less than those approved, please provide the reason for the variance.

Code	Description	Requested 2005
a	Gas Unbundling -Ongoing Expenses	15,930
	New Positions: Dist Line Locator & Transp. Fleet Image	
b	Improvement Program, Line Location Expenses	110,990
c	New Positions: Serviceman w/Transportation	106,398
d	New Positions: Service Tech	41,066
e	New Positions: Assistant Engineer & Transp.	18,540
f	New Positions: Added Distribution Clerk	82,609
g	New Positions: Meter Reader	42,100
	Incentive Program & New Marketing Positions: Rep,	
h	Director, Inside Rep, 1/2 Analyst	169,150
i	New Position: Make Comm Ass't Full-Time	17,360
j	Expansion of Existing Program: Inc Adv Exp - Safety	25,750
k	Expansion of Existing Program: Inc Adv Exp - Other Info	77,250
	Payroll Increase. Corporate Secretary Retirement, & New	
	Positions: Staff Accountant, Financial Analyst, AS400	
l	Operator, Business Dev.	43,407
m	Training: Infinium Training, iSeries Conference	12,925
n	Seminars	10,335
o	Stock Purchase Plan	25,337
p	Rate Case Expense - CA	146,825
q	New Positions- I&M Manager, I&M Mechanic	12,627
	New Positions: Gas Utility Worker, Fleet Image	
r	Improvement, Reductions due to Bare Steel	(5,764)
	New Positions. Service Tech, I&M Manager, I&M	
s	Mechanic	39,012
t	New Positions. Measurement Supervisor.. Service Tech	6,877
	Total	998,724

Overall expenses are in line with what has been recovered in base rates set in this prior rate proceeding. Any over recovery of total expenses would theoretically be refunded, utilized in another manner or returned to the customers through an overearnings process. We are currently significantly under earning, and expenses are exceeding the recovered amount in total. We do not specifically track type of expense by payroll, training, etc; but rather by account number as required by the regulatory commission. Overall our actual expenses are far exceeding what has been recovered in the past 2004 rate proceeding for 2007 and in our projections for 2008 and 2009. Changes may have occurred since our last rate proceeding, and projections were based on a historic year 2007 then projected from that point rather than the 2005 test year.

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

Due to time constraints, and the method we retain data, not all information could be provided. We believe we have provided most of the relevant data with respect to this rate proceeding as it relates to the items above.

Additional line locate expenses (over & above adjustment): We anticipated the number of locates received and subsequently worked would increase from prior years. In 2003 - 24,841 locates received with 12,197 worked whereas in 2005 they increased to 29,642 received and 13,356 worked. See specific testimony in our MFRs on line locate expenses as it relates to our projected test year.

For items relating to staffing / positions from 2005 through 2007, see the response and the exhibit included in response to Item #2 of the Citizen's First Set of Production of Documents for the company's organizational charts. The organizational chart for 2007 indicates the positions in place for the historic year and those which have been included in our trended projections. We have had changes since our last rate proceeding and do not specifically track expenses by type; however, our projected test year is based on 2007 trended forward, and any staffing additions or deletions from this historic year have been shown on the over and above sheet included in our MFRs.

For Corporate, the costs relating to the Staff Accountant, Financial Analyst and the payroll increases have been incurred in the historic year and included in our projections. Although we realized the negative adjustment relating to the corporate secretary (with the retirement of Jack Brown), we have incurred increased payroll relating to the additional duties assumed by our CFO and by our Executive Financial Assistant and Assistant Corporate Secretary.

See Exhibit 48.1, Exhibit 48.2 and Exhibit 48.3 for additional information.

(Lundgren, Schneidermann, Kitner, Seagrave)

- 49) **Uncollectible Accounts Expense.** Please provide the actual uncollectible information as shown on Schedule C-8 of the MFRs for 2004 and 2008 for the natural gas division.

See Exhibit 49.1

(Lundgren)

- 50) **Gain on sale of property.** Please describe any sales or property incurred since 2004, the amount of gain or loss on sale and how the gain or loss was treated for regulatory purposes.

Response:

There have been no material or unusual gains or losses treated outside of normal retirements with cost of removal and salvage run through our reserves.

(Mesite)

- 51) **Environmental Assets and Liabilities...** By site, please provide the current actual to date and estimate to complete for environmental clean-up and associated legal fees and the portion for each site that FPU is responsible to pay and by what date.

Response: See Exhibit 51.1 and 10K filing provided in response to First Set of Data Request #1.

(Schneidermann, Cox)

Code	Description	Requested 2005	2005 req Amt to SF	2005 req Amt to CF	Actual 2005	Actual 2006	Actual 2007	Actual 2008
a	Gas Unbundling -Ongoing Expenses	15,930						
	New positions, 2005 Staffing estimate from Mark S.	107,943	107,943					
	New positions, 2005 Staffing estimate from Mark S.	18,440	18,440					
	Dist Line locator equip, new position			12,940	9,818	13,437	14,643	16,120
	Transportation fleet image, new position			37,167	33,280	37,172	41,335	45,752
	IT support for fleet image		(66,667)					
	Development fleet image			(33,333)				
	Fleet image improvement program		34,500					
	New Positions: Dist Line Locator & Transp. Fleet Image Improvement Program, Line Location Expenses	110,990						
b	New positions, 2005 Staffing estimate from Mark S.	66,320	66,320					
	Service technician, new position			40,078	9,818	13,437	14,643	16,120
c	New Positions: Serviceman w/Transportation	106,398						
d	New Positions: Service Tech	41,066	41,066					
	New positions, 2005 Staffing estimate from Mark S.	5,700	5,700					
	Assistant engineer, new position			10,175	3,403	6,390	9,378	12,366
	Assistant technician, transportation, new position			2,665	2,665	2,665	2,665	2,665
e	New Positions: Assistant Engineer & Transp.	18,540						
	New positions, 2005 Staffing estimate from Mark S.	53,900	53,900					
	Added distribution clerk, new position			28,709	36,610	35,958	38,478	39,200
f	New Positions: Added Distribution Clerk	82,609						
g	New Positions: Meter Reader	42,100	42,100					
	New meter reader, new position							
	meter reader, new position			69,345	68,894	72,683	76,680	40,449
	meter reader, new position			41,715	36,268	30,278	31,220	39,892
	IT support program, new			20,282	12,968	17,088	22,829	27,318
	Incentive Program & New Marketing Positions: Rep, Director, Inside Rep, 1/2 Analyst	169,150						
h	Rep, 1/2 Analyst	169,150						
i	New Position: Make Comm Ass't Full-Time	17,360	30.00%	15.00%	9,372	10,082	8,757	12,334
j	Expansion of Existing Program: Inc Adv Exp - Safety	25,750	25,750					
k	Expansion of Existing Program: Inc Adv Exp - Other Info	77,250	77,250					
	Staff estimate, new position							See response to Item #48
	IT support, new position							See response to Item #48
	IT support, new position							See response to Item #48
	Contract support, new position							See response to Item #48

Business development positions new 61,893

	Payroll Increase. Corporate Secretary Retirement, & New Positions:						
l	Staff Accountant, Financial Analyst, AS400 Operator, Business Dev.	43,407					
	Infinium training. Oil & Report Writer training to improve skills	4,700		2,000	-	-	0
	Infinium training. Database training to improve skills	3,225		-	-	-	3,500
	Series conference. Infinium training	2,350					
	Series conference. Equity conference	3,150					
m	Training: Infinium Training, iSeries Conference	12,925					
	Seminars corporate accounting. TASCIA SEC. Tax. Piv.	9,400					
	Seminars. Oil Office Services	225	N/A	N/A	-	-	-
	Seminars. Oil Office Services Manager	700	N/A	N/A	-	-	-
n	Seminars	10,335					
o	Stock Purchase Plan	25,337	N/A	N/A	31,083	33,948	24,054 29,037
p	Rate Case Expense - CA	146,825	(DO NOT NEED TO PREPARE ANALYSIS FOR THIS ITEM)				
q	New Positions- I&M Manager, I&M Mechanic	12,627	12,627	See Organizational chart			
	New positions, 2006 Starting salaries from Mar 05.	2,800	2,800	See Organizational chart			
	New Positions, 2006 Starting salaries from Mar 05.	40,286	40,286	See Organizational chart			
	Officer Image improvement program	4,500	4,500	See Exhibit 48.3			
	Reduction due to bare steel	(53,333)	(53,333)				
	Gas Utility Worker new position	26,650		26,650	42,399	47,879	51,899 58,612
	Reduction due to bare steel	(26,667)	(26,667)				
r	New Positions: Gas Utility Worker, Fleet Image Improvement,						
	Reductions due to Bare Steel	-5,764					
s	New Positions. Service Tech, I&M Manager, I&M Mechanic	39,012	39,012	See Organizational chart			
t	New Positions. Measurement Supervisor.. Service Tech	6,877	6,877	See Organizational chart			
	Total	998,724	345,731	111,352			

MEMORANDUM

TO: Cheryl Martin
FR: Marc Seagrave
SUBJECT: OPC INTERROGATORIES - QUESTION # 48 (Marketing Specific Items)
DATE: April 8, 2009

48) Prior Rate Case Adjustments. Please provide a comparison of the dollars requested and approved for the over and above adjustments from the last rate case Docket No. 040216-GU, by Order No. PSC-04-1110-PAA-GU, with the actual expense incurred in 2005, 2006, 2007 and 2008 for each line item. No analysis is necessary for rate case expense. For all new positions for which rate recovery was requested in that case, state when each position was filled or why not filled and the corresponding expense level incurred for each subsequent year. If any of the non-payroll adjustments allowed resulted in expense levels less than those approved, please provide the reason for the variance.

- **New Marketing Compensation Plan - Incentive Program** - In 2003, the Company initiated a new marketing compensation program that included new compensation incentive named 'Market Segment Incentive' (MSI). An MSI, if earned, provides an opportunity for a marketing representative to receive an additional 2.5% of their annual base salary each quarter. A marketing representative must first reach a target percentage of their customer and then addition goals and have completed extracurricular assignments that further the company's objectives. MSI awards are difficult to earn and are not common therefore the Company does not keep separate payroll records of the expenses related to MSI awards when earned. The payments when made are co-mingled with sales commissions therefore the records of such expenditures are very difficult to retrieve, particularly going back to several years. It is estimated that the Company has paid MSI awards that are consistent with the dollar amounts identified as part of the 2004 rate case. Furthermore, it is reasonable to estimate that the actual dollars spent on the incentive program were actually higher than forecast in the last rate case during the unprecedented construction boom and following the years when hurricanes were prevalent.
- **Marketing Representative, New Position** - The Company did add an additional marketing representative position to its South Florida Division and the actual expenses associated with the position, by year, are stated within the attached analysis.
- **Inside Marketing Rep New Position** - The Company did add an inside marketing representative position to its South Florida Division and the actual expenses associated with the position, by year, are stated within the attached analysis.
- **½ Analyst Position - New** - Corporate marketing prior to 2005 was sharing an analyst position with accounting. As stated in testimony supporting the Company's 2004 natural gas rate case, a full time analyst was needed in both the accounting department and the marketing department, thus each area requested an increase to cover the added ½ position to make the analyst full-time. The half position in marketing was completed and the expenses associated with the added half position are stated by year. Please note that the expense for the position is allocated to natural gas 61% to SF and 34% to CF the remaining 5% to propane of which the expense is not part of those provided on the attached analysis.
- **½ Communications Assistant** - Prior to 2005, the marketing communications department employed an assistant on a part-time basis. Following the approval of the Company's 2004 natural gas rate case, the communications assistant position was made full-time. The expenses identified in the attached analysis depict the actual added expense, by year, for the ½ position. The position expense is actually allocated 45% to natural gas, the remaining is allocated to accounts other than natural gas.

FLEET IMAGE IMPROVEMENT - 2007

Vehicle	\$pent	Vendor	Date
510	\$2,299.33	Jim Price's	1/22/07
537	\$213.00	Babbsco Auto	2/1/07
471	\$60.81	Roger Dean Chevrolet	2/2/07
471	\$16.72	Roger Dean Chevrolet	2/2/07
494	\$186.77	Delray Lincoln Mercury	2/5/07
465	\$2,490.66	Gonz Collision	2/16/07
494	\$444.91	Delray Lincoln Mercury	2/22/07
465	\$479.25	Central Auto Trim	3/5/07
465	\$163.69	Delray Lincoln Mercury	3/7/07
465	\$404.21	Delray Lincoln Mercury	3/7/07
471	\$1,588.98	Jim Price's	3/15/07
486	\$219.09	Gonz Collision	3/16/07
465	\$31.67	Delray Lincoln Mercury	3/20/07
486	\$81.19	Delray Lincoln Mercury	3/20/07
486	\$81.19	Delray Lincoln Mercury	3/20/07
486	\$128.27	Delray Lincoln Mercury	3/23/07
555	\$138.87	Arrigo Dodge	3/27/07
486	\$40.60	Delray Lincoln Mercury	3/29/07
519	\$106.50	PAR Auto	4/19/07
519	\$40.69	General GMC	4/20/07
486	\$2,437.80	Jim Price's	4/24/07
471	\$2,284.42	Jim Price's	4/29/07
509	\$2,489.09	Gonz Collision	4/30/07
511	\$139.69	General GMC	6/8/07
575	\$612.38	Central Auto Trim	8/30/07
511	\$2,198.90	Gonz Collision	12/3/07
507	\$1,448.40	Jim Price's	12/6/07
507	\$473.93	Central Auto Trim	12/17/07
486	\$186.38	Central Auto Trim	12/18/07
604	\$2,479.00	Jim Price's	12/19/07
574	\$2,843.55	Jim Price's	12/21/07
528	\$2,278.78	Gonz Collision	12/26/07

\$29,088.72

Q. Explain the over and above non- personnel adjustments for Corporate and South Florida Marketing.

A. The non-personnel adjustments for Corporate and South Florida Marketing include an adjustment for Research & Development, non-conservation industry training, and an SGA initiative. Witness Seagrave has included in his testimony the nature of these adjustments.

The adjustment amount for each of these items has been computed as follows:

Research & Development \$50,000 in 2009 – This projected cost includes amounts for contributions to organizations such as GTI, AGA and the Florida solar Energy Center to support research and development of such gas utilization equipment as natural gas fuel cells, desiccant dehumidification systems, residential natural gas fueling units and solar water heating with natural gas back up tankless water heaters. It also includes funds for R&D relating to the establishment of a commercial natural gas fueling station, funds for the installation of a desiccant dehumidification unit in a public school, and funds for equipment to monitor the humidity and performance of the desiccant dehumidification units in our corporate office. The resulting data will serve as a marketing tool to educate our customers.

