FLORIDA PUBLIC SERVICE COMMISSION

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M E M O R A N D U M

January 6, 1994

TO : DIRECTOR OF RECORDS AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (BERG, BOOKER, COLSON, FUTRELL, KUMMER, MCLEAN, MEETER, WHEELER, BREMAN) WBB DPW ALM
DIVISION OF AUDITING AND FINANCIAL ANALYSIS (JOHNSON, LEE, NEIL, MERTA, REVELL, C. ROMIG, L. ROMIG, SLEMKEWICZ, STALLCUP)
DIVISION OF LEGAL SERVICES (CANZANO, ELIAS) RUE JDJ RLT

RE : DOCKET NO. 930400-EI - FLORIDA PUBLIC UTILITIES COMPANY APPLICATION FOR A RATE INCREASE FOR MARIANNA ELECTRIC OPERATIONS BY FLORIDA PUBLIC UTILITIES COMPANY

AGENDA : JANUARY 18, 1994 - REGULAR AGENDA
PROPOSED AGENCY ACTION - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 5-MONTH EFFECTIVE DATE: JANUARY 31, 1994

SPECIAL INSTRUCTIONS: I:\PSC\~~EAG~~ AFA\WP\[redacted]
SCHEDULES ARE NOT AVAILABLE

TABLE OF CONTENTS

CASE BACKGROUND

On April 1, 1993, Florida Public Utilities-Marianna Operating Division (FPUC, Marianna, or the Company) filed a petition for an increase in its rates and charges and approval of a fair and reasonable rate of return. The petition seeks a permanent increase in Marianna's rates and charges pursuant to Section 366.06(5), Florida Statutes, (F.S.). The petition cites costs associated with increased utility operation costs, increased plant replacement costs and the need for additional plant investment. The requested increase of $857,520 represents an 8.48% return on rate base.

By Order No. PSC-93-1640-FOF-EI, issued November 8, 1993, the Commission voted to suspend the permanent increase and grant an interim increase of $137,172, effective November 18, 1993. A customer service hearing was held in Marianna on November 29, 1993. At the utility's request, this matter was handled as a Proposed Agency Action, as permitted under 366.05(5), F.S. The Commission is scheduled to proceed with this matter at the agenda conference set for January 18, 1994.

DISCUSSION OF ISSUES

TEST PERIOD

ISSUE 1: Is FPUC's request for permanent rate relief based on a historical test period of calendar year 1992 and a projected test period of calendar year 1994 appropriate?

RECOMMENDATION: Yes. With the adjustments recommended by Staff in the following issues, the 1992 and 1994 test years are appropriate. (MERTA)

STAFF ANALYSIS: The Company used actual data for the 1992 rate base, net operating income and capital structure. It then used this historical data as a basis to project the 1994 test year. The 1992 data has been audited by the Commission Auditors and analyzed by the Staff.

The purpose of the test year is to represent the financial operations of a company during the period in which the new rates will be in effect. New rates for FPUC will go into effect 30 days after the January 18 agenda, or about February 17, 1994. Therefore, 1994 is an appropriate test year.

In the following issues, Staff is recommending that certain adjustments be made to FPUC's test years. With the inclusion of these adjustments, Staff believes that 1992 and the projections of FPUC's financial operations for 1994 are accurate enough to use as a basis for setting rates.

ISSUE 2: Are FPUC's forecasts of customers, KWH, and KW for the 1994 projected test year appropriate?

RECOMMENDATION: Staff has reviewed FPUC's customer forecast, KWH forecast, and KW forecast for the 1994 test year. Staff supports the Company's forecast of customers, KWH, and KW for the 1994 test year as being reasonable and appropriate. (STALLCUP, BOOKER)

STAFF ANALYSIS: Staff has reviewed the load forecast by revenue class and found these forecasts to be consistent with historical growth patterns and with economic conditions anticipated for the FPUC service territory. Furthermore, staff reviewed the billing determinant forecast by rate class and found these forecasts to be consistent with historical growth patterns and anticipated customer and load growth in the test year.

Although staff is not recommending a change to FPUC's load forecast or billing determinant forecast, staff does not endorse the methodology used by the Company to construct its test year forecast. Typically, a utility will first produce a load forecast by revenue class, and then decompose the load forecast into billing determinants by rate class. The advantage to this process is that the Company's sensitivity to variations in economic and demographic forces are more readily measured on a revenue class basis, and that these effects can be passed through to the rate classes by decomposing the load forecast into the rate class billing determinants. FPUC, on the other hand, has chosen to forecast billing determinants directly, and has bypassed the initial load forecast step. The load forecast contained in the MFRs was used only as a check against the billing determinant forecast. This simplification may be appropriate for FPUC because of the stable nature of the Company's service territory, and the relatively small number of rate classes. However, staff views this procedural shortcut as inappropriate for larger electric utilities, and does not endorse its use.

RATE BASE

ISSUE 3: What is the appropriate accounting treatment for the hydraulic production plant land?

RECOMMENDATION: Plant-in-service should be reduced by $1,837 in the 1994 projected test year to transfer the cost of this land to non-utility property since this property is no longer used and useful. Any future gains or losses resulting from the sale or other disposition of this property should be recorded in a deferred credit or debit account until final disposition of the gain or loss is approved by the Commission. (L. ROMIG)

STAFF ANALYSIS: Effective December 1993, the Company removed its Hydro - Production plant from service. The Company properly removed from rate base its investment in these facilities except for the $1,837 investment in land. Therefore, it would be appropriate to reduce plant-in-service by $1,837 in the projected test year and transfer the cost of this land to non-utility property. The removal of related property taxes is addressed in Issue 41.