Lundgren April

From: Seagrave Marc
sent: Wednesday, November 12, 2008 5:50 PM
To: Lundgren April
Cc: Martin Cheryl
Subject: RE: Testimony review

April,

A rough estimate for our R&D program would be:

- Contributions to organizations such as GTI, AGA and the Florida Solar Energy Center to support research and development of such gas utilization equipment as: Natural gas fuel cells, desiccant dehumidification systems, residential natural gas fueling units and solar water heating with natural gas back up tankless water heaters. We expect our contributions to this research to be approximately \$10,000 annually.
- We expect to spend \$25,000 annually in a joint venture to establish a commercial natural gas fueling station in our markets.
- We expect to spend \$10,000 to install a desiccant dehumidification unit in a public school as a joint venture with a school board.
- We expect to spend \$5,000 on equipment to monitor the humidity and performance of 8 desiccant dehumidification units installed in our corporate office. The data will be used to share with customers who are interested in utilizing this technology in their home or business.

I hope this is specific enough. Please let me know.

Thanks,

Marc S. Seagrave

Marc Seagrave, CSP, CGP
Certified Sales Professional
Certified Green Professional
Director of Marketing & Sales
Florida Public Utilities Company
401 S. Dixie Hwy
West Palm Beach, FL 33401
(561) 838-1714 Office
(561) 723-3439 Cell
(561) 833-8562 Fax
mseagrave@fpuc.com

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10,000 • +

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004

50,000 • • +

From: Lundgren April
Sent: Wednesday, November 12, 2008 2:29 PM
To: Seagrave Marc
Subject: Testimony review

Hi Marc:

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 58) **Conferences, Please provide the annual expense and a description of all conferences fees and travel incurred for or allocated to the gas division from 2000 to 2009, This should include the names of the conference, number of staff members in attendance each year,**

The company does not track this information in the formats requested and it would require significant resources to retrieve some of this data for the time period requested. However, we have provided data as it relates to conferences. Exhibit 58.1 includes copies of all travel request forms we had readily available. While this may not represent all travel incurred since 2000, it is a significant amount of information including employee names, dates, conference names, and approximated costs. Exhibit 58.2 is a list of conferences and attendee by year for Central Florida as provided by the divisional General Manager. It is not all inclusive, but provides the information readily available at this time. Also, see the budgets provided in response to Item 3 of the Citizens' First Set of Production of Documents for additional information on planned conferences. Our projections for the current rate case was based on a historic year 2007, and adjustments to that year as required as over and above adjustments. We have provided details for those over and above items as they relate to conferences and travel within our testimony and MFRs.

(Lundgren)

- 59) **Membership Dues Please provide the annual expense and a description of all membership dues incurred for or allocated to the gas division from 2000 to 2009, This should include the names of the organization and purpose of the organization,**

We do not specifically track this type of information for historic purposes, but for the historic base year 2007 we have shown these items on Schedules C-11 (Industry Association Dues) included in the MFRs. We show this information in our MFR and budgets each year as a memo. Those also have been provided in other responses within this rate proceeding.

Central Florida Division General Manager Don Kitner is a member of NACE (National Association of Corrosion Engineers) to remain current with corrosion practices and procedures. The division belongs to the following organizations:

West Volusia Chamber of Commerce - \$250
Sanford Chamber of Commerce - \$375
Metro Orlando Home Builders Association - \$665
Sales & Marketing - \$60
Green building Council - \$50
Volusia Home builders Association - \$595

For additional information, see the Miscellaneous General Expenses (Account 930.2) (Gas) page included in the Annual Report of Natural Gas Utilities filed with the FPSC for each of the years requested.

(Lundgren, Kitner)

- 60) **Research and Development Please provide the annual expense and a description and purpose of the projects for research and development incurred for the gas division from 2000 to 2009,**

The research and development projections consist only of the over and above adjustment included in our 2009 projection. It is not included in our historical as we have not yet incurred these costs. For a description and purpose of the projects please see the testimony included in the MFRs. (Lundgren)

- 61) **Corporate Office Maintenance: Please provide the date and expense incurred to paint the corporate office and replace the flooring since 1988.**

Q. Explain the over and above non- personnel adjustments for Customer Relations.

A. The non-personnel adjustments for Customer relations include an adjustment for Kubra E-bill, Postage, and Envelopes. All of these adjustments are shown below in total while only 53% is allocated to natural gas (based on the customer allocation percentage) and has been included for recovery. The company-wide adjustment amount for each of these items has been computed as follows:

Kubra E-bill \$1,200 in 2009 – The origination fee is based on unit cost of \$0.05 for 2,000 bills for a total of \$100 per month or \$1,200 per year.

Postage \$11,970 in 2009 – Based on an increase of \$0.015 for 114,000 units each month effective June 1, 2009.

Envelopes \$448 in 2009 – Based on an increase of \$0.004 for 112,000 pieces.

Q. Explain the over and above non- personnel adjustments for Corporate - General.

A. The non-personnel adjustments included in Corporate - General are based on historical costs and are as follows for 2009:

1. \$1,102 for Conferences (of which 52% or \$573 has been allocated to natural gas based on the allocation factors for utility plant)
2. \$2,490 for FNGA annual dues
3. \$400 for AGDF annual dues
4. \$266 for SGA annual dues

Natural Gas Rate Proceeding, Corporate or Natural Gas Expenses

Department Executive - Stein

Approved by: C.L. Stein Date: 7-7-08

Item	New Item or Over and Above	Account number	Actual YTD Amount Dec-07	Actual YTD Amount Apr-08	Projected Annual Amt. 2008	Amount over YTD Dec-07	Projected Annual Amt. 2009	Amount over YTD Dec-07	Details of Item and Projection Method (support and/or basis and calculation)
<i>Conferences:</i>									
FNGA/AGDF Board Meetings (Feb)		SRVP	\$ 176	\$ 155	\$ 500	\$ 324	\$ 500	\$ 324	Officer/Board Member
SGA Annual Meeting (April)		SRVP	\$ 636	\$ 1,320	\$ 1,500	\$ 1,500	\$ 1,600	\$ 1,600	SGA Committee Member, industry update
FNGA Annual Convention (June)		SRVP	\$ 816	not attending	\$ 1,000	\$ 184	\$ 1,000	\$ 184	Officer/Board Member
SGA Distribution Operating Roundtable (Sept)		SRVP	\$ 406		\$ 1,500		\$ 1,500		SGA Committee Member, industry update
FNGA/AGDF Board Meetings (Sept)		SRVP	\$ 506		\$ 500	\$ (6)	\$ 500	\$ (6)	Officer/Board Member
2008 Executive Wholesale Summit by Southern Company			\$ -	not attending	\$ 600	\$ 600	\$ 600	\$ 600	Interaction with Southern Company
FNGA Annual Dues		35% 121.4010.93022	\$ 28,010		\$ 29,500	\$ 1,490	\$ 30,500	\$ 2,490	Co. membership & Officer/Board member
		35% 123.4010.93022							
		16% 121.4010.910							
		16% 123.4010.910							
AGDF Annual Dues		46% 121.4010.93022	\$ 19,600	\$ 13,200	\$ 20,000	\$ 400	\$ 20,000	\$ 400	Co. membership & Officer/Board member
		9% 123.4010.928							
		32% 121.4010.928							
		13% 123.4010.93022							
SGA Annual Dues		73% 121.4010.93022	\$ 7,734	\$ 7,806	\$ 7,900	\$ 166	\$ 8,000	\$ 266	Co. membership & Committee Member
		27% 123.4010.93022							
PPGA/NPGA (combined) Annual Dues		60% 991.4010.870	\$ 6,708	\$ 6,549	\$ 7,000	\$ 292	\$ 7,000	\$ 292	Co. membership & Committee Member
		27% 993.4010.870							
		13% 995.4010.870							

Propane

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

\$12,274) went to natural gas in 2009. The job description was provided in Exhibit 40.8 to the FPSC Data Request No. 1 and a copy of this request was filed with the OPC. (Lundgren)

i. CIS Project Analyst new position - \$44,725

The adjustment for the permanent employee for this position was \$8,939 in 2008 and \$35,786 in 2009. See response to Item h above for additional information regarding this position and adjustment. (Lundgren)

96) GPS, Dispatching and Navigational system. Schedule G 6 for Account 123.4010.8802 includes \$24,500 (Page 6 of 7) and \$64,800 (Page 7 of 7) for a new system with dispatching capability. Please provide the following information regarding this system.

- a. Whether this system has been purchased? If so, when was it purchased and when did it become operational?**
- b. Why are there two separate items listed in the Over and Under adjustments for GPS, Dispatching and Navigational system?**
- c. Why the GPS, Dispatching and Navigational system was allocated 100% to natural gas?**

- (a) The system was purchased in 2008 and was completely installed during October and November 2008. The system was fully operational by the end of November 2008.
- (b) The entries were separated to indicate, for Company's purposes, the costs associated with each gas division separately.
- (c) The GPS, Dispatching and Navigational system was not allocated 100% to natural gas. The dollars reflected in the filing are only the costs associated with natural gas. Over 17% of the total costs were directed to propane.

(Kitner)

97) Please explain the Summer Glen conversion project including the following:

- a. When did this project begin?**
- b. When was the project completed?**
- c. How many natural gas customers are in Summer Glen?**

- a. The conversion began September 17, 2007.
- b. The project was essentially complete on September 30, 2007.
- c. There are approximately 704 natural gas customers in SummerGlen.

(Kitner)

98) Referring to OPC Interrogatory No, 64, please provide the actual costs incurred in 2009, to date, for the drivers' license monitoring to ensure that drivers' licenses are current and to monitor infractions.

The costs relating to drivers' license monitoring incurred for year to date 2009 were \$4,087.

FPUC's Responses to CITIZENS' THIRD SET OF DOCUMENT REQUEST (Nos. 31-38)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

31. **Payroll. Schedule G - 6 for Account 100.1849.920 states that payroll was "projected by employee, normalized hours for 2007, increased for annual inflation increase and merit."**
- a) **Please provide all work sheets and information used to "normalize" hours for 2007.**
 - b) **Please provide documentation showing actual 2007 expense and individual adjustments for normalization, inflation, and merit.**

Please see Exhibit 31.1 CONFIDENTIAL for all the worksheets pertaining to 2007 historical payroll data and the individual adjustments for normalization, inflation and merit. (Lundgren)

32. **Outside Services Other. Schedule G - 6 for Account 100.1849.9231 states that Outside Services Other Expense was projected based on consultant fees for Information Technology and Accounting. Please provide all work sheets, assumptions, and historical data used to increase the 2007 expense to the 2009 projected expense.**

Please see Exhibit 32.1 for all worksheets, assumptions and historical data used to project the 2009 expense for account 9231. (Lundgren)

33. **Outside Services, Audit and Accounting. Schedule G - 6 for Account 100.1849.9233 states that Audit and Accounting Expense was projected based on quotes from Tax Consultant, BOO, Crowe, Templeton, and AON. Witness Lundgren's testimony (Page 50, Lines 14-20) indicates that the Company used quotes and historical data to project the expense. Please provide the work sheets and historical data used to increase the 2007 expense to the 2009 projected expense.**

Please see Exhibit 33.1 for the worksheets and historical data used to project the 2009 expense for account 9233. (Lundgren)

34. **GPS, Dispatching and Navigational system. Schedule G - 6 for Account 123.4010.8802 includes \$24,500 (Page 6 of 7) and \$64,800 (Page 7 of 7) for a new system with dispatching capability. Please provide all invoices supporting documentation for the cost.**

Please see Exhibits 34.1 and 34.2 for copies of the typical monthly invoices. (Kitner)

Exhibit 40.10 to the FPSC Data Request No. 1 contains additional information on the GPS, Dispatching and Navigational system. (Lundgren)

35. **Regarding the Summer Glen conversion project, please provide work papers showing the 2007 costs and how these costs were annualized to reach the Over and Under Adjustments listed below.**
- a) **Supervision, Mktg., & Office payroll - \$66,600**
 - b) **Field employees, meter reading - \$24,000**
 - c) **Misc. Office expenses - \$24,000**

The amounts listed above are for two years, not just the test year. However we have included the computation as Exhibit 35.1 that details the amount of over and above adjustments for the projected test year. See the over and above schedule in our MFRs for the individual year amounts.

FPUC - Natural Gas
Docket No. 080366 - GU
OPC - POD #3
Exhibit 35.1

SummerGlen Adjustments

	Normalized for 2007	Thru August 2007	21.2% for accounts converted to natural gas
Supervision, Mkt, Office Payroll	\$157,016	\$104,677	\$33,287
Field Employees, Meter Reading	\$61,139	\$40,759	\$12,961
Misc. Office Expense	\$61,386	\$40,924	\$13,014

Florida Public Utilities
 BEGINNING JANUARY 1, 2008
 Billed Customers as of June 30, 2007

Customer Accounts Expenses

		1840	
		FPU Customers	
		Billed	%
121 South Florida		32,654	41%
123 Central Florida		18,820	24%
114 Northwest Florida		12,809	16%
115 Northeast Florida - Electric		15,018	19%
Total		79,301	100%

Allocation Ratio ID
 FPUCCUSTOM

Miscellaneous Allocations					
Northeast FI Customers		Northeast & Northwest Customers		Natural Gas Customers	
Billed	%	Billed	%	Billed	%
				32,654	63%
				18,820	37%
15,018	100%	12,809	46%		
		15,018	54%		
15,018	100%	27,827	100%	51,474	100%

		1849	
		Total Company	
		Billed	%
121 South Florida		32,654	33%
123 Central Florida		18,820	20%
114 Northwest Florida		12,809	14%
115 Northeast Florida - Electric		15,018	16%
991 South Florida - Propane		6,382	7%
993 Central Florida - Propane		4,716	5%
995 Northeast Florida - Propane		1,632	2%
141 South Florida - M & J		1,169	1%
143 Central Florida - M & J		1,558	2%
945 Northeast Florida - M & J		99	0%
Total		94,857	100%

Allocation Ratio ID
 CONSCUSTOM

Miscellaneous Allocations										
Propane		Natural Gas & Propane		Northeast FI		South Florida		Central Florida		
Billed	%	Billed	%	Billed	%	Billed	%	Billed	%	
		32,654	51%				32,654	84%		
		18,820	29%						18,820	80%
						15,018	90%			
6,382	50%	6,382	10%				6,382	16%		
4,716	37%	4,716	7%						4,716	20%
1,632	13%	1,632	3%	1,632	10%					
12,730	100%	64,204	100%	16,650	100%	39,036	100%	23,538	100%	

Applicable to Accounts:
 901
 903
 905

Applicable M & J Account: 4160.6

FLORIDA PUBLIC UTILITIES
 BEGINNING JANUARY 1, 2008

Division	Billed 12 mth ave 6/30/2007	Note 1	Note 2	Note 3	Note 4	Note 5	Note 18	Note 22
		Allocation %	97% Allocated	90% Allocated	80% Allocated	25% Allocated	85% Allocated	33% Allocated
South FL (exc. oss & trans)								
FPU	32,654	84%	81%	76%	67%	21%	71%	28%
Propane	6,382	16%	16%	14%	13%	4%	14%	5%
Total	39,036	100%	97%	90%	80%	25%	85%	33%
Central Florida								
FPU	18,820	80%	78%	72%	60%	74%	77%	24%
Propane	4,716	20%	19%	18%	15%	18%	19%	6%
Total	23,536	100%	97%	90%	75%	92%	96%	30%

Division	Residential Customers 12 mth ave 6/30/2007	Note 6	Commercial Customers 12 mth ave 6/30/2007	Note 7	Note 10
		Allocation %		Allocation %	Allocation 25%
South FL (exc. oss & trans)					
FPU	29,466	84%	3,144	84%	21%
Propane	5,795	16%	587	16%	4%
Total	35,261	100%	3,731	100%	25%
Central Florida					
FPU	17,155	78%	1,168	82%	20%
Propane	4,928	22%	258	18%	5%
Total	22,083	100%	1,424	100%	25%

Consolidated Customers		Note 19
Excluding South FL	52,995	58%
South FL	39,036	42%
Total	92,031	100%
Electric Allocations		Note 31
Northwest Electric*	12,809	46%
Northeast Electric*	15,018	54%
Total	27,827	100%

		Note 28	Note 30
Northwest Electric*	12,809	15%	
Northeast Electric*	15,018	16%	
South FL (exc. oss & trs)	32,654	35%	
Central Florida ***	18,820	20%	80%
South FL Propane	6,382	7%	
Central FL Propane **	4,716	5%	20%
Northeast FL Propane	1,832	2%	
Total	92,031	100%	100%

Gas Customers Excluding Bulk		Note 27	Note 29
South FL (exc. oss & trs)	32,654	55%	63%
Central Florida ***	18,820	32%	37%
South FL Propane	4,471	8%	
Central FL Propane **	2,074	4%	
Northeast FL Propane	332	1%	
Total	58,351	100%	100%

*Excludes outdoor lighting customers

FLORIDA PUBLIC UTILITIES
 BEGINNING JANUARY 1, 2008

BILLED CUSTOMER BASIS								
Division	BILLED Customers 12 mth ave 6/30/2007	Allocation %						
		Note 20	Note 9	Note 29	Note 21	Note 14	Note 23	
		FPU & Flo	Consol	30%	South FL	Cent-Florida	Gas Divisons	Northeast FL
Northwest Electric*	12,809	16%	15%	3%				
Northeast Electric*	15,018	19%	18%	5%				90%
South FL(exc. oss & trans)	32,654	41%	35%	11%	84%		49%	
Central Florida ***	18,820	24%	20%	6%		80%	30%	
Total FPU	79,301	100%						
South FL Propane	6,382	50%	7%	2%	16%		10%	
Central FL Propane **	4,716	37%	5%	2%		20%	8%	
Northeast FL Propane	1,632	13%	2%	1%			3%	10%
Total Propane	12,730	100%						
Total Consolidated	92,031		100%	30%	100%	100%	100%	100%

TOTAL NUMBER OF BILLS								
Division	BILLED Customers 08/30/07	Allocation %						
		Note 26	Customer	Note 8	Northeast	Note 15	Note 16	Note 17
		Consol	Acct Basis	75%	FL	Gas	South FL	Cent-FL
Northwest Electric*	12,809	13%	13%	9%				
Northeast Electric*	15,018	16%	16%	12%	89%			
South FL(exc. oss & trans)	32,654	34%	34%	26%		49%	81%	
Central Florida ***	18,820	20%	20%	15%		28%		75%
Total FPU	79,301							
South FL Propane	6,382	7%	7%	5%		10%	16%	
Central FL Propane **	4,716	5%	5%	4%		7%		19%
Northeast FL Propane	1,632	2%	2%	2%	11%	2%		
Total Propane	12,730							
Consolidated FPU		97%						
South FL M&J	1,169	1%	1%			2%	3%	
Central FL M&J	1,558	2%	2%			2%		6%
Northeast FL M&J	99	0%	0%			0%		
Total M&J	2,826	3%		2%				
Total Consolidated Bills	94,857	100%	100%	75%	100%	100%	100%	100%

** Includes Summer Glen conversion of 491 customers from CF propane to CF NG.

*Excludes outdoor lighting customers

FPUC's Responses to STAFF'S SECOND DATA REQUEST

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 52. Please provide a copy of the "cost estimates provided by the vendor AON" discussed by witness Lundgren on page 55 of her direct testimony.**

Please see Exhibit 52.1 (Lundgren)

- 53. Please provide the support for the training expense discussed by witness Lundgren on page 60 of her direct testimony.**

Please see Exhibit 53.1 (Lundgren)

- 54. Please provide a copy of the vendor quotes discussed by witness Lundgren on pages 50, 61, 65, 66, 67 and 68, of her direct testimony.**

Please see Exhibit 54.1 through 54.16 (Lundgren)

- 55. What is the expected life of the new flooring for the corporate office? (Lundgren page 67)**

The expected life of the flooring for the corporate office is eight years as noted on page 6 of MFR G-6. We amortized this expense over the period of time that the new rates are expected to be in place. Our prior rate proceeding was four years ago. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenditures.

(Lundgren)

- 56. Please explain why four years was chosen for Bridge Crossing Repairs and Maintenance?**

The repairs and maintenance for 2009 is anticipated to be \$105,000. We put in ¼ of the total expense or \$26,250 for recovery in 2009. Our prior rate case proceeding was four years ago. We chose a four year period as this is the period of time the new rates are expected to be in place. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenses.

(Lundgren)

- 57. Please provide in electronic and hard copy format all historical data (independent and dependent variables) by rate class used to estimate the econometric models used to forecast the 2009 test year bills and therms.**

The historical data are contained in "cen_dat.txt" and "wpb_dat.txt". See Exhibit 57.1 CD

(Cox)

- 58. Please provide all the econometric equations used to forecast the 2009 test year bills and therms by rate class including all supporting statistics.**

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MESSER CAPARELLO & SELF, P.A.

Attorneys At Law
www.lawfla.com

March 31, 2009

BY HAND DELIVERY

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

Re: Docket 080366-GU

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company is a paper copy of a portion of Florida Public Utilities Company's Response to Staff's Second Data Request that was originally provided on CD-ROM in this docket.

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

Thank you for your assistance with this filing.

Sincerely yours,


Norman H. Horton, Jr.

NHH/amb
Enclosures

cc: Ms. Cheryl M. Martin
Parties of Record

DOCUMENT NUMBER-DATE
02825 MAR 31 09
FPSC-COMMISSION CLERK

CEN PROJECTIONS 20080911

Sales						Total	Factors	WPB Total	FPU Total	
	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS					
2007	3,612,245	2,618,436	10,107,551	1,047,243	166,858	17,552,343		43,137,541	60,689,884	
2008	3,500,904	2,539,193	9,307,263	1,073,216	167,833	16,586,408	94.5%	41,221,419	57,809,827	-4.75%
2009	3,369,791	2,539,193	8,539,186	1,014,864	231,813	15,694,867	89.4%	39,827,763	55,522,630	-3.96%

Customers						Total		Total	FPU Total	
	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS					
2007	17,185	942	353	4	7	18,491		33,081	51,572	
2008	17,602	956	364	4	5	18,931	102.4%	33,206	52,137	1.10%
2009	17,602	956	364	4	5	18,931	102.4%	33,206	52,137	0.00%

	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS
Cust Chg	\$8.00	\$15.00	\$45.00	\$270.00	\$0.00
Non-fuel	0.48340	0.32107	0.23809	0.10039	0.17689

Revenues						Total		Total	FPU Total	
	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS					
2007	\$3,395,895	\$1,012,271	\$2,607,553	\$119,077	\$29,517	\$7,164,314		\$16,352,279	\$23,516,593	
2008	\$3,382,102	\$989,322	\$2,423,186	\$121,684	\$29,688	\$6,945,981	97.0%	\$15,883,834	\$22,829,816	-2.92%
2009	\$3,318,721	\$989,322	\$2,240,315	\$115,828	\$41,005	\$6,705,191	93.6%	\$15,512,384	\$22,217,575	-2.68%

Transportation Service Charges

Charge	\$0.00	\$4.50	\$4.50	\$20.50	\$0.00
			\$46.00		

Summary of FPU Revenues by Rate

	Summary of FPU Revenues by Rate			Revenue Rates of Change	
	2007	2008	2009	'07 to '08	'08 to '09
RS	\$10,243,074	\$10,105,758	\$9,959,852	-1.3%	-1.4%
GS	\$4,386,211	\$4,240,775	\$4,124,601	-3.3%	-2.7%
GSTS	\$345,314	\$332,967	\$322,960	-3.6%	-3.0%
LV	\$4,772,857	\$4,570,357	\$4,371,849	-4.2%	-4.3%
LVTS	\$3,084,450	\$2,955,000	\$2,828,983	-4.2%	-4.3%
IS	\$18,904	\$17,013	\$16,113	-10.0%	-5.3%
ISTS	\$602,418	\$546,972	\$515,147	-9.2%	-5.8%
GLS	\$63,365	\$60,974	\$78,071	-3.8%	28.0%
Total	\$23,516,593	\$22,829,816	\$22,217,575		

Reconciling Difference with GL

	GL	This model	Difference	
RES	-10,195,022	10,195,022	\$10,243,074	48,052 0.47%
CS	-4,382,877	4,726,885	\$4,731,525	4,640 0.10%
CL	-4,850,871	8,096,726	\$7,857,307	-239,419 -2.96%
INT	-17,224	646,253	\$621,322	-24,931 -3.86%
TRANS CS	-344,008			0
TRANS CL	-3,245,855			0
TRANS IN	-629,029			0
TRANS LV	0			0
LAKE WOI	0			0
INDEPART	0			0
POOL	-6,200	6,200	0	-6,200 -100.00%
OUTDOOF	-73,583	73,563	\$63,365	-10,198 -13.86%
OSS (BAS)	0			
TOTAL	-23,744,649	23,744,649	23,516,593	228,056 -1.0%

Portion of response to Staff and data request

HDDs 0.21%
 Trend -3.82%

Historical Data				
Year	Sales	Customers	UPC	HDDs
2004	3,940,216	16,179	244	
2005	4,089,062	16,842	243	
2006	3,869,738	17,178	225	969
2007	3,612,245	17,185	210	705
Normal HDDs				837.3
Weather-normalized 2007 UPC			215	
Forecast 2008 UPC(1)			199	
Forecast 2009 UPC(2)			191	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC times 1 + the estimated time trend

Note: customer growth from 2007 to 2008 entirely due to Summer Glen conversions

Forecast Summary			
Year	Sales	Customers	Revenue
2007	3,612,245	17,185	3,395,895
2008	3,500,904	17,602	3,382,102
2009	3,369,791	17,602	3,316,721

YTD 2008 vs. Same Period in 2007			
Year	Month	Sales	Customers
2007	1	392,838	17,263
2007	2	577,749	17,246
2007	3	507,946	17,371
2007	4	289,264	17,354
2007	5	247,683	17,182
2007	6	237,232	17,000
2007	7	209,774	16,910
2008	1	485,091	17,594
2008	2	449,573	17,680
2008	3	413,722	17,764
2008	4	314,697	17,743
2008	5	251,151	17,514
2008	6	209,792	17,467
2008	7	201,602	17,450

	UPC	HDDs
2007	2,462,487	17,189
2008	2,325,628	17,602
	143.3	597
	132.1	583
2008 UPC @ 2007 HDDs	132.4	
% Change 2007 to 2008	-7.5%	

HDDs
 Trend

Estimated Factor
 0.09%
 0.00%

		Historical Data							
		Sales			Customers				
Year	GS	GSTS	Total	GS	GSTS	Total	UPC	HDDs	
2004	3,085,942	64,188	3,160,129	907	18	923	3,425		
2005	2,440,308	110,953	2,651,261	878	23	898	2,840		
2006	2,509,391	126,579	2,635,969	900	28	928	2,839	989	
2007	2,445,255	173,182	2,618,436	908	37	942	2,779	705	
							Normal HDDs	837.3	
							Weather-normalized 2007 UPC	2,806	
							Forecast 2008 UPC(1)	2,656	
							Forecast 2008 UPC(2)	2,656	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC plus the estimated time trend

YTD 2008 vs. Same Period in 2007

		Sales						Customers				
Year	Month	GS	GSTS	Total	GS	GSTS	Total	UPC	HDDs			
2007	1	258,391	17,478	275,867	913	36	949					
2007	2	310,769	14,469	325,238	909	36	945					
2007	3	310,060	20,620	330,680	912	36	948					
2007	4	223,873	14,147	238,019	912	37	949					
2007	5	193,079	13,216	206,295	904	37	941					
2007	6	167,521	13,578	181,099	904	37	941					
2007	7	151,985	14,875	166,860	905	37	942					
2008	1	279,120	18,552	297,671	912	38	950					
2008	2	281,857	13,998	295,855	920	36	956					
2008	3	273,672	15,322	289,094	920	37	958					
2008	4	242,154	12,972	255,127	925	36	961					
2008	5	194,000	11,681	205,681	917	35	952					
2008	6	151,408	12,907	164,215	919	35	954					
2008	7	150,061	13,388	163,447	917	35	952					
							2007	1,723,837	945	1,824	597	
							2008	1,648,989	956	1,725	583	

2008 UPC @ 2007 HDDs 1,727
 % Change 2007 to 2008 -5.3%

Forecast Summary

Year	Sales	Customers	
2007	2,618,436	942	
2008	2,539,193	956	97.0%
2009	2,539,193	956	97.0%

TS Ratio 8.6% 3.9%

GS

Year	Sales	Customers	Revenue
2007	2,445,255	908	946,968
2008	2,371,252	919	926,698
2009	2,371,252	919	926,698

GSTS

Year	Sales	Customers	Revenue
2007	173,182	37	64,183
2008	167,940	37	62,625
2009	167,940	37	62,625

HDDs
 Trend

Estimated Factor
 0.05%
 -8.61%

Historical Data									
Year	Sales			Customers			UPC	HDDs	
	LVS	LVTS	Total	LVS	LVTS	Total			
2004	4,277,775	5,660,375	9,828,150	217	80	298	33,027		
2005	5,794,989	5,319,470	11,114,459	250	78	328	33,851		
2006	6,999,398	3,969,300	10,968,698	284	83	348	31,282	989	
2007	6,430,482	3,677,089	10,107,551	254	99	353	28,620	705	
Normal HDDs							637.3		
Weather-normalized 2007 UPC							28,778		
Forecast 2008 UPC(1)							25,549		
Forecast 2009 UPC(2)							23,441		