In the event the Company sells this property, then any future gains or losses resulting from the sale or other disposition of this property should be recorded in a deferred debit or credit account until final disposition of the gain or loss is approved by the Commission.

ISSUE 4: Should an adjustment be made to the Company's proposed level of plant additions for 1994?

RECOMMENDATION: Yes, Staff recommends that the Commission reduce plant additions by $96,426, reduce the associated accumulated depreciation by $1,321, and reduce the associated depreciation expense by $2,643. In addition, Staff recommends that CWIP be reduced by $16,202. (REVELL)

STAFF ANALYSIS: During its review of Marianna's proposed capital additions, Staff discovered that a building addition to the general offices in West Palm Beach, and the purchase of an adjacent parcel of land and related paving for an additional employee parking lot, were not going to be added to Rate Base in late 1993 or early 1994 as anticipated and reflected in the MFRs. Since these projects will not be completed when anticipated by the MFRs, the 13-month average for Plant-in Service is reduced. Therefore, an adjustment to Plant-in-Service for Marianna's allocated portion is necessary.

In addition, construction work in progress (CWIP) should be reduced by $16,202. This CWIP relates to the building addition. It was originally intended to be placed in Plant-in-Service in late 1993. Due to the revisions to the construction timetable for the building addition, this will not take place until 1994.

Staff's recommendation is to reduce plant additions in 1994 by $96,426, the associated accumulated depreciation by $1,321, and the depreciation expense by $2,643, and CWIP by $16,202.

ISSUE 5: Is FPUC's requested level of Plant-in-Service in the amount of $15,909,833 for the 1992 historical test year and $18,561,046 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate level of Plant-in-Service is $15,909,833 for 1992 and $18,462,783 for 1994. (REVELL, FUTRELL, COLSON)

STAFF ANALYSIS: Staff examined Plant-in-Service records of the Company for 1992 to determine the proper historical year amounts. Staff found that the historical test year, ending December 31, 1992, was accurate and that no adjustments were necessary. Staff made several adjustments for 1994 as discussed in Issues 3 and 4. These issues related to the disposition of the hydro plant and plant additions for 1994.

ISSUE 6: Is FPUC's requested level of Depreciation Reserve in the amount of $5,845,931 for the 1992 historical test year and $6,459,835 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of accumulated depreciation is $5,845,931 for 1992 and $6,392,593 for 1994 which includes Staff recommended adjustments. (JOHNSON)

STAFF ANALYSIS: This is a calculation based on new depreciation rates approved in Docket No. 930453-EI and adjustments addressed in other issues. The appropriate jurisdictional reserve is $6,392,593.

ISSUE 7: Is FPUC's requested level of Construction Work In Progress (CWIP) in the amount of $289,255 for the 1992 historical test year and $38,125 for the 1994 projected test year appropriate?

RECOMMENDATION: No. There are no adjustments to CWIP recommended in the 1992 test year; therefore, $289,255 is the appropriate amount of CWIP for 1992. However, the appropriate amount for 1994 is $21,923 based on a decrease of $16,202 related to a construction revision submitted by the Company as discussed in Issue 4. (MERTA)

STAFF ANALYSIS: This is a calculation based on the resolution of other issues.

It is the Commission's practice to include CWIP that does not earn an Allowance for Funds Used During Construction (AFUDC) in rate base and to include additional CWIP, that would otherwise earn AFUDC, in an amount needed to assure adequate financial integrity. The Company included CWIP in rate base in 1992 and 1994. Staff believes this is appropriate since the CWIP does not earn AFUDC. However, the Company submitted a revised amount for CWIP based on an analysis of its future construction. This updated analysis results in a decrease of $16,202 in CWIP for 1994 as discussed in Issue 4. Therefore the appropriate amount of CWIP for 1994 is $21,923.

ISSUE 8: What amount, if any, of interest bearing cash should be removed from working capital?

RECOMMENDATION: The Commission should remove $165,360 for 1992 and $188,084 for 1994. Revenues should be increased by $7,664 for 1992 and by $8,461 for 1994. Total Company revenues are discussed in Issue 20. Staff also recommends that the Company include in its future surveillance reports only the five year average of cash, or the actual amount, whichever is less. (REVELL)

STAFF ANALYSIS: Ordinarily, the Commission removes interest bearing cash from working capital. The Company has indicated that to remove all interest bearing cash would discourage it from investing this cash which it considers a prudent business practice. The Company also asserts that to remove all interest bearing cash from working capital would encourage it now or in the future to simply ask its bank to make this cash non-interest bearing so it would not be removed from working capital by the Commission.

As an alternative, the Company has offered to include the interest earned on cash in revenues for 1992 and 1994 if the cash is allowed in working capital. This would effectively, make this cash non-interest bearing for rate making purposes. Staff agrees that it would be proper to allow cash in working capital, with interest included in 1992 and 1994 revenues. Total operating revenues of the Company are discussed in Issue 20.

However, we do not agree with the Company as to the proper level of cash which should remain in working capital. Our adjustments for 1992 and 1994 reduce cash to the five-year average for the period 1988-1992. Staff believes that allowing the five-year average of cash in working capital for rate making purposes gives the Company an adequate level of cash. This is approximately 50% of the total cash in working capital.

In addition Staff recommends that the Company include in its future surveillance reports only the five-year average of cash, or the actual amount, whichever is less.