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC plus the estimated true trend

YTD 2008 vs. Same Period in 2007

Year	Month	Sales			Customers		
		LVS	LVTS	Total	LVS	LVTS	Total
2007	1	571,482	295,949	868,441	260	91	351
2007	2	539,120	276,820	815,940	262	89	351
2007	3	611,738	351,893	963,631	262	88	351
2007	4	534,027	342,348	876,375	264	95	359
2007	5	505,658	336,580	842,238	252	102	354
2007	6	536,004	334,467	873,471	252	104	356
2007	7	493,588	357,018	850,604	249	102	351
2008	1	565,256	285,936	871,182	265	104	369
2008	2	531,927	241,515	773,442	266	104	370
2008	3	690,408	257,888	948,294	263	103	366
2008	4	544,329	227,741	772,070	260	102	368
2008	5	541,068	238,753	779,840	261	102	363
2008	6	527,362	215,028	742,388	261	100	361
2008	7	582,073	223,558	785,632	263	100	363

2007 6,090,700
 2008 5,572,859

UPC
 HDDs

353 17,240 597
 364 15,298 583

2008 UPC @ 2007 HDDs 15,307
 % Change 2007 to 2008 -11.2%

Forecast Summary

Year	Sales	Customers	
2007	10,107,551	353	
2008	8,307,203	364	82.1%
2009	6,539,188	364	64.5%

TS Ratio 36.4% 28.2%

LVS

Year	Sales	Customers	Revenue
2007	6,430,482	254	1,998,054
2008	5,821,515	262	1,661,145
2009	5,452,655	262	1,434,602

LVTS

Year	Sales	Customers	Revenue	# pay TAC
2007	3,677,089	99	659,900	9
2008	3,385,847	103	672,041	9
2009	3,105,524	103	605,513	9

HDDs
 Trend

Estimated Factor
 0.00%
 -5.56%

		Historical Data				Customers		Total	UPC	HDDs
Year	IS	ITS	Total	IS	ITS	Total	UPC	HDDs		
2004	269,169	775,827	1,044,996	2	3	5	216,206			
2005	315,402	755,197	1,070,599	1	3	4	267,650			
2006	284,057	722,122	1,006,179	1	3	4	251,545	969		
2007	0	1,047,243	1,047,243	0	4	4	261,811	705		
								Normal HDDs	837.3	
								Weather-normalized 2007 UPC	261,811	
								Forecast 2008 UPC(1)	266,304	
								Forecast 2009 UPC(2)	253,721	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC plus the estimated time trend

YTD 2008 vs. Same Period in 2007

		Sales			Customers			UPC	HDDs
Year	Month	IS	ITS	Total	IS	ITS	Total		
2007	1	0	88,021	88,021	0	4	4		
2007	2	0	87,176	87,176	0	4	4		
2007	3	0	94,521	94,521	0	4	4		
2007	4	0	82,861	82,861	0	4	4		
2007	5	0	88,339	88,339	0	4	4		
2007	6	0	78,935	78,935	0	4	4		
2007	7	0	79,801	79,801	0	4	4		
2008	1	0	83,755	83,755	0	4	4		
2008	2	0	90,329	90,329	0	4	4		
2008	3	0	96,716	96,716	0	4	4		
2008	4	0	81,300	81,300	0	4	4		
2008	5	0	87,748	87,748	0	4	4		
2008	6	0	82,859	82,859	0	4	4		
2008	7	0	81,861	81,861	0	4	4		
		2007			2008			UPC	HDDs
		609,454			624,559			4	152,364
								4	158,142
								2008 UPC @ 2007 HDDs	156,142
								% Change 2007 to 2008	2.5%

Forecast Summary

Year	Sales	Customers
2007	1,047,243	4
2008	1,073,216	4
2009	1,014,884	4

TS Ratio 100.0% 100.0%

IS	Sales	Customers	Revenue
2007	0	0	0
2008	0	0	0
2009	0	0	0

ISTS

	Sales	Customers	Revenue
2007	1,047,243	4	119,077
2008	1,073,216	4	121,684
2009	1,014,884	4	115,828

HDDs Estimated Factor
 Trend 0.00%
 32.30%

Historical Data				
Year	Sales	Customers	UPC	HDDs
2004	8,024	1	9629	
2005	96,891	8	12111	
2006	144,850	6	25907	969
2007	166,868	7	23558	705

Normal HDDs 837.3

Weather-normalized 2007 UPC 23558
 Forecast 2008 UPC(1) 33567
 Forecast 2009 UPC(2) 46363

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC times 1+ the estimated time trend

Note: customer growth from 2007 to 2008 entirely due to Summer Glen conversions

Forecast Summary

Year	Sales	Customers	Revenue
2007	166,868	7	29,517
2008	167,833	5	29,888
2009	231,813	5	41,005

YTD 2008 vs. Same Period in 2007

Year	Month	Sales	Customers
2007	1	13,385	7
2007	2	13,115	8
2007	3	13,367	7
2007	4	13,251	7
2007	5	13,674	7
2007	6	14,125	7
2007	7	14,202	7
2008	1	13,533	7
2008	2	13,116	4
2008	3	13,547	4
2008	4	13,405	4
2008	5	12,468	6
2008	6	14,446	5
2008	7	14,357	5

	UPC	HDDs
2007	95,119	7
2008	94,872	5
	13316.7	597
	18974.3	583

2008 UPC @ 2007 HDDs 18974.3
 % Change 2007 to 2008 42.5%

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Sales

	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS	Total	Factors
2007	8,300,410	10,114,395	19,873,237	4,658,147	191,351	43,137,541	
2008	8,024,179	9,684,237	19,240,383	4,095,756	176,865	41,221,419	95.6%
2009	7,853,459	9,291,234	18,645,424	3,828,107	209,539	39,827,763	92.3%

Customers

	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS	Total	
2007	29,529	2,591	913	10	38	33,081	
2008	29,633	2,609	918	9	37	33,206	100.4%
2009	29,633	2,609	918	9	37	33,206	100.4%

Cust Chg	\$8.00	\$15.00	\$45.00	\$270.00	\$0.00		
Non-fuel	0.48340	0.32107	0.23809	0.10039	0.17689		

Revenues

	RS	GS,GSTS	LV,LVTS	IS,ISTS	GLS	Total	
2007	\$6,847,178	\$3,719,254	\$5,249,754	\$502,245	\$33,848	\$16,352,279	
2008	\$6,723,656	\$3,584,421	\$5,102,171	\$442,301	\$31,286	\$15,883,834	97.1%
2009	\$6,641,130	\$3,458,239	\$4,960,517	\$415,432	\$37,085	\$15,512,384	94.9%

Transportation Service Charges

Charge	\$0.00	\$4.50	\$4.50	\$20.50	\$0.00		
			\$46.00				

CDDs Estimated Factor
 Trend -0.03%
 -2.15%

Historical Data				
Year	Sales	Customers	UPC	CDDs
2004	8,063,375	27,913	289	
2005	8,524,151	28,724	297	
2006	8,232,904	29,241	282	3,955
2007	8,300,410	29,529	281	4,126
Normal CDDs				4,144
Weather-normalized 2007 UPC			281	
Forecast 2008 UPC(1)			271	
Forecast 2009 UPC(2)			265	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC times 1 + the estimated time trend

Note: customer growth from 2007 to 2008 entirely due to Summer Glen conversions

Forecast Summary			
Year	Sales	Customers	Revenue
2007	8,300,410	29,529	5,847,975
2008	8,024,174	29,633	5,723,535
2009	7,853,458	29,633	5,641,130

YTD 2008 vs. Same Period in 2007				
Year	Month	Sales	Customers	
2007	1	1,078,300	29,524	
2007	2	962,085	29,543	
2007	3	1,004,841	29,627	
2007	4	870,858	29,665	
2007	5	668,374	29,669	
2007	6	570,503	29,627	
2007	7	445,381	29,611	
2008	1	1,027,149	29,671	
2008	2	970,113	29,623	
2008	3	992,105	29,545	
2008	4	820,049	29,778	
2008	5	671,598	29,532	
2008	6	490,039	29,608	
2008	7	432,909	29,674	

	UPC	CDDs
2007	5,600,342	29,609
2008	5,403,962	29,633
	189.1	2,295
	182.4	2,278

2008 UPC @ 2007 CDDs 182.3
 % Change 2007 to 2008 -3.6%

CDDs
 Trend
 Price

Estimated Factor
 -0.04%
 -1.72%
 -0.068

Year	Sales			Customers			UPC	CDDs
	GS	GSTS	Total	GS	GSTS	Total		
2004	9,565,938	628,705	10,194,642	2,426	86	2,512	4,058	
2005	9,375,890	691,079	10,067,069	2,406	96	2,501	4,025	
2006	9,231,699	708,191	9,939,890	2,449	93	2,542	3,910	3,955
2007	9,312,278	802,117	10,114,395	2,480	101	2,591	3,804	4,128

Normal CDDs 4,144

	Gas Prices	Weather-normalized 2007 UPC	UPC
2008 Real Price	89.4	Forecast 2008 UPC(1)	3,712
2009 Real Price	128.0	Forecast 2009 UPC(2)	3,561

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC plus the estimated time trend

YTD 2008 vs. Same Period in 2007

Year	Month	Sales			Customers			UPC	CDDs
		GS	GSTS	Total	GS	GSTS	Total		
2007	1	1,157,892	83,838	1,241,831	2,500	91	2,591		
2007	2	1,063,019	75,368	1,138,384	2,498	82	2,591		
2007	3	1,128,592	91,863	1,220,455	2,507	94	2,601		
2007	4	939,880	76,138	1,015,818	2,501	102	2,603		
2007	5	738,982	64,975	803,957	2,495	109	2,604		
2007	6	655,032	59,397	714,429	2,478	107	2,585		
2007	7	533,007	52,138	585,144	2,482	107	2,589		
2008	1	1,110,210	86,831	1,197,040	2,516	103	2,619		
2008	2	1,015,725	84,582	1,100,287	2,482	101	2,583		
2008	3	1,076,710	91,725	1,168,435	2,502	101	2,603		
2008	4	895,188	73,548	968,735	2,529	102	2,631		
2008	5	742,900	67,533	810,432	2,519	101	2,620		
2008	6	569,184	50,514	619,698	2,493	100	2,593		
2008	7	521,717	45,784	567,502	2,513	101	2,614		
2007				6,720,019			2,595	2,590	2,285
2008				6,432,128			2,609	2,485	2,278

2008 UPC @ 2007 CDDs 2,464
 % Change 2007 to 2008 -4.9%

Forecast Summary			
Year	Sales	Customers	
2007	10,114,395	2,591	
2008	9,684,237	2,609	95.7%
2009	9,291,234	2,609	91.9%
TS Ratio	7.9%	3.9%	

Year	GS			GSTS		
	Sales	Customers	Revenue	Sales	Customers	Revenue
2007	9,312,278	2,480	3,438,123	802,117	101	281,131
2008	8,916,233	2,507	3,314,079	788,004	102	270,342
2009	8,554,397	2,507	3,197,904	736,837	102	260,335

CDDs Trend	Estimated Factor	Historical Data								
		Year	Sales			Customers			UPC	CDDs
0.00%	-3.14%		LVS	LVTS	Total	LVS	LVTS	Total	UPC	CDDs
		2004	12,085,685	7,637,293	19,902,978	662	221	883	22,534	
		2005	12,122,207	8,115,777	20,237,984	661	218	880	23,011	
		2006	11,703,144	8,501,502	20,204,646	664	228	892	22,653	3,955
		2007	11,527,292	8,345,946	19,873,237	667	246	913	21,757	4,126
								Normal CDDs	4,144	
								Weather-normalized 2007 UPC	21,757	
								Forecast 2008 UPC(1)	20,959	
								Forecast 2009 UPC(2)	20,311	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2006 YTD
 (2) equal to forecast 2008 UPC plus the estimated time trend

Forecast Summary			
Year	Sales	Customers	TS Ratio
2007	19,873,237	913	
2008	19,240,383	918	96.8%
2009	18,845,424	918	93.8%
			42.0%
			27.0%

LVS				LVTS			
Year	Sales	Customers	Revenue	Year	Sales	Customers	Revenue # pay TAC
2007	11,527,292	667	3,104,803	2007	8,345,946	246	2,144,951 21
2008	11,160,210	671	3,019,212	2008	8,080,173	247	2,062,959 22
2009	10,815,109	671	2,937,047	2009	7,830,314	247	2,023,470 22

YTD 2008 vs. Same Period in 2007										
Year	Month	Sales			Customers			UPC	CDDs	
		LVS	LVTS	Total	LVS	LVTS	Total			
2007	1	1,173,269	802,544	1,975,813	675	234	909			
2007	2	1,046,730	742,930	1,789,659	676	235	911			
2007	3	1,280,878	806,445	2,087,323	672	239	911			
2007	4	1,047,367	729,386	1,776,753	677	252	929			
2007	5	805,439	694,193	1,499,632	670	255	925			
2007	6	960,720	658,867	1,619,587	667	255	922			
2007	7	860,027	673,674	1,533,701	664	254	918			
2008	1	1,112,656	802,131	1,914,787	670	249	919			
2008	2	980,228	737,840	1,718,068	673	250	923			
2008	3	1,217,823	755,970	1,973,892	668	249	917			
2008	4	935,114	677,356	1,612,469	670	253	923			
2008	5	823,483	661,574	1,585,058	670	247	917			
2008	6	920,897	616,614	1,537,511	668	244	912			
2008	7	870,281	641,014	1,511,295	670	245	915			
2007				12,302,468	918	13,403	2,295			
2008				11,853,079	918	12,912	2,278			

2008 UPC @ 2007 CDDs 12,912
 % Change 2007 to 2008 -3.7%

Estimated Factor
 CDDs -0.04%
 Trend -1.71%
 Price -0.141

Year	Sales			Customers			UPC	CDDs
	IS	ITS	Total	IS	ITS	Total		
2004	506,287	4,143,451	4,649,738	1	8	9	618,638	
2005	374,554	4,429,929	4,804,483	1	8	9	528,994	3,955
2006	0	4,776,532	4,776,532	0	9	9	521,076	4,126
2007	156,030	4,502,117	4,658,147	1	9	10	485,815	

Normal CDDs 4,144

	Gas Prices	Weather-normalized 2007 UPC
2008 Real Price	89.4	Forecast 2008 UPC(1) 455,084
2009 Real Price	128.0	Forecast 2008 UPC(2) 425,345

(1) equal to WY 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC plus the estimated line trend

YTD 2008 vs. Same Period in 2007

Year	Month	Sales			Customers		
		IS	ITS	Total	IS	ITS	Total
2007	1	410,136	410,136	410,136	0	0	0
2007	2	395,431	395,431	395,431	0	0	0
2007	3	409,507	409,507	409,507	0	0	0
2007	4	423,353	423,353	423,353	0	0	0
2007	5	375,330	375,330	375,330	0	0	0
2007	6	363,473	363,473	363,473	0	0	0
2007	7	352,562	352,562	352,562	0	0	0
2008	1	38,957	382,754	421,711	1	0	0
2008	2	33,782	368,285	402,067	1	0	0
2008	3	35,925	383,277	419,202	1	0	0
2008	4	32,362	340,414	372,776	1	0	0
2008	5	28,148	340,823	368,971	1	0	0
2008	6	27,079	313,024	340,103	1	0	0
2008	7	27,499	319,708	347,207	1	0	0

	UPC	CDDs
2007	2,732,792	0 303,644 2,295
2008	2,672,987	0 296,999 2,278

2008 UPC @ 2007 CDDs 296,850
 % Change 2007 to 2008 -2.2%

Forecast Summary

Year	Sales	Customers
2007	4,658,147	9 87.9%
2008	4,095,788	9 82.2%
2009	3,828,107	9

TS Ratio 96.7% 89.0%

Year	IS			ITS		
	Sales	Customers	Revenue	Sales	Customers	Revenue
2007	156,030	1	18,904	4,502,117	9	483,342
2008	137,182	1	17,013	3,958,564	8	425,288
2009	128,227	1	16,113	3,889,881	8	399,319

CDDs	Estimated Factor	Historical Data				CDDs
		Year	Sales	Customers	UPC	
Trend	0.00%	2004	24,628	11	2273	
	-16.95%	2005	278,591	74	3790	
		2006	250,934	41	6158	3,955
		2007	191,351	38	5069	4,126
					Normal CDDs	4,144
			Weather-normalized 2007 UPC		5069	
			Forecast 2008 UPC(1)		4780	
			Forecast 2009 UPC(2)		5663	

(1) equal to WN 2007 UPC times 1 + % change from 2007 to 2008 YTD
 (2) equal to forecast 2008 UPC times 1+ the estimated time trend

Note: customer growth from 2007 to 2008 entirely due to Summer Glen conversions

Forecast Summary			
Year	Sales	Customers	Revenue
2007	191,351	38	33,848
2008	176,855	37	31,286
2009	208,539	37	37,065

YTD 2008 vs. Same Period in 2007			
Year	Month	Sales	Customers
2007	1	23,508	37
2007	2	23,508	37
2007	3	23,508	37
2007	4	23,578	37
2007	5	22,415	38
2007	6	-8,366	37
2007	7	41,542	37
2008	1	15,915	37
2008	2	21,789	38
2008	3	21,466	38
2008	4	21,466	38
2008	5	20,218	36
2008	6	18,136	34
2008	7	23,524	38

	UPC	CDDs
2007	151,688	37
2008	142,496	37
	4083.9	2,295
	3851.3	2,278

2008 UPC @ 2007 CDDs 3851.3
 % Change 2007 to 2008 -5.7%

Q. Explain the over and above non- personnel adjustments for Corporate Services.

A. The non-personnel adjustments for South Florida operations include an adjustment for Smith System training, third party claims administration, license monitoring, Worksteps program, Bulli Ray, SGA Super Week, FGT Shippers meetings, Gas Mart, Occupational health and Safety seminars, Corporate office landscaping, Corporate office painting, Corporate office flooring, and gas distribution integrity. Witness Schneidermann has included in his testimony the nature of each of these adjustments. The adjustment amount for each of these items has been computed as follows:

Third Party Claims Administrator \$25,000 in 2009 – These costs are based on the lowest vendor quote. Of the total \$25,000, \$12,750 has been allocated to natural gas based on adjusted gross profit allocation factors.

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AUTO LIABILITY & GENERAL LIABILITY - Life of Claim Cost Comparison Page 2 of 2

	ESIS	Gallagher Bassett	Helmsman
Auto Liability:			
Bodily Injury	\$799.00	\$795.00	\$995.00
Property Damage	\$550.00	\$415.00	\$395.00
Collision (Data Storage)	Cost Not Provided*	\$150.00	Cost Not Provided
General Liability:			
Bodily Injury	\$799.00	\$795.00	\$895.00
Property Damage	\$550.00	\$415.00	\$350.00
Record Only	\$75.00	\$46.00	\$65.00 46
Reporting Fee	\$8.00	No Charge	No Charge
Administration Fee	\$5,500.00	\$9,500.00	\$2,900.00
RMIS Data/Access Fees	\$13,000.00	Included in Admin. Fee	\$6,780.00* ←
Additional Users	\$2800.00**	\$2,195.00*	\$1,495.00
Index Bureau	\$8.00	No Charge	No Charge
Paid Loss Deposit Fund (PLDF)	\$5,000.00	\$10,000.00	\$2,740.00
Subrogation Recovery	20%	15%	\$250.00 per claim
Claim Review	4 Reviews Included In Pricing	4 Reviews Included in Pricing	44 \$4200.00** ←
Total Upfront Costs	\$23,500.00	\$12,084.00**	\$12,420.00
Total Estimated Program Costs*:	\$32,103.00	\$35,000.00***	\$24,330.00
*Total Estimated Program Costs are based on FPU's 15 year historical claim averages and assumes receipt of 3 ABI, 3 APD, 2 GLBI and 5 GLPD claims annually. No pricing consideration given for Record Only claims.	*No fee if "self-administration" claim module utilized.	*Base cost includes 4 user accesses.	*4 accesses based on a price of \$1,495.00 per access; \$400.00 usage fee and 4 hours of training at \$400.00.
	**Base cost includes 4 user accesses.	**Upfront costs were estimated by assuming one month's cost of the \$25,000.00 minimum Account Service Fee plus the \$10,000 PLDF charge.	**4 reviews based on a price of \$1050.00 per telephonic review; audit cost is \$3,195.00 per audit. 34105 = 3150
		***Minimum Account Service Fee is \$25,000.00.	Per claim pricing does not include field investigation charged at \$90.00 hour or hearing attendance at \$105.00 hour.
			Pricing based on \$5000.00 settlement authority.



Lowest Bid
Awarded @

Q. Explain the over and above non- personnel adjustments for Corporate Services.

A. The non-personnel adjustments for South Florida operations include an adjustment for Smith System training, third party claims administration, license monitoring, Worksteps program, Bulli Ray, SGA Super Week, FGT Shippers meetings, Gas Mart, Occupational health and Safety seminars, Corporate office landscaping, Corporate office painting, Corporate office flooring, and gas distribution integrity. Witness Schneidermann has included in his testimony the nature of each of these adjustments. The adjustment amount for each of these items has been computed as follows:

Drivers license monitoring \$5,000 in 2009 - Based on vendor quote of approximately \$3,500 in minimum annual costs for MVRs and monitoring plus approximately \$1,500 in monthly monitoring fees based 155 drivers at \$9.60 per year each. \$2,550 of the total cost has been allocated to natural gas based on adjusted gross profit allocation factors.



3011 Earl Rudder Fwy S
College Station, Texas 77845

Gerry,
Following is the amended
annual cost. Let me know if
you have any questions.

Thanks,
Stefanie

DATE: 4/25/06

TO: GERRY STUCKART
FLORIDA PUBLIC UTILITIES

FROM: Stefanie Haggerty
800-299-7099 ext 8304
201-748-1396 fax
SHAGGERTY@IIX.COM

Gerry,
Thanks for contacting iiX today. Following is our information.

Price per MVR using ExpressNet (Internet):

iiX service fee \$2 (at most, decreases with volume-see schedule) + State fee + QuickTime fee
Example: Florida 7-yr -- \$2 at most + \$3.125 (7-yr fee) + \$.35 QT fee = \$5.48 at most per FL 7-yr MVR (returned instantly)

On the phone I quoted \approx \$3.50 per FL MVR, this was based on the 3-year MVR. I've quoted the 7-year MVR above to be on the safe side since I wasn't sure how many years you want to look at.

Based on 200 drivers, the cost for 200 FL 7-yr MVRs would be:
 $\$1 + \3.125 (7-yr fee) + $\$.35$ QT fee = $\$4.48$ per FL 7-yr MVR (returned instantly)
 $\$4.48 \times 200 = \896.00 (one-time cost, likely the first month the account is set up)

DriverAdvisor pricing:

\$1 at most, per driver monitored per month

Based on 200 drivers monitored, the cost for 200 FL 7-yr MVRs would be: $\$.80 \times 200 = \160 per month

$\$160 \times 12 = \1920

DriverAdvisor is an affordable service that provides continuous monitoring for critical MVR record activity on a driver or group of drivers. Examples of "critical" activity include violations, suspensions, revocations, and accidents (when reported by the state). As a DriverAdvisor subscriber, iiX will automatically provide you with a current MVR (at the applicable state and iiX

Continued on next page...

processing fees) on a monitored driver when a state DMV reports new activity on that driver. Each month you will receive an e-mail that indicates if there are monitored drivers with DMV activity, or, if there is no activity, an e-mail will be sent stating that there was no reported activity on your monitored drivers. MVRs ordered and returned as a result of monitored activity are billed at the standard MVR fee for that state (plus applicable processing fees). MVRs delivered by DriverAdvisor are viewed and printed in the ExpressNet Request/Reports area.

When new activity is detected, an MVR is automatically ordered and will be viewed in ExpressNet, so you can see the violation, change in status, etc. and take appropriate action. As stated above, MVR fees are assessed when these MVRs are ordered as a result of monitoring/new activity.

Account set up fee: \$50 (one-time charge, not due now-billed on first invoice)

Monthly fee: \$7.50 (charged in months reports are ordered, but not when the only charge is the DriverAdvisor monitoring fees)

The ~~minimum~~ annual costs to Florida Public Utilities for MVRs and monitoring are:

\$50.00	Set up fee
\$870.00	Initial MVR costs - to run 250 Florida 3-year MVRs
\$2,400.00	Annual cost to monitor drivers monthly (250 drivers per month)
\$107.52	Annual cost of 2 Florida 3-year MVRs per month*
\$90.00	Monthly fee annual cost (\$7.50 per month when reports are ordered)
\$3,517.52	Total

*The unknown here is how many drivers will have new violations, etc. each month, and ultimately how many MVRs will be ordered because of the new activity. Based on other Florida companies that monitor, I've used an average. This is very unreliable, since other companies' employees actions cannot predict that of another. I'm using this only for estimating purposes.

We also offer criminal reports - the cost of reports and a description of each is displayed on the ExpressNet screen. Let me know if you need details.

DriverSafe is the screen in ExpressNet that allows you to store driver request information and prior MVR orders for quick reference, and enable monitoring.

To set up an account, please complete:

- **Employment Subscription Agreement**
- **Copy of business license or tax return**

Please fax the documents back to my attention. If you have any questions, please contact me.

Thanks!
Stefanie

note: Opt for Driver Advisor pg 1 for 155 drivers
 $155 \times \$9.55 \times 12 = 1488.00$
 $+ 3517.52 \text{ (above)}$

 $\$ 5,005.52$

$\$ 5,000 -$

FPUC's Responses to CITIZENS' SECOND SET OF INTERROGATORIES (NOS. 5-81)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 64) **Driver's License Monitoring.** Please provide the annual expense for drivers license monitoring that the company has incurred for 2004 through 2008.

The company has not incurred any costs relating to drivers license monitoring from 2004 to 2008. We had incurred costs prior to 2004 as it was part of our routine processes. We had a change in personnel in 2004 and the routing monitoring checks were not continued. However, for certain company personnel routine monitoring is a requirement and as such the company began the process in the second quarter of 2009. These costs are necessary, required and uncontrollable by the company. Recovery of this expense is appropriate. The company recognized we did not have these costs in our historical trends and we added \$2,550 as an over and above adjustment (included on MFR Schedule G-6 page 6).

(Lundgren)

- 65) **Outside Services.** Please explain provide the annual expense incurred for tax consultants associated with the IRS audits of 2003/2004 in 2007 and 2005/2006 in 2008.

See our response and exhibits to Item #32 of this Set of Interrogatories for the annual expense incurred for tax consultants associated with the IRS audits. Due to the frequency of historical IRS audits, along with new tax related reporting requirements for FIN 48, and increasing complexity on the tax return we anticipate this will be a recurring activity and we will incur future costs associated with additional IRS audits and other tax services. (Lundgren)

- 66) **Software Maintenance.** Please provide the invoices for the Infinium software maintenance for 2005, 2006, 2007 and 2008.

Response: See Exhibit 66.1 (Lundgren)

- 67) **Deferred Income Taxes** Please provide the corresponding adjustments to deferred income taxes related to the prior period income tax adjustments addressed in Ms. Lundgren's testimony on page 72.

The testimony on page 72 refers to the Commission adjustments listed on Schedules C-2 and G-2 (C-2) in the MFRs. Please see page 2 and page 4 of Schedule G-2 (C-2), and page 2 of Schedule C-2 for the impact to each specific general ledger account, including the impact to the deferred income taxes (if any). We are also including a copy of the entry recorded in the historic year general ledger period 2007 relating to prior year tax (Exhibit 67.1). Additionally, we have included in response to Item #40 of this Set of Interrogatories copies of the entries relating to the IRS audits and tax returns.

(Lundgren)

- 68) **Projection and Inflation Factors.** Please provide the actual average 2008 growth rates for inflation in the CPI-U and customer growth.

084.12%
09 2.74%
Price inflation, measured by the consumer price index for urban areas (CPI-U), rose by 1.72% during 2008.

Consolidated Gas average customer growth, excluding interdepartmental, was 0.72% for the year 2008 over 2007. In our rate filing we projected a 1.1% increase in customer growth for 2008. Exhibit 68.1

(Cox)

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

\$12,274) went to natural gas in 2009. The job description was provided in Exhibit 40.8 to the FPSC Data Request No. 1 and a copy of this request was filed with the OPC. (Lundgren)

i. CIS Project Analyst new position - \$44,725

The adjustment for the permanent employee for this position was \$8,939 in 2008 and \$35,786 in 2009. See response to Item h above for additional information regarding this position and adjustment. (Lundgren)

96) GPS, Dispatching and Navigational system. Schedule G 6 for Account 123.4010.8802 includes \$24,500 (Page 6 of 7) and \$64,800 (Page 7 of 7) for a new system with dispatching capability. Please provide the following information regarding this system.

a. Whether this system has been purchased? If so, when was it purchased and when did it become operational?

b. Why are there two separate items listed in the Over and Under adjustments for GPS, Dispatching and Navigational system?

c. Why the GPS, Dispatching and Navigational system was allocated 100% to natural gas?