The Company has provided two other methods for the calculation of the proper amount to include in working capital. The first method calculates cash for the 1988-1992 period less the period of time that the Company had a cash management agreement in effect with Sun Bank. This period was December, 1988 through February, 1992. This agreement allowed the Company to maintain very low levels of its own money; in some months the Company actually ran a negative cash balance. Sun Bank advanced the money as needed to pay accounts payable. It operated similarly to bank overdraft protection on a checking account. The remainder of the period from 1988-1993, the Company maintained very high levels of cash. This calculation excludes the low cash levels and includes the periods of very high cash levels. As a result, the average cash level exceeds Staff's proposal for the 13-month average cash level by more than $100,000.

The Company's other method calculates an average by using a ratio of cash to accounts payable. During the time the cash management agreement was not in effect, the average level of accounts payable was 225.16% of cash. This percentage was applied to the average level of accounts payable for the period of time the cash management agreement was in effect and cash was extrapolated to what it would have been if accounts payable represented 225.16%. This method produced a 13-month average approximately $100,000 more than Staff.

ISSUE 9: Should unamortized rate case expense be included in working capital?

RECOMMENDATION: No. The Company properly removed this item from working capital consistent with the Commission's decision in the Company's last rate case and decisions in other cases. (L. ROMIG)

ALTERNATE RECOMMENDATION: Yes. The Company should be allowed to include unamortized rate case expense of $31,896 in working capital and earn a return on it. (SALAK)

STAFF ANALYSIS: The Company recorded an asset of $47,800 in unamortized rate case expense for 1994. In calculating the working capital allowance, the Company made an adjustment to remove this item from working capital consistent with the Commission's decision in the Company's last rate case. (Order No. 21532, issued July 12, 1989)

There have been a number of other cases, where the Commission has removed this item from working capital. For instance, the Commission stated in Order Nos. 14030 and 23573 in Docket Nos. 840086-EI and 891345-EI, respectively, that Commission policy is to exclude unamortized rate case expense from working capital. The rationale for this position was to adopt a sharing concept whereby the cost of a rate case would be shared between the ratepayer and stockholder; i.e., include the expense in O&M expenses, but not allow a return on the unamortized portion.

This rationale was also stated in Order No. 16313, Docket No. 850811-GU (July 8, 1986) where the Commission found:

> The balance [of unamortized rate case expense] was removed from working capital in an effort to reflect a sharing of rate case expenses between the stockholders and the ratepayers since both benefit from a rate case proceeding.

The sharing concept has been adopted by the Commission in another instance. In Docket No. 830001-EU-B, Order No. 12923, the Commission ordered that "the economy energy sales profits are to be divided between the ratepayers and the shareholders on a 80%-20% basis." The general purpose of the "sharing concept" was to offer an incentive to maximize the amount of economy sales between electric utilities. Although this item is different from the issue on the treatment of unamortized rate case expense, we believe that the sharing concept is the same in principle.

In addition, if it is appropriate to apply the "sharing concept" to revenues, then it would be equally appropriate to apply the same concept to rate case expenses. In Staff's opinion, if rate case expense is allowed and the unamortized expense is removed from working capital, then to some extent, cost would be shared. The Commission, in a recent case with West Florida Natural Gas Company, reaffirmed its policy to remove unamortized rate case expense from working capital. (Docket No. 910778-GU, Order No. PSC-92-0580-FOF-GU, issued June 29, 1992). Staff recommends, in this case, that the Commission reaffirm its position in prior cases to remove this item from working capital.

ALTERNATE STAFF ANALYSIS: The primary recommendation is predicated on the concept that stockholders should share in the cost of a rate case. It is true that stockholders "may" benefit from a rate case if increased earnings result. They also benefit when the company reduces its costs. That does not justify a disallowance.

The Company should be given the opportunity to recover prudently incurred costs. Not including the unamortized portion of rate case expense in working capital is a partial disallowance. It is analogous to allowing depreciation expense, but not allowing a return on rate base. Rate case expense is a cost of doing business not unlike other administrative costs. Further, PSC rules, such as the MFR rule, influence the level of rate case expense.

If it is determined that rate case expense is prudent and reasonable, the Company should be allowed to earn a return on the unamortized balance. Rate case expense is a necessary expense of doing business in the regulated arena. As such, a utility should be allowed to earn a return on its unamortized balance. Unamortized rate case expense of $31,896 should be added to working capital.

ISSUE 10: Is FPUC's requested storm damage reserve of $51,912 for the 1992 historical test year and $150,933 for the 1994 projected test year appropriate?

RECOMMENDATION: Yes if the Staff recommendation in Issue 33 is accepted. (REVELL, BREMAN)

STAFF ANALYSIS: The 13-month average for the present storm damage reserve was $51,912 as of December 31, 1992. The 13-month average as of December 31, 1994 would be $150,933 only if the Commission approves Staff's recommended increase in the reserve accrual from $17,304 per year to $200,000 per year as discussed in Issue 33.

ISSUE 11: Is FPUC's requested level of Working Capital Allowance in the amount of $200,291 for the 1992 historical test year and $180,717 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of working capital is $34,931 for 1992 and ($7,367) for 1994 based on the adjustments recommended in Issue 8. (MERTA)

STAFF ANALYSIS: This is a calculation based on the resolution of all other working capital issues.