(a) The system was purchased in 2008 and was completely installed during October and November 2008. The system was fully operational by the end of November 2008.

(b) The entries were separated to indicate, for Company's purposes, the costs associated with each gas division separately.

(c) The GPS, Dispatching and Navigational system was not allocated 100% to natural gas. The dollars reflected in the filing are only the costs associated with natural gas. Over 17% of the total costs were directed to propane.

(Kitner)

97) Please explain the Summer Glen conversion project including the following:

a. When did this project begin?

b. When was the project completed?

c. How many natural gas customers are in Summer Glen?

a. The conversion began September 17, 2007.

b. The project was essentially complete on September 30, 2007.

c. There are approximately 704 natural gas customers in SummerGlen.

(Kitner)

98) Referring to OPC Interrogatory No, 64, please provide the actual costs incurred in 2009, to date, for the drivers' license monitoring to ensure that drivers' licenses are current and to monitor infractions.

The costs relating to drivers' license monitoring incurred for year to date 2009 were \$4,087.

Q. Explain the over and above non- personnel adjustments for Corporate Services.

A. The non-personnel adjustments for South Florida operations include an adjustment for Smith System training, third party claims administration, license monitoring, Worksteps program, Bulli Ray, SGA Super Week, FGT Shippers meetings, Gas Mart, Occupational health and Safety seminars, Corporate office landscaping, Corporate office painting, Corporate office flooring, and gas distribution integrity. Witness Schneidermann has included in his testimony the nature of each of these adjustments. The adjustment amount for each of these items has been computed as follows:

Worksteps \$60,000 in 2009 – Cost based on vendor quote; the Comprehensive Post Offer Functional Employment Test (at a cost of \$150 per employee) and the Fit For Duty RTW Test (at a cost of \$150 per employee) for 200 employees (anticipated sample selection). Of the \$60,000 total costs, \$30,600 has been allocated to natural gas based on adjusted gross profit allocation factors.

LETTER AGREEMENT

THIS AGREEMENT is by and between WorkSTEPS[®], Inc., a Texas corporation located at University Business Park, 3019 Alvin Devane, Suite 150, Austin, Texas, 78741 ("WorkSTEPS"), and Florida ~~XXXX~~, a _____ corporation, located at _____ ("COMPANY"), collectively ("THE PARTIES").

WHEREAS: COMPANY is desirous of implementing a functional employment testing program as a part of its work injury and disability management program, to, among other reasons, effectuate a reduction of on-the-job injuries by trying to determine if an applicant or employee can safely perform the essential functions of the job.

WHEREAS: WorkSTEPS has developed functional employment testing protocols and procedures that COMPANY desires to utilize for its functional employment testing program, and

WHEREAS: WorkSTEPS desires to assist COMPANY in implementing the WorkSTEPS functional employment-testing program,

THEREFORE THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS: Based on the functional employment test(s) and services that have been identified below the price for the test(s) and services shall be:

◆ Comprehensive Post Offer Functional Employment Test	\$ 150.00	} 1500 x 400/yr = 60,000
◆ Fit For Duty RTW	\$ 150.00	
◆ Basic Carpal Tunnel	\$ 25.00	
◆ No Show Fee (24 hour cancellation required)	\$ 50.00	
◆ Job Analysis (per hour)	\$ 150.00	
◆ Return on Investment Study (annual), if requested.	\$ 250.00	
◆ Policies and Procedures Development, if requested.	\$ 500.00	

Company agrees to pay WorkSTEPS within thirty (30) days of receipt of an invoice for completed tests.

Job Analyses is the foundation of the COMPANY'S functional employment testing program. A job analyses is a measurement of the physical demands and requirements of the essential functions of a specific job. Accurate and current job analyses are the COMPANY'S responsibility. Job Specific Authorization Forms that document essential function requirements must be executed by COMPANY'S representative and provided to WorkSTEPS before testing can begin. COMPANY managers should use professionals experienced in assisting with job analyses or other trained and certified ergonomic assessment specialists to assist in the preparation of job analyses and documentation of essential functions. The job analyses should be based on a close, careful examination of the specific job by an individual trained and competent in making the physical measurements of the essential functions of the specific job. The job analyses provides specific job content validity to COMPANY'S functional employment testing program, which seeks to simulate the specific physical demands necessary to perform essential job functions. Accurate and up-to-date job analyses help ensure that employment decisions are based on objective, sound, individual, and job specific information. Likewise, accurate and up-to-date job analyses helps ensure that no individual or group of individuals is discriminated against. COMPANY agrees to enter into an agreement in the form attached hereto as Exhibit "1" with the provider that will perform the job analysis.

The term of this Agreement shall be for a term of ___ year (s). The Agreement shall be automatically renewed each year for twenty (20) additional 1 year terms, unless terminated by either Party.

FPUC's Responses to CITIZENS' THIRD SET OF INTERROGATORIES (NOS. 82-98)
Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

were put into effect. The 2009 projected expenses will match the recovery period for revenues.

Significant increases in our pension expense and pension liability caused covenant issues with our fuel supplies and concerns over our bank covenants relating to our credit line. This also increased required pension contributions for 2009, over and above our current budgeted amounts for this same period, and those included in this rate proceeding. This pension liability issue resulted in the Company requesting managers to take some temporary cost reductions or cost deferral measures in early 2009. The declining stock market, concerns on possible further declines which would significantly impact our pension liability, along with concerns over our liquidity, and possible environmental cleanup funding required us to take unusual immediate action and focus to temporarily reduce cash outflow. There was also uncertainty with respect to environmental payments and costs, and we needed to be sure we were able to fund the requirement payments if they were accelerated.

Management took immediate steps to address these concerns by freezing the pension plan. Management action strengthened our financial positions and our covenant issues have been satisfied. Temporary action and expense deferrals are no longer required, and the business is operating back on a normal basis.

(Martin)

- 89) **Capital Structure.** In its application with the Delaware Public Service Commission, for approval of the issuance of 2.6 million shares of common stock in preparation for this merger, Chesapeake stated that the estimated \$3 million of FPU's short-term debt as of March 31, 2009 will be repaid and replaced with borrowings from Chesapeake's existing short-term lines of credit. (Application at ¶ 5.) Has the Company analyzed the impact of this transaction on the capital structure? If so, please provide the results of the analysis.

The company objects to this interrogatory on the basis that the information sought is not relevant to any issue in this request. What may happen at some future date has no effect on the filings in this docket. Without waiving this objection the company would respond that FPU has not analyzed the capital structure impact.

(Cox)

- 90) **Office Utility Expense.** Schedule G - 6 (Page.3 of7) for Account 100.1849.9214 states that 2008 Office Utility Expense was based on annualized January - April 2008 historical data and 2009 projection was based on trended 2008 expenses. Please provide actual expense for January - April for the years 2007, 2008, and 2009.

Please see Exhibit 90.1 for the actual historical expenses for 2007, 2008 and 2009.

(Lundgren)

- 91) **Misc. Office Expense.** Schedule G - 6 (Page.3 of 7) for Account 100.1849.9215 states that 2008 Misc. Office Expense was unusually high due to temp services. It further states that 2008 projections were based on annualized 2008 historical data.
- a. What months in 2008 were used to project total 2008?
 - b. Please provide actual expense for those historical months.
 - c. Please provide actual expense for those same months in 2007.

121.4010.9214

JAN	1/31/2008	-	6,803.52	6,803.52
FEB	2/29/2008	6,803.52	7,143.36	13,946.88
MAR	3/31/2008	13,946.88	7,640.19	21,587.07
APR	4/30/2008	21,587.07	8,028.62	29,615.69
MAY	5/31/2008	29,615.69	8,732.07	38,347.76
JUN	6/30/2008	38,347.76	10,854.73	49,202.49
JUL	7/31/2008	49,202.49	10,151.85	59,354.34
AUG	8/31/2008	59,354.34	6,428.16	65,782.50
SEP	9/30/2008	65,782.50	4,839.53	70,622.03
OCT	10/31/2008	70,622.03	19,308.72	89,930.75
NOV	11/30/2008	89,930.75	2,502.97	92,433.72
DEC	12/31/2008	92,433.72	8,607.20	101,040.92

$29,615.69 \times 3 = 88,847$

123.4010.9214

JAN	1/31/2008	-	3,343.71	3,343.71
FEB	2/29/2008	3,343.71	3,499.06	6,842.77
MAR	3/31/2008	6,842.77	3,726.19	10,568.96
APR	4/30/2008	10,568.96	3,903.75	14,472.71
MAY	5/31/2008	14,472.71	4,228.76	18,701.47
JUN	6/30/2008	18,701.47	5,362.80	24,064.27
JUL	7/31/2008	24,064.27	4,965.61	29,029.88
AUG	8/31/2008	29,029.88	2,917.86	31,947.74
SEP	9/30/2008	31,947.74	2,191.62	34,139.36
OCT	10/31/2008	34,139.36	10,111.28	44,250.64
NOV	11/30/2008	44,250.64	1,169.87	45,420.51
DEC	12/31/2008	45,420.51	4,043.57	49,464.08

$14,472.71 \times 3 = 43,418.13$

Consolidated NG 2008

JAN	10,147.23
FEB	10,642.42
MAR	11,366.38
APR	11,932.37

121.4010.9214

JAN	1/31/2007	-	3,396.12	3,396.12
FEB	2/28/2007	3,396.12	3,077.15	6,473.27
MAR	3/31/2007	6,473.27	1,804.60	8,277.87
APR	4/30/2007	8,277.87	11,220.64	19,498.51 <i>x3=58,496</i>
MAY	5/31/2007	19,498.51	4,685.24	24,183.75
JUN	6/30/2007	24,183.75	7,279.91	31,463.66
JUL	7/31/2007	31,463.66	5,528.42	36,992.08
AUG	8/31/2007	36,992.08	5,731.59	42,723.67
SEP	9/30/2007	42,723.67	3,999.10	46,722.77
OCT	10/31/2007	46,722.77	5,195.26	51,918.03
NOV	11/30/2007	51,918.03	6,051.77	57,969.80
DEC	12/31/2007	57,969.80	6,124.74	64,094.54

123.4010.9214

JAN	1/31/2007	-	1,498.28	1,498.28
FEB	2/28/2007	1,498.28	1,488.94	2,987.22
MAR	3/31/2007	2,987.22	873.19	3,860.41
APR	4/30/2007	3,860.41	9,822.85	13,683.26 <i>x3= 41,050</i>
MAY	5/31/2007	13,683.26	3,456.85	17,140.11
JUN	6/30/2007	17,140.11	1,059.28	18,199.39
JUL	7/31/2007	18,199.39	3,944.84	22,144.23
AUG	8/31/2007	22,144.23	3,983.27	26,127.50
SEP	9/30/2007	26,127.50	3,144.97	29,272.47
OCT	10/31/2007	29,272.47	3,772.38	33,044.85
NOV	11/30/2007	33,044.85	4,055.78	37,100.63
DEC	12/31/2007	37,100.63	4,190.52	41,291.15

Consolidated NG 2007

JAN	4,894.40
FEB	4,566.09
MAR	2,677.79
APR	21,043.49
Annual	105,385.69

7/17/2009 16:26:21

Interactive Trial Balance
Monthly activity

Docket No. 080366-GU

EC Interrogatory GLDITB

Exhibit ___ PWM-38

Page 4 of 9

GLDITB

Select option, press Enter.

Account : 001.2.1.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
-	JAN 1/31/2007	.00	3,396.12	3,396.12
-	FEB 2/28/2007	3,396.12	3,077.15	6,473.27
-	MAR 3/31/2007	6,473.27	1,804.60	8,277.87
-	APR 4/30/2007	8,277.87	11,220.64	19,498.51
-	MAY 5/31/2007	19,498.51	4,685.24	24,183.75
-	JUN 6/30/2007	24,183.75	7,279.91	31,463.66
-	JUL 7/31/2007	31,463.66	5,528.42	36,992.08
-	AUG 8/31/2007	36,992.08	5,731.59	42,723.67
-	SEP 9/30/2007	42,723.67	3,999.10	46,722.77
-	OCT 10/31/2007	46,722.77	5,195.26	51,918.03
-	NOV 11/30/2007	51,918.03	6,051.77	57,969.80
-	DEC 12/31/2007	57,969.80	6,124.74	64,094.54
-	ADJ 12/31/2007	64,094.54	64,094.54-	.00

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

7/17/2009 16:26:27

Interactive Trial Balance
Monthly activity

Docket No. 080366-GU

EC Interrogatory NGI/GITB

GLDITB

Exhibit PWM-38

Page 5 of 9

Select option, press Enter.

Account : 001.2.3.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
-	JAN 1/31/2007	.00	1,498.28	1,498.28
-	FEB 2/28/2007	1,498.28	1,488.94	2,987.22
-	MAR 3/31/2007	2,987.22	873.19	3,860.41
-	APR 4/30/2007	3,860.41	9,822.85	13,683.26
-	MAY 5/31/2007	13,683.26	3,456.85	17,140.11
-	JUN 6/30/2007	17,140.11	1,059.28	18,199.39
-	JUL 7/31/2007	18,199.39	3,944.84	22,144.23
-	AUG 8/31/2007	22,144.23	3,983.27	26,127.50
-	SEP 9/30/2007	26,127.50	3,144.97	29,272.47
-	OCT 10/31/2007	29,272.47	3,772.38	33,044.85
-	NOV 11/30/2007	33,044.85	4,055.78	37,100.63
-	DEC 12/31/2007	37,100.63	4,190.52	41,291.15
-	ADJ 12/31/2007	41,291.15	41,291.15-	.00

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

7/17/2009 16:26:37

Interactive Trial Balance
Monthly activity

Docket No. 080366-GU
PC Interrogatory No. 90
Exhibit PWM-38
Page 6 of 9

GLDITB

Select option, press Enter.

Account : 001.2.1.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
-	JAN 1/31/2008	.00	6,803.52	6,803.52
-	FEB 2/29/2008	6,803.52	7,143.36	13,946.88
-	MAR 3/31/2008	13,946.88	7,640.19	21,587.07
-	APR 4/30/2008	21,587.07	8,028.62	29,615.69
-	MAY 5/31/2008	29,615.69	8,732.07	38,347.76
-	JUN 6/30/2008	38,347.76	10,854.73	49,202.49
-	JUL 7/31/2008	49,202.49	10,151.85	59,354.34
-	AUG 8/31/2008	59,354.34	6,428.16	65,782.50
-	SEP 9/30/2008	65,782.50	4,839.53	70,622.03
-	OCT 10/31/2008	70,622.03	19,308.72	89,930.75
-	NOV 11/30/2008	89,930.75	2,502.97	92,433.72
-	DEC 12/31/2008	92,433.72	8,607.20	101,040.92
-	ADJ 12/31/2008	101,040.92	101,040.92-	.00

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

7/17/2009 16:26:40

Interactive Trial Balance
Monthly activity

Docket No. 080366-GJ
OPC Interrogatory No. 90
Exhibit PWM-38
Page 7 of 9

GLDITB

Select option, press Enter.

Account : 001.2.3.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
	JAN 1/31/2008	.00	3,343.71	3,343.71
-	FEB 2/29/2008	3,343.71	3,499.06	6,842.77
-	MAR 3/31/2008	6,842.77	3,726.19	10,568.96
-	APR 4/30/2008	10,568.96	3,903.75	14,472.71
-	MAY 5/31/2008	14,472.71	4,228.76	18,701.47
-	JUN 6/30/2008	18,701.47	5,362.80	24,064.27
-	JUL 7/31/2008	24,064.27	4,965.61	29,029.88
-	AUG 8/31/2008	29,029.88	2,917.86	31,947.74
-	SEP 9/30/2008	31,947.74	2,191.62	34,139.36
-	OCT 10/31/2008	34,139.36	10,111.28	44,250.64
-	NOV 11/30/2008	44,250.64	1,169.87	45,420.51
-	DEC 12/31/2008	45,420.51	4,043.57	49,464.08
-	ADJ 12/31/2008	49,464.08	49,464.08-	.00

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

7/17/2009 16:26:52

Interactive Trial Balance
Monthly activity

Docket No. 080366-GM
OPC Interrogatory No. 90
Exhibit PWM-38
Page 8 of 9

GLDITB
GLDITB

Select option, press Enter.

Account : 001.2.3.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
-	JAN 1/31/2009	.00	4,365.17	4,365.17
-	FEB 2/28/2009	4,365.17	2,117.33	6,482.50
-	MAR 3/31/2009	6,482.50	4,385.27	10,867.77
-	APR 4/30/2009	10,867.77	3,482.19	14,349.96
-	MAY 5/31/2009	14,349.96	1,505.54	15,855.50
-	JUN 6/30/2009	15,855.50	2,618.21	18,473.71
-	JUL 7/31/2009	18,473.71	.00	18,473.71
-	AUG 8/31/2009	18,473.71	.00	18,473.71
-	SEP 9/30/2009	18,473.71	.00	18,473.71
-	OCT 10/31/2009	18,473.71	.00	18,473.71
-	NOV 11/30/2009	18,473.71	.00	18,473.71
-	DEC 12/31/2009	18,473.71	.00	18,473.71
-	ADJ 12/31/2009	18,473.71	.00	18,473.71

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

7/17/2009 16:26:48

Interactive Trial Balance
Monthly activity

Docket No. 080366
OPC Interrogatory No. 90
Exhibit PWM-38
Page 9 of 9

GLDITB

Select option, press Enter.

Account : 001.2.1.4010.9214

OFFICE UTILITY EXPENSE

O	Period End	Starting Balance	Posted Activity	Ending Balance
-	JAN 1/31/2009	.00	8,596.09	8,596.09
-	FEB 2/28/2009	8,596.09	4,361.65	12,957.74
-	MAR 3/31/2009	12,957.74	9,002.29	21,960.03
-	APR 4/30/2009	21,960.03	7,085.59	29,045.62
-	MAY 5/31/2009	29,045.62	3,379.47	32,425.09
-	JUN 6/30/2009	32,425.09	5,110.46	37,535.55
-	JUL 7/31/2009	37,535.55	.00	37,535.55
-	AUG 8/31/2009	37,535.55	.00	37,535.55
-	SEP 9/30/2009	37,535.55	.00	37,535.55
-	OCT 10/31/2009	37,535.55	.00	37,535.55
-	NOV 11/30/2009	37,535.55	.00	37,535.55
-	DEC 12/31/2009	37,535.55	.00	37,535.55
-	ADJ 12/31/2009	37,535.55	.00	37,535.55

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

Docket No. 090125-GU
CHPK Responses to Staff's First Data Requests

Company Response: The Company is currently working with the Florida Natural Gas Association on this issue, to determine if any of the American Recovery and Reinvestment Act of 2009 (the "Act") funds are eligible for reimbursing utilities for relocation costs related to road project funded by the Act. Discussions that have occurred to date with the Florida Department of Transportation indicate that the funds received through the Act will NOT be eligible for utilities to relocate facilities on such projects.

(Responses to 71 – 72 – Mr. Geoffroy)

DIMP Rule

73. Describe the company's current procedures for addressing the requirements of the proposed distribution integrity management program (DIMP) rule.

Company Response: The Company is currently monitoring the progress of the DIMP rule through participation in discussions, committees and workshops with the Florida Natural Gas Association, the Southern Gas Association and the American Gas Association. We will finalize and implement our DIMP Plan based on the results of these interactions.

74. Identify all test year and projected expenses included in the current rate case that relate to the DIMP rule?

Company Response: No expenses related to the DIMP rule are included in the current rate case.

(Responses to 73-74 – Mr. Taylor)

Missing MFR Schedule

75. MFR Schedule G-1, page 23, refers to Supporting Schedules: G-1 p. 27-28. These supporting schedules were not included with the MFRs. Please provide.

Company Response: This reference was an oversight by the Company. The correct site should have been Schedule G-1, p. 24-26. Schedules G-1, pages 27-28 are not a part of the Company's MFR filing.

(Response to 75 – Mr. Geoffroy)

Compensation Amounts

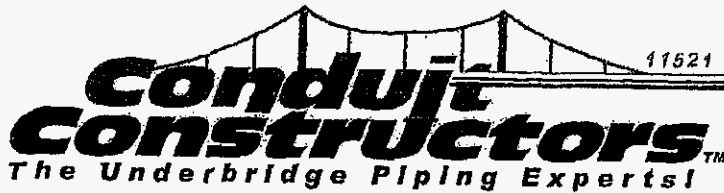
Q. Explain the over and above non- personnel adjustments for South Florida

Operations.

A. The non-personnel adjustments for South Florida operations include an adjustment for GPS, Dispatching and Navigational System, Bridge crossing repairs and maintenance, Training, Line locating and an M&J allocation correction. Witnesses Kitner and Martin have included in their testimony the nature of different components of these adjustments.

The adjustment amount for each of these items has been computed as follows:

Bridge crossing repairs and maintenance \$26,250 in 2009 – The adjustment is based on the vendor quote increased by approximately 6.5% for a total of \$105,000. This cost has been allocated over a four year recovery period for an annual cost of \$26,250.



11521 Reames Road • Suite 102 • Charlotte, NC 28209

Sept 26, 2007

Mr. Calvin Favors
Florida Public Utilities
208 N. Sapodilla Ave.
West Palm Beach, FL 33401

9/27/07
10/1/07
Bridge Crossing Repairs

Re: Budgetary Proposal for above ground Crossings

Conduit Constructors, LLC is pleased to provide the following scope and price proposal for the above referenced project. Based on the information we have received and our understanding of that information, our scope is detailed as follows.

Individual Scopes and Clarifications

45th and Corporate

On this crossing we will replace existing hangers with six new properly sized, stainless steel, yoke style hangers, non-conductive rollers and all necessary hardware. We will install fourteen, 240 degree shields to prevent shorting during thermal cycles. We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 130' of 6" pipe per manufacturer's recommendations. Traffic control will be provided on this crossing. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$10,716.00

North Shore Drive

On this crossing we will replace existing roller chairs with five new properly sized, stainless steel, yoke style hangers, non-conductive rollers, and all hardware necessary. We will install 13 240 degree shields to prevent shorting during thermal cycles. Then we will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 100' of 4" pipe per manufacturer's recommendation. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$6421.00

Haverhill Rd.

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 53' of 6" pipe. We will also install rock shield on both ends of the pipe.

Our Proposal: \$3380.00

Haverhill/Caribbean

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 70' of 6" pipe per manufacturer's recommendations. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$3569.00



**Conduit
Constructors™**
The Underbridge Piping Experts!

11521 Reumas Road • Suite 102 • Charlotte, NC 28269

Belvedere Rd.

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 106' of 6" pipe per manufacturer's recommendations. We will also replace four stainless steel yoke style hangers with non-conductive rollers and eight 240 degree shields where the pipe touches existing supports. We will install shields and pack casings with fill putty to protect the pipe.

Our Proposal: \$7125.00

Florida Mango

We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 55' of 6" pipe per manufacturer's recommendations. We will completely remove all existing tape on pipe. We will install four 360 degree shields where pipe is resting on the headwalls. Traffic Control included.

Our Proposal: \$5160.00

Westlake Drive

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 35' of 4" pipe per manufacturer's recommendations. We will also install shields in the casings and use fill putty to protect the pipe.

Our Proposal: \$2760.00

6th Ave

On this crossing we will replace 7 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will also install fourteen 240 degree shields to prevent shorting during thermal cycle. Next we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 150' of 8" pipe. We will also install rock shield where the pipe enters and exits the ground. Traffic control will be provided.

Our Proposal: \$12,129.00

Orangetree

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 60 of 4" pipe per manufacturer's recommendations. We will also install 6 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install rock shield where the pipe enters and exits the ground. We will install twelve 240 degree shields at all hanger locations.

Our Proposal: \$ 6075.00

Troon Drive

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 45' of 4" pipe per manufacturer's recommendations. We will also install 5 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install rock shield where the pipe enters and exits the ground. We will install ten 240 degree shields at all hanger locations. We will also remove rocks from the pipe.

Our Proposal: \$4335.00

11521 Reames Road • Suite 102 • Charlotte, NC 28269



Conduit Constructors
The Underbridge Piping Experts!

Carl Bolter

On this crossing we will install 8 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install sixteen 240 degree shields at all hanger locations. We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 190' of 6" pipe per manufacturer's recommendations. We will install rock shield at both ends of pipe.

Our Proposal: \$11,650.00

7th ave.

On this crossing we will replace hangers with 5 new properly sized, stainless steel, yoke style hangers, non-conductive rollers, and all hardware necessary. We will install ten 240 degree shields to prevent shorting during thermal cycles. Then we will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 117' of 8" pipe per manufacturer's recommendation. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$11,590.00

Glade Rd.

This location includes two crossing. We will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 160' of 6" pipe. We will install stainless steel straps at four locations to keep pipe from shifting off existing roller chairs. We will repair angle iron that is being pulled out of concrete pier. We will install rock shield at four locations where the pipe enters and exits the ground. Traffic control is included in price.

Our Proposal: \$13,560.00

All the pricing here are estimates as to what it would take to rehabilitate the pipe crossings. The crossings are turn key pricing which includes all material, men, tools and equipment to perform the work. Traffic control is included on all crossing that will require lane closures, flagmen, or police protection. They do not include any fees associated with railroad permitting or railroad flag men.

I would love to discuss each crossing in detail to discuss economies of scale. Thank you for the opportunity to earn your business and I look forward to building a long term relationship with your company.

Best regards,

Burns Conrad
VP Business Development

10,716.00
6,421.00
3,380.00
3,569.00
7,125.00
5,160.00
2,760.00
12,129.00
6,075.00
4,335.00
11,650.00
11,590.00
13,560.00

013

98,470.00

FPUC's Responses to STAFF'S SECOND DATA REQUEST

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 52. Please provide a copy of the "cost estimates provided by the vendor AON" discussed by witness Lundgren on page 55 of her direct testimony.**

Please see Exhibit 52.1 (Lundgren)

- 53. Please provide the support for the training expense discussed by witness Lundgren on page 60 of her direct testimony.**

Please see Exhibit 53.1 (Lundgren)

- 54. Please provide a copy of the vendor quotes discussed by witness Lundgren on pages 50, 61, 65, 66, 67 and 68, of her direct testimony.**

Please see Exhibit 54.1 through 54.16 (Lundgren)

- 55. What is the expected life of the new flooring for the corporate office? (Lundgren page 67)**

The expected life of the flooring for the corporate office is eight years as noted on page 6 of MFR G-6. We amortized this expense over the period of time that the new rates are expected to be in place. Our prior rate proceeding was four years ago. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenditures.

(Lundgren)

- 56. Please explain why four years was chosen for Bridge Crossing Repairs and Maintenance?**

The repairs and maintenance for 2009 is anticipated to be \$105,000. We put in ¼ of the total expense or \$26,250 for recovery in 2009. Our prior rate case proceeding was four years ago. We chose a four year period as this is the period of time the new rates are expected to be in place. In past rate proceedings, non-annual recurring expenses have been amortized over this period of time for purposes of matching the expenses with the revenues, and to allow recovery for prudently incurred expenses.

(Lundgren)

- 57. Please provide in electronic and hard copy format all historical data (independent and dependent variables) by rate class used to estimate the econometric models used to forecast the 2009 test year bills and therms.**

The historical data are contained in "cen_dat.txt" and "wpb_dat.txt". See Exhibit 57.1 CD

(Cox)

- 58. Please provide all the econometric equations used to forecast the 2009 test year bills and therms by rate class including all supporting statistics.**

**FPUC's Responses to CITIZENS' SECOND SET OF PRODUCTION OF DOCUMENTS
(NOS. 9-30)**

Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company

- 29) **Bridge Crossing Repairs and Maintenance. Please provide all correspondence, reports, emails or Commission orders addressing the Commission's Bureau of Safety recommendation for extensive repair and maintenance activities on 14 bridges.**

See Exhibit 29.F1

(Kitner)

- 30) **Steel Tubing Replacement Please provide all correspondence, reports, emails or Commission orders addressing the Commission's Bureau of Safety recommendation for steel tubing replacement.**

Response:

We introduced our Bare Steel Replacement Program, which was approved by the Commission, in our previous rate proceeding for several reasons. The increasing instances of necessary repairs and replacements of existing bare steel mains and services indicated that a commitment to replacing the mains and services would have to be a priority. Industry experience with older steel mains and services reinforced the realization that due to the older age of a major portion of our system a dedicated replacement procedure was required.

We also have steel tubing within our system. Mr. Don Kitner, FPUC Central Florida General Manager, discussed the steel tubing issue with Mr. Ed Mills, engineer at the FPSC. Mr. Mills expressed his agreement with our dedication to the replacement of all existing steel tubing in conjunction with the replacement of the bare steel.

Attached as Exhibits 30.1, 30.2, and 30.3 are excerpts from annual FPSC Engineering Evaluations. These evaluations clearly indicate that it was imperative that steps be taken to replace existing bare steel.