ISSUE 12: Is FPUC's requested level of Rate Base in the amount of $10,457,118 for the 1992 historical test year and $12,194,856 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of rate base is $10,291,758 for 1992 and $11,959,549 for 1994. (Schedules 1 and 7) (MERTA)

STAFF ANALYSIS: This is a calculation based on the resolution of all other rate base issues. The Company and Staff positions are shown on the following table and are discussed in the appropriate issues.

1992 RATE BASE
JURISDICTIONAL

	FPUC-M	STAFF
PLANT IN SERVICE	$15,909,833	$15,909,833
ACCUM. DEPREC.	(5,845,931)	(5,845,931)
NET PLANT IN SERVICE	10,063,902	10,063,902
CWIP	289,255	289,255
CUST. ADV. F/CONST.	(96,330)	(96,330)
NET PLANT	10,256,827	10,256,827
WORKING CAPITAL	200,291	34,931
TOTAL RATE BASE	$10,457,118	$10,291,758

1994 RATE BASE
JURISDICTIONAL

	FPUC-M	STAFF
PLANT IN SERVICE	$18,561,046	$18,462,783
ACCUM. DEPREC.	(6,459,835)	(6,392,593)
NET PLANT IN SERVICE	12,101,211	12,070,190
CWIP	38,125	21,923
CUST. ADV. F/CONST.	(125,197)	(125,197)
NET PLANT	10,256,827	11,966,916
WORKING CAPITAL	180,717	(7,367)
TOTAL RATE BASE	$12,194,856	$11,959,549

CAPITAL STRUCTURE

ISSUE 13: What is the appropriate return on common equity capital?

RECOMMENDATION: The appropriate return on common equity capital (ROE) is 10.85%. In addition, staff recommends an allowed range of plus or minus 100 basis points be recognized for ratemaking purposes. (NEIL)

STAFF ANALYSIS: The Company has requested an ROE of 12.35% in its MFR filing. This rate represents the bottom of the range of the last authorized ROE of 13.35% approved by the Commission in FPUC-Marianna's last rate proceeding. (See Order No. 21532) Staff believes that investors' required return on equity for an electric utility of comparable risk to FPUC-Marianna has fallen to a rate lower than the 12.35% requested by the Company.

Since May 1989, when the Commission approved FPUC-Marianna's ROE of 13.35%, the yield on Baa-rated utility bonds has fallen 260 basis points, from an average of 10.29% in May 1989 to an average of 7.69% for November 1993. This decline in rates is indicative of the change in market conditions over that period of time. Likewise, equity investors are requiring lower returns under current market conditions. High equity returns are not necessary for investors during times of low interest rates.

Low interest rates do not mean that the risk of companies such as FPUC has changed, however. It is not staff's position that FPUC-Marianna's operations have become less risky. Staff's recommendation simply reflects that capital costs have declined since the Company's last rate case.

Although interest rates have declined, staff's recommendation leaves the risk premiums that investors required in 1989 relatively intact. Risk premiums are the additional returns above the cost of debt that is required by equity investors because equity securities are more risky than debt securities. In 1989, the premium from an average Baa-rated utility debt instrument to the allowed return for FPUC-Marianna was 3.06%. Currently, the premium between the November average rate on Baa-rated utility debt and staff's recommended ROE is 3.16%.

Given projected economic and market conditions, staff believes that a 10.85% return will continue to be reasonable. According to DRI's November 1993 Review of the U.S. Economy, the yield on Baa corporate bonds is estimated to average 7.34% in 1994, 7.58% in 1995, and 7.60% in 1996. Therefore, the risk premium discussed above should remain in a relatively narrow range.

In summary, staff recommends that the Commission approve an ROE of 10.85% for FPUC's Marianna operations. However, it should be noted that the staff would not necessarily testify to 10.85% if the PAA recommendation is protested. Finally, staff recommends a range of plus or minus 100 basis points be recognized for ratemaking purposes.

ISSUE 14: Are FPUC's unamortized zero cost Investment Tax Credits (ITCs) of $7,366 for the 1992 historical test year and $4,300 for the 1994 projected test year appropriate?

RECOMMENDATION: Yes. Unamortized zero cost ITCs of $7,366 for 1992 and $4,300 for 1994 are appropriate. (C. ROMIG)

STAFF ANALYSIS: FPUC maintains by division, separate records for its zero cost ITCs and the related ITC amortization. The balances and activity in the historical records of the Marianna division appear to be reasonable and have been accepted by Staff.

For its 1992 test year, the Company used the historical net zero cost ITCs in its capital structure prior to and following reconciliation to rate base, without adjustment. Staff believes this to be appropriate. For the 1994 projected test year, the Company used the 1992 net ITCs adjusted for projected 1993 and 1994 amortization in its capital structure prior to and following reconciliation to rate base. Staff believes this to be reasonable, regardless of the fact that the 1994 amortization does not consider the recommended January 1, 1994 reduction in depreciation rates, the effect of which is believed to be immaterial.

Consequently, Staff recommends that the unamortized zero cost ITCs of $7,366 for the 1992 test year and $4,300 for the projected 1994 test year be considered reasonable and accepted as filed.

ISSUE 15: Are FPUC's unamortized Investment Tax Credits (ITCs) of $326,770 at a cost rate of 11.19% for the 1992 historical test year and $289,700 at a cost rate of 10.97% for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate cost rates should be 9.41% for 1992 and 9.76% for the 1994 projected test year. However, unamortized ITCs of $326,770 for 1992 and $289,700 for the 1994 test year are appropriate as filed. (C. ROMIG)

STAFF ANALYSIS: FPUC maintains, by division, separate records for its weighted cost ITCs and the related ITC amortization. The balances and activity in the historical records of the Marianna division appear to be reasonable and have been accepted by Staff.

For its 1992 test year, the Company used the historical net weighted cost ITCs in its capital structure prior to and following reconciliation to rate base, without adjustment. Staff believes this to be appropriate. For the 1994 projected test year, the Company used the 1992 net ITCs adjusted for projected 1993 and 1994 amortization in its capital structure prior to and following reconciliation to rate base. Staff believes this to be reasonable, regardless of the fact that the 1994 amortization does not consider the recommended January 1, 1994 reduction in depreciation rates, the effect of which is believed to be immaterial. Consequently, Staff recommends that the unamortized weighted cost ITCs of $326,770 for 1992 and $289,700 for the 1994 test year be considered reasonable and accepted as filed.

Regarding cost rates, FPUC's cost rates of 11.19% for the 1992 test year and 10.97% for the 1994 projected test year were based on the respective capital structures, as filed, assuming that ITCs are replacement capital for common equity, preferred stock and long-term debt. Staff's recommended cost rates of 9.41% for 1992 and 9.76% for 1994 are based on Staff's recommended capital structure and assumes that the ITCs are replacement capital for common equity, preferred stock, long-term and short-term debt. Staff included short-term debt in its calculations following discussions with the Company wherein it was determined that short-term debt is used for construction purposes on a temporary basis, pending permanent long-term debt financing arrangements.

Consequently, Staff recommends that unamortized ITCs are $326,770 for 1992 and $289,700 for the 1994 projected test year, as filed. However, the appropriate costs rates should be 9.41% for 1992 and 9.76% for the 1994 projected test year.

ISSUE 16: Are FPUC's Accumulated Deferred Income Taxes in the amount of $1,971,325 for the 1992 historical test year and $2,048,500 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate Accumulated Deferred Income Taxes are $1,994,863 for the 1992 test year and $2,052,923 for the 1994 projected test year. (C. ROMIG)

STAFF ANALYSIS: Consistent with its method of tracking ITCs, FPUC maintains by division, separate records for its accumulated deferred taxes. The balances and activity in the historical records of the Marianna division appear to be reasonable and have been accepted by Staff. However in the 1992 test year, while the Company made an adjustment for 1991 out-of-period taxes which increased deferred tax expense by $47,076, it neglected to reflect the corresponding capital structure adjustment to accumulated deferred income taxes. Consequently, Staff increased accumulated deferred taxes and decreased common equity by the average, $23,538 ($47,076/2).

For the 1994 projected test period, although the Company projected plant additions by project, its 1994 accumulated deferred taxes were projected by trending. Staff is not recommending an accumulated tax adjustment for Staff's plant adjustments, which reduce the utility's projected additions, which were specific (see Issue 4). However, to reflect the deferred tax effect of the NOI adjustments, accumulated deferred taxes were increased by $4,423.

Consequently, based on the above, the appropriate accumulated deferred income taxes are $1,994,863 for the 1992 test year and $2,052,923 for the 1994 projected test year.

ISSUE 17: Has FPUC appropriately reflected the implementation of SFAS 109 for the 1994 projected test year?

RECOMMENDATION: The implementation entry appears to be calculated appropriately. However, the amortization of the regulatory asset and regulatory liability created by SFAS 109 is not reflected appropriately for regulatory purposes. Staff recommends that the Company properly reflect the amortization in its cost of service income tax calculations on a prospective basis. (C. ROMIG)

STAFF ANALYSIS: In response to SFAS 109, Accounting for Income Taxes, and Rule 25-14.013, Florida Administrative Code, the Company restated its accumulated deferred taxes at the current statutory rate. This was accomplished by creating a regulatory asset/deferred tax asset for prior flow-through items and temporary differences, which were not considered timing differences prior to implementation of SFAS 109, and by creating a regulatory liability/deferred income tax liability to reduce the accumulated deferred income tax balance to the current statutory tax rate. Also, in its filing, the regulatory asset and liability were "collapsed" into its cost of capital schedule. The result is that the amount reflected in its cost of capital, after SFAS 109 implementation, is the same as the amount that would have been reflected without SFAS 109 implementation. Therefore, as intended, the implementation of SFAS 109 is revenue neutral regarding the cost of capital.

Regarding the income statement effect, the Company states that prior to implementation of SFAS 109, it historically reported its cost of service income tax expense at the then existing statutory rate. Further, it states that the resulting difference between income tax expense reported for financial purposes and for cost-of-service purposes was recorded below-the-line. Consequently, based on this method of presentation, the customer does not reap the benefit of the flowback of excess deferred income tax or the negative effect of the regulatory asset being written off.

Staff is recommending no adjustment for 1994; however, we recommend that the Company be ordered to properly reflect the amortization in its cost of service income tax calculation on a prospective basis.

ISSUE 18: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure for the 1992 and 1994 test years?

RECOMMENDATION: The weighted average cost of capital is 7.52% for 1992 and 8.01% for the 1994 test year. (Schedules 2 and 8) (NEIL, C. ROMIG)

STAFF ANALYSIS: The Company has filed for an 8.40% cost of capital for 1992 and an 8.48% weighted average cost of capital for 1994. After making several adjustments to the Company's filing, staff recommends a 7.52% cost of capital for 1992 and a 8.01% weighted average cost of capital for 1994.

Staff has adjusted the cost rates for three of the sources of capital. Staff has recommended a cost of equity of 10.85% in Issue 13 and has updated the cost of short-term debt to 5.66% to reflect the Company's line of credit costs. Investment tax credits are addressed in Issues 14 and 15, wherein Staff recommends that the cost rates of the costed ITCs be reduced to 9.76% in 1994, due to its recommended capital structure and the inclusion of short-term debt. Accumulated deferred income taxes are addressed in Issue 16, wherein Staff recommends an increase of $4,423.

In 1992, the Company netted all of its treasury stock against its non-regulated investment before removing the non-regulated investment directly from common equity. Staff believes that a lesser amount of treasury stock should be netted against the non-regulated investment. In staff's opinion, the Company's treasury stock is related to FPUC as a whole, rather than associated only with the non-regulated operations. After making this adjustment to 1992, staff increased the amount of common equity by the same yearly percentages as the Company indicated in its response to question seven of staff's second set of interrogatories to calculate a 1994 balance.

The Company has also addressed the practice of removing non-regulated investment 100 percent from common equity. In a letter to the staff, the Company states that

> since all cash and credit is on a consolidated basis and Flo-Gas Corporation (the non-regulated affiliate) is an integral part of our credit posture, the funds owed to Florida Public Utilities Company by Flo-Gas Corporation

> should be proportionately removed from equity and debt for the cost of capital computation purpose.

A representative from the bank from which FPUC has its line of credit states that

> Flo-Gas Corporation's financial condition, including its operating performance and the strength of its balance sheet, are important factors contributing to the Bank's assessment of the credit worthiness of FPU. The present line of credit terms and conditions would not be as favorable if Flo-Gas Corporation was not included in our evaluation of FPU's consolidated financial condition and earnings history.

The purpose of removing the non-regulated investment from equity is that unregulated operations tend to have more business risk than regulated operations, thus increasing the cost of capital for the regulated utility. Therefore, the adjustment is based on a position that is separate from how the unregulated investment has been financed.

Staff believes that Flo-Gas contributes to the financial capacity of the consolidated operations and enhances FPUC's credit worthiness, however, the business risk of Flo-Gas cannot be overlooked. In staff's opinion, FPUC is the type of company that will manage its operations well whether regulated or unregulated, which will bring about strong credit worthiness, but FPUC's cost of capital would be even less had Flo-Gas been regulated rather than unregulated. Although Flo-Gas contributes to the strength of the consolidated operations, if the investment had been in a regulated electric utility rather than in Flo-Gas, the overall cost of capital would be lower. FPUC's financial risk and credit worthiness probably would not change, but its business risk would be less. As for FPUC's cost of long-term debt, it should be noted that of the twenty-five companies under Commission jurisdiction in the telephone, electric, and natural gas industries, FPUC's twelve-month average cost of debt is currently the third highest of the twenty-five companies. Therefore, staff recommends that the non-regulated investment continue to be removed directly from equity rather than proportionately from debt and equity.

Because staff has adjusted the amount of non-regulated investment to remove from common equity, the ratios or percentages of common equity, long-term debt, short-term debt, and preferred stock vary from the Company's filing. In other words, because staff has lowered the amount of total company common equity to allocate to Marianna, the other investor sources of capital are correspondingly adjusted.

NET OPERATING INCOME

ISSUE 19: Has FPUC properly allocated expenses for the 1992 historical test year and the 1994 projected test year?

RECOMMENDATION: The Company appears to have properly calculated the percentage allocation of expenses to the Marianna division. (REVELL)

STAFF ANALYSIS: The Company allocates a percentage of its corporate assets and expenses to each of its operating divisions. The general office facilities are located in West Palm Beach. These general facilities contain activities pertaining to the regulated electric, water, and natural gas operations, as well as non-utility merchandising and LP gas operations. In determining the allocation to the Marianna Division, the Company removed gas, non-utility and merchandising activities and the remainder was allocated to the regulated electric operations. The Common Plant allocated to Marianna was 11.83% of the total in each plant category with the exception of computer equipment which was allocated at 15.40% of the total. Expenses, depending on the type of expense, are allocated based on such things as payroll, number of customers, revenues and square footage of the corporate headquarters.

Staff examined these allocations and found them to be accurate. The adjustments were also found to be consistent with adjustments made in the prior Marianna rate case, Docket No. 880558-EI (Order No 21532 issued July 12, 1989).

ISSUE 20: Is FPUC's requested level of total operating revenues in the amount of $3,657,909 for the 1992 historical test year and $3,740,434 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate level of operating revenues is $3,665,573 for 1992 and $3,748,895 for 1994 based on adjustments recommended in Issue 8. (MERTA, BOOKER)

STAFF ANALYSIS: This is a calculation based on resolution of other revenue issues.

The Company made adjustments removing fuel and conservation revenues for 1992 and 1994. In addition, the Company made an adjustment to exclude gross receipts taxes in 1994. These adjustments have been accepted by Staff and are discussed in Issues 24 and 42, respectively.

Staff's recommended adjustments are discussed in Issue 8.

ISSUE 21: Should O&M expenses be reduced to remove extraordinary inventory losses recognized during 1992?

RECOMMENDATION: Yes, O&M expenses should be reduced by $1,672 in 1992 and by $1,848 in 1994. The remaining amount of inventory loss represents the average amount of inventory losses expensed in 1988 and 1990. (L. ROMIG)

STAFF ANALYSIS: In 1992, an inventory of plant materials and operating supplies was taken resulting in a loss of $45,036, of which 5% was expensed. The Company's last two inventories were taken in 1988 and 1990 and resulted in average inventory losses of $23,000. Since the 1988 and 1990 inventories covered a four year period, the average loss per year would be $11,531 with $580 per year being charged to expense. In staff's opinion, this is a reasonable amount and should be the amount allowed in this case. Based on 5% being charged to expense, or $2,252 in 1992, it would be appropriate to reduce 1992 expense $1,672 ($2,252 - $580). After trending for CPI and customer growth, 1994 expenses should be reduced $1,848. It should be mentioned that the Company accounted for the loss in accordance with the Uniform System of Accounts prescribed by the Commission.

During a portion of the period covered by the 1992 inventory, the Marianna Division was without a permanent Division Manager which could account for some lack of control in properly accounting for the issuance of stores materials until the manager's position was filled. Since there was a possible lack of control in accounting for the inventory, there is a possibility that some portion of the materials were actually used in construction but not accounted for on the books. For this reason, staff is only addressing the expense portion as being extraordinary in nature.

The Company acknowledged in internal correspondence that the amount of the loss was unacceptable. Accordingly, the new Marianna Division Manager implemented new methods of issuing materials and procedures for reviewing record keeping to ensure a reduction in inventory loss.

ISSUE 22: What are the appropriate trending factors to be used in deriving projected test year operating expenses?

RECOMMENDATION: Staff has reviewed the trending factors used by FPUC in deriving projected test year operating expenses, such as Percent Customer Growth and the Consumer Price Index (CPI). Staff believes the Company's trending factors used to derive projected test year operating expenses are appropriate. (Schedule 3A) (STALLCUP, REVELL)

STAFF ANALYSIS: The appropriate trending factors are listed in the chart below:

	STAFF TREND RATES:	BASE YEAR +1 12/31/93	PROJECTED TEST YEAR 12/31/94
#1	Inflation Only (CPI-U)	3.35%	3.31%
#2	Customer Growth	1.69%	1.77%
#3	Payroll Increases	3.50%	3.50%
#4	Sales/KWH	3.22%	2.90%
#5	Revenues/$	4.54%	2.68%
#6	Plant	8.04%	6.02%
#7	Inflation x Customer Growth	5.10%	5.14%
#8	Payroll x Customer Growth	5.25%	5.33%
#9	Other	0.00%	0.00%

ISSUE 23: Should the projected test year O&M expense be adjusted for the effect of changing the trending factors?

RECOMMENDATION: Yes, the factors to be applied to the accounts are as listed in the MFRs. However, Account 903 will have a factor change from Factor 3, payroll increases, to Factor 8, payroll x customer growth. Expense will increase $5,337. (REVELL)

STAFF ANALYSIS: As part of the review of the Company's records during a rate case, Staff examines the Company's **application** of the trending factors to the various expense accounts to determine if the Company had used the best factor in trending the expense accounts forward. Staff's review found that the Company erred in the application of the proper factor for the payroll-trended portion of Account 903, Customer Records and Collection Expense. The Company used the payroll-only factor(3) to trend rather than the more appropriate payroll x customer growth factor(8). Expenses in this account are related to billing and collection and, therefore, are affected by customer growth. As a result of this change, expenses are increased by $5,337. Staff recommends that this change be accepted.

ISSUE 24: Has the Company properly removed fuel and conservation revenues and expenses from the 1992 historical test year and the 1994 projected test year?

RECOMMENDATION: Yes. The adjustments removing fuel and conservation revenues and expenses for 1992 and 1994 are appropriate. (MERTA, FUTRELL, COLSON)

STAFF ANALYSIS: The Company excluded $11,082,082 from revenues and $11,077,968 from expenses in 1992 and $11,178,370 from revenues and $11,178,370 from expenses in 1994 to remove the fuel and conservation revenues and expenses that are recoverable through the cost recovery clauses. This adjustment is consistent with the Commission's treatment in prior rate cases.

DOCKET NO. 930400-EI
JANUARY 6, 1994

ISSUE 25: The Company projected $29,193 in Bad Debt Expense for the projected test year. Is this amount appropriate?

RECOMMENDATION: Yes. (L. ROMIG)

STAFF ANALYSIS: An adjustment was made by the Company to reduce the annual accrual for Bad Debt Expense by $9,255. This reduces the expense to the average charge offs for the past three years. Since a similar adjustment was made in the Company's last rate case, and has also been accepted by the Commission in other rate cases, it would be appropriate to allow this adjustment.

ISSUE 26: Has the Company properly removed chamber of commerce dues and other membership dues from expenses?

RECOMMENDATION: No. The Company should remove $1,125 in dues from Account 930 for 1992; and remove $1,244 from Account 930 for 1994. (REVELL)

STAFF ANALYSIS: During Staff's review of charges in Account 930, which includes miscellaneous general expenses, three invoices for chamber of commerce dues were discovered that the Company had not removed. One invoice was for $1,000 to the Jackson County Chamber of Commerce, one was for $100 to the Calhoun Chamber of Commerce, and one was for $25 to the Liberty Chamber of Commerce. Expenses related to chambers of commerce expenses are normally disallowed for regulatory purposes. Staff recommends that these expenses also be disallowed because these expenses provide no benefit to the ratepayers.

ISSUE 27: Should an adjustment be made to expenses associated with moving into the new Marianna office facilities?

RECOMMENDATION: Yes. Reduce expenses by $1,700 in 1992 and $1,879 in 1994. (L. ROMIG)

STAFF ANALYSIS: The Company moved into its new office facilities in 1992, which combined the local office and service center. The Company properly removed from expenses the rental expense associated with the old office. During 1992 the Company incurred $1,700 in expense associated with moving into the new facilities. Since this expense is non-recurring, it would be appropriate to reduce 1992 expenses $1,700 and 1994 trended expense $1,879.

ISSUE 28: Should an adjustment be made to employee relocation expenses?

RECOMMENDATION: Yes, for 1992, Staff recommends reducing Account 580, Operation Supervision and Engineering, by $748; Account 590, Maintenance Supervision and Engineering, by $187; and Account 901, Supervision, by $467 for a total reduction of $1,402 for 1992. Staff recommends reducing Account 580 by $801, Account 590 by $200 and Account 901 by $500 for a total reduction of $1,501 for 1994. (REVELL)

STAFF ANALYSIS: The expenses incurred in 1992 for the relocation of one management employee appear to be reasonable. However, there are no anticipated employee relocations for 1994 and there is no money in the 1994 budget for relocation. Therefore, this expense in 1992 is being treated as non-recurring for the purposes of this rate case. Staff recommends that this expense be disallowed.

ISSUE 29: Is FPUC's requested level of outside services for the 1992 historical test year and the 1994 projected test years appropriate?

RECOMMENDATION: No. Expenses should be reduced by $879 for 1992 and by $939 for 1994 for legal expenses related to Blue Springs litigation with the State of Florida. (MERTA)

STAFF ANALYSIS: Blue Springs is located east of Marianna and is the source of water for the Company's hydro plant several miles downstream. The Company owns land around the springs which is classified as non-utility. In 1987, the State claimed ownership of the springs. In 1992, the Company incurred legal fees related to Blue Springs waterway, hydro plant and dam site litigation. Since the waterway property is non-utility, expenses related to it should be disallowed. A similar adjustment was made in the Company's last rate case.

Since the hydro plant and dam site were retired by the Company in 1993, and Staff has recommended removing the hydro land from rate base, expenses related to these items should be disallowed because they are non-recurring.

Staff recommends that expenses be reduced by $879 in 1992 and by $939 in 1994.

ISSUE 30: What is the appropriate amount of rate case expense to be included in operating expense?

RECOMMENDATION: The appropriate amount of rate case expense to be included in 1994 operating expense is $9,156. Expenses for 1994 should be reduced by $14,194. (MERTA)

STAFF ANALYSIS: The Company projected rate case expense of $54,765 based on the assumption that the case would proceed to a full hearing. At Staff's request, the Company provided a revised estimate of rate case expense based on a successful PAA proceeding. Staff reduced this amount by $2,200 for depositions that were not needed and increased it by $3,763 for a service hearing notice that required an additional mailing, yielding $30,185 in expense for this case. In addition, as of January 1, 1994, $9,659 was left in working capital from the 1989 rate case. In order to allow recovery of the 1989 expense, a portion should be included with the present rate case expense. Since the new rates will go into effect the end of February, $3,220 of the $9,659 will be amortized in January and February leaving $6,439 to be included in expense. The actual expense incurred for the 1989 rate case was $96,593. In Staff's opinion, the rate case expenses for this case appear reasonable. Staff recommends that the appropriate amount of rate case expense is $36,624 which includes $30,185 for the 1993 case plus $6,439 for the 1989 case.

Rate case expense is normally amortized over the expected period between rate case filings. The Company requested a four year amortization period. In the Marianna Division's 1989 rate case, the Commission ordered a five year amortization period. (Order No. 21532) It has been four years since the Company's last rate case and pursuant to Chapter 366, Florida Statutes, it must file Modified Minimum Filing Requirements (MMFRs) in five years. In the last two electric utility rate cases, the Commission ordered Florida Power Corporation and Tampa Electric Company to amortize rate case expense over a four year period. (Order Nos. PSC-92-1197-FOF-EI and PSC-93-0165-FOF-EI)

Based on the actual length of time since the Company's most recent rate case, and the fact that in the most recent electric rate cases, companies were required to use a four year amortization period, Staff recommends a four year amortization period for FPUC's rate case expense. Therefore, the appropriate amount of expense to include in the 1994 test year is $9,156. ($36,624 / 4 = $9,156)

The Company requested $23,350 in rate case expense in 1994. This included $13,691 for the 1993 case plus $9,659 for the 1989 case. Staff recommends that expenses for 1994 be reduced by $14,194. ($9,156 - $23,350 = -$14,194)

DOCKET NO. 930400-EI
JANUARY 6, 1994

ISSUE 31: Should there be an adjustment to Account 930 to remove expenses for image-building advertising in 1992?

RECOMMENDATION: Yes. Account 930 should be reduced by $200 for 1992, and Account 930 should be reduced by $221 for 1994. (REVELL)

STAFF ANALYSIS: During Staff's review of advertising expenses, two invoices were found to be image building in nature. One invoice was for a $100 charge for an advertisement in the high school annual. The other invoice was a $100 charge for a radio spot during the "Jaycees Radio Days". Even though these advertisements indicate a willingness on the part of the Company to support the local community, such advertisements are image building in nature and should be disallowed for regulatory purposes, because such expenses provide no benefits to the ratepayers.

ISSUE 32: What is the appropriate amount of injuries and damages expense for 1992 and 1994?

RECOMMENDATION: The appropriate amount is $178,351 and $190,854 for 1992 and 1994 respectively. Staff accepts the Company's 1992 adjustment; however, 1994 expenses should be reduced $6,219 to recognize estimated reduction in Worker's Compensation Insurance premiums. (L. ROMIG)

STAFF ANALYSIS: The Company expensed