(Mesite)

FPUC - NATURAL GAS
DOCKET NO. 080366-GU
OPC POD: 2
EXHIBIT 29.F1

RE: Annual Pipeline Safety Evaluation

December 10, 2004

It should be noted that this is a continued improvement over the historic data concerning Operator's cathodic protection system. Operator appears to be making progress toward maintaining and correcting deficiencies in their cathodic protection system due to the efforts of their employees. Staff recommends this effort continue.

- 2) Operator is in the process of painting and protecting from atmospheric corrosion their gate stations. However, this process must be speeded up, since not all gate stations have been repainted and protected from atmospheric corrosion. Additionally, staff recommends the same actions should be taken at all of their district regulator stations. This must be scheduled/completed as soon as possible, in order to protect the stations from atmospheric corrosion and to assure public safety.
- 3) Staff has ascertained the following above ground pipeline crossings need to have maintenance performed on them as specified below:
 - A) Crossing # 109 = needs repainting/recoating.
 - B) Crossing # 132 = needs repainting/recoating; broken brackets.
 - C) Crossing # 157 = needs repainting/recoating.
 - D) Crossing # 149 = needs repainting/recoating.
 - E) Crossing # 161 = needs repainting/recoating.
 - F) Crossing # 151 = needs repainting/recoating; broken brackets.
 - G) Crossing # 118 = broken brackets.
- 4) Staff recommends Operator set up a formal program to track/record "brittle like cracking" should it occur and be found/located in their system. The specifics of this program should be included in their O&M Manual.
- 5) Staff has ascertained the following critical valves (CV) must have maintenance performed on them as specified below as soon as possible:
 - A) CV # 016 = cannot be turned.
 - B) CV # 037 = cannot be turned.
- 6) Staff continues to strongly believe Operator must develop and implement, as soon as possible, a formal bare steel/cathodically unprotected steel pipe replacement program. This program must be developed/completed due to the corrosion and erosion leaks occurring on their system and in order to assure continuing public safety and pipeline integrity.
- 7) Operator needs to provide all Company supervisors with copies of OQ employee/contractor covered tasks qualification lists.

FPUC – NATURAL GAS
DOCKET NO. 080366-GU
OPC POD: 2
EXHIBIT 29.F2

RE: Annual Pipeline Safety Evaluation

December 7, 2005

states, "Each Operator should take prompt remedial action to correct any deficiencies indicated by monitoring," and by 368.05(12) F.S.; FPSC 25-12.052(6) which states, "Each operator must take remedial action within three (3) months to correct or make substantial progress toward correction of any deficiency indicated by monitoring."

- 2) Operator is in the process of finalizing the painting and protecting from atmospheric corrosion their gate/regulator stations. However, there are three stations that still need to be repainted and brought up to professional standards. It is recommended these be scheduled/completed as soon as possible, in order to protect the stations from atmospheric corrosion and to assure public safety.
- 3) Staff has ascertained the following above ground pipeline crossings need to have maintenance performed on them as specified below:
 - A) Crossing #149 = needs repainting/recoating.
 - B) Crossing #151 = needs repainting/recoating; broken brackets.
 - C) Crossing #157 = needs repainting/recoating.
- 4) Staff recommends Operator finalize their formal program to track/record "brittle like cracking" should it occur and be found/located in their system.
- 5) Staff has ascertained the following critical valves (CV) must have maintenance performed on them as specified below, as soon as possible:
 - A) CV #016 = cannot be turned/may need replacing.
 - B) CV #037 = cannot be turned/may need replacing.
- 6) Operator needs to provide all Company supervisors with copies of OQ employee/contractor personnel covered tasks qualification lists.
- 7) Operator needs to develop a process to document the identification of operations or maintenance personnel performing covered tasks should they become involved in a related incident or accident.
- 8) Operator should identify additional specific abnormal operating conditions (AOCs) associated with each identified OQ covered task and include these with the necessary OQ training.
- 9) Operator should document/keep/retain all records of contractor personnel trained in their Operator Qualification Program.

These findings have been discussed with Operator's Mr. Calvin Favors.

RE: Annual Pipeline Safety Evaluation

December 1, 2006

specified in 49 CFR Part 192.463, Appendix D, Part A (1). Operator is reminded that all areas must be kept up to specifications as required by 49 CFR Part 192.465(d), which states, "Each Operator should take prompt remedial action to correct any deficiencies indicated by monitoring," and by 368.05(12) F.S.; FPSC 25-12.052(6) which states, "Each operator must take remedial action within three (3) months to correct or make substantial progress toward correction of any deficiency indicated by monitoring."

- 3) Operator is in the process of finalizing the painting and protecting from atmospheric corrosion their gate/regulator stations. However, there are two stations that still need to be cleaned/repainted and brought up to professional standards. It is recommended these be scheduled/completed as soon as possible, in order to protect the stations from atmospheric corrosion and to assure public safety.
- 4) Staff has ascertained the following listed above ground pipeline crossings need to have various maintenance procedures performed on them which include items such as cleaning, painting, rewrapping, and minor repairs. It is recommended the necessary repairs be made as soon as practicable.
 - A) Crossing numbers 160, 159, 162, 103, 106, 117, 120, 124, 130, 133, 134, 138, 149, 143, 144, 151, 155, and 156.
- 5) Operator needs to finalize the current in progress development of a process and implement it in order to document the identification of operations or maintenance personnel performing covered tasks should they become involved in a related incident or accident.
- 6) Operator should continue to identify additional specific abnormal operating conditions (AOCs) associated with each identified OQ covered task and include these with the necessary OQ training.
- 7) It is recommended Operator take random annual cathodic protection reads on all of their gas structures that are protected by rectifiers with the rectifier turned off (instant - off) during 2007. This is in addition to the normal annual reads regularly taken with the rectifier on. The results of these reads with the rectifier off should be recorded and retained for reference, review, and inspection.
- 8) Operator should consider establishing records that compare the percentage of One-Call late ticket reports and no locates to the total locate requests and track this data to determine if additional line locators are required.

RE: Annual Pipeline Safety Evaluation

December 5, 2007

substantial progress toward correction of the remaining 3 areas. We recommend this progress continue and note that Operator's cathodic protection program appears to be carried out in a professional manner with dedicated employees.

- 3) Staff has ascertained the following listed above ground pipeline crossings need to have various maintenance procedures performed on them which include items such as cleaning, painting, rewrapping, minor repairs, etc. It is recommended the necessary repairs be made as soon as possible to the following pipeline crossings:

Crossing numbers = 101, 102, 103, 114, 118, 120, 127, 130, 131, 133, 134, 138, 149, 143, 144, 147, 149, 157, 156, 159, 160, and 162.

- 4) It is recommended Operator continue to take random annual cathodic protection reads on all of their gas structures that are protected by rectifiers with the rectifier turned off (instant -- off), during 2007 and forward. The results of these reads with the rectifier off should be recorded and retained for reference, review, and inspection.
- 5) Operator should prepare a formal schedule for their bare steel/cathodically unprotected steel pipe replacement program to include such items as, but not necessarily limited to, annual spending targets, annual replacement amounts (footages of pipe/numbers of services), areas scheduled for replacement, and final program completion date. This information could be in spreadsheet report form and made available for review and inspection.
- 6) The Boynton Beach Gate Station and Lake Worth South Gate Station odorizers are not presently injecting odorant into the gas system. The gas system is receiving odorant of sufficient levels from the other Gate Stations because the gas system is "looped". Odorant test results throughout the year for the entire system are satisfactory. However, Staff recommends these 2 odorizers be repaired and placed back into operation as soon as possible.

These findings have been discussed with Operator's Mr. Calvin Favars.

RE: Annual Pipeline Safety Evaluation

December 1, 2008

Staff continues to monitor the annual progression of Operator's bare steel gas pipe replacement program, which is moving forward. Operator should continue to implement their bare steel/cathodically unprotected steel pipe replacement program. Priority should be given to those areas where corrosion and/or corrosion leaks are occurring. This program must be completed in order to assure public safety and pipeline integrity.

Staff is not aware of any maximum allowable operating pressure (MAOP) violations, nor any low gas pressure problems during cold weather conditions occurring during 2007.

Staff has ascertained the following listed above ground pipeline crossings need to have various maintenance procedures performed on them which include items such as cleaning, painting, rewrapping, minor repairs, etc. It is recommended the necessary repairs be made as soon as possible to the following pipeline crossings:

Crossing numbers = 102, 103, 107, 109, 110, 115, 120, 130, 131, 133, 134, 149, 151, 157 and 159.

The Lake Worth South Gate Station odorizer is not presently injecting odorant into the gas system. The gas system is receiving odorant of sufficient levels from the other Gate Stations because the gas system is "looped". This odorizer should be placed back into operation as soon as possible!

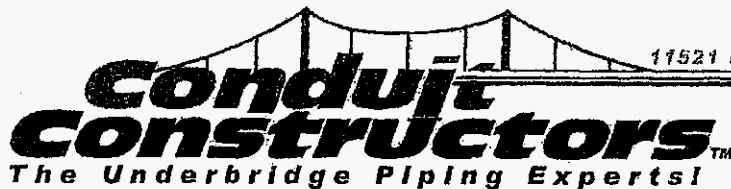
These findings have been discussed with Operator's Mr. Calvin Favre's.

Q. Explain the over and above non- personnel adjustments for South Florida Operations.

A. The non-personnel adjustments for South Florida operations include an adjustment for GPS, Dispatching and Navigational System, Bridge crossing repairs and maintenance, Training, Line locating and an M&J allocation correction. Witnesses Kitner and Martin have included in their testimony the nature of different components of these adjustments.

The adjustment amount for each of these items has been computed as follows:

Bridge crossing repairs and maintenance \$26,250 in 2009 -- The adjustment is based on the vendor quote increased by approximately 6.5% for a total of \$105,000. This cost has been allocated over a four year recovery period for an annual cost of \$26,250.



11521 Rounson Road • Suite 102 • Charlotte, NC 28269

Sept 26, 2007

Mr. Calvin Favors
Florida Public Utilities
208 N. Sapodilla Ave.
West Palm Beach, Fl 33401

10/21/07
11/1/07
Bridge Crossing Repairs

Re: Budgetary Proposal for above ground Crossings

Conduit Constructors, LLC is pleased to provide the following scope and price proposal for the above referenced project. Based on the information we have received and our understanding of that information; our scope is detailed as follows.

Individual Scopes and Clarifications

45th and Corporate

On this crossing we will replace existing hangers with six new properly sized, stainless steel, yoke style hangers, non-conductive rollers and all necessary hardware. We will install fourteen, 240 degree shields to prevent shorting during thermal cycles. We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 130' of 6" pipe per manufacturer's recommendations. Traffic control will be provided on this crossing. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$10,716.00

North Shore Drive

On this crossing we will replace existing roller chairs with five new properly sized, stainless steel, yoke style hangers, non-conductive rollers, and all hardware necessary. We will install 13 240 degree shields to prevent shorting during thermal cycles. Then we will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 100' of 4" pipe per manufacturer's recommendation. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$6421.00

Haverhill Rd.

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 53' of 6" pipe. We will also install rock shield on both ends of the pipe.

Our Proposal: \$3380.00

Haverhill/Caribbean

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 70' of 6" pipe per manufacturer's recommendations. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$3569.00



11521 Reames Road • Suite 102 • Charlotte, NC 28269

Belvedere Rd.

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 106' of 6" pipe per manufacturer's recommendations. We will also replace four stainless steel yoke style hangers with non-conductive rollers and eight 240 degree shields where the pipe touches existing supports. We will install shields and pack casings with fill putty to protect the pipe.

Our Proposal: \$7125.00

Florida Mango

We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 55' of 6" pipe per manufacturer's recommendations. We will completely remove all existing tape on pipe. We will install four 360 degree shields where pipe is resting on the headwalls. Traffic Control included.

Our Proposal: \$5160.00

Westlake Drive

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 35' of 4" pipe per manufacturer's recommendations. We will also install shields in the casings and use fill putty to protect the pipe.

Our Proposal: \$2760.00

6th Ave

On this crossing we will replace 7 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will also install fourteen 240 degree shields to prevent shorting during thermal cycle. Next we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 150' of 8" pipe. We will also install rock shield where the pipe enters and exits the ground. Traffic control will be provided.

Our Proposal: \$12,129.00

Orangetree

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 60 of 4" pipe per manufacturer's recommendations. We will also install 6 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install rock shield where the pipe enters and exits the ground. We will install twelve 240 degree shields at all hanger locations.

Our Proposal: \$ 6075.00

Troon Drive

On this crossing we will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 45' of 4" pipe per manufacturer's recommendations. We will also install 5 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install rock shield where the pipe enters and exits the ground. We will install ten 240 degree shields at all hanger locations. We will also remove rocks from the pipe.

Our Proposal: \$4335.00



11521 Reames Road • Suite 102 • Charlotte, NC 28269

Carl Bolter

On this crossing we will install 8 hangers with new properly sized, stainless steel yoke style hangers, non-conductive rollers, and all necessary hardware. We will install sixteen 240 degree shields at all hanger locations. We will clean, prep, prime, and apply Trenton Wax Tape #2 to approximately 190' of 6" pipe per manufacturer's recommendations. We will install rock shield at both ends of pipe.

Our Proposal: \$11,650.00

7th ave.

On this crossing we will replace hangers with 5 new properly sized, stainless steel, yoke style hangers, non-conductive rollers, and all hardware necessary. We will install ten 240 degree shields to prevent shorting during thermal cycles. Then we will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 117' of 8" pipe per manufacturer's recommendation. We will also install rock shield where the pipe enters and exits the ground.

Our Proposal: \$11,590.00

Glade Rd.

This location includes two crossing. We will clean, prep, prime and apply Trenton Wax Tape #2 to approximately 160' of 6" pipe. We will install stainless steel straps at four locations to keep pipe from shifting off existing roller chairs. We will repair angle iron that is being pulled out of concrete pier. We will install rock shield at four locations where the pipe enters and exits the ground. Traffic control is included in price.

Our Proposal: \$13,560.00

All the pricing here are estimates as to what it would take to rehabilitate the pipe crossings. The crossings are turn key pricing which includes all material, men, tools and equipment to perform the work. Traffic control is included on all crossing that will require lane closures, flagmen, or police protection. They do not include any fees associated with railroad permitting or railroad flag men.

I would love to discuss each crossing in detail to discuss economies of scale. Thank you for the opportunity to earn your business and I look forward to building a long term relationship with your company.

Best regards,

Burns Conrad
VP Business Development

10,716.++
6,421.++
3,380.++
3,569.++
7,125.++
5,160.++
2,760.++
12,129.++
6,075.++
4,335.++
11,650.++
11,590.++
13,560.++

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98,470.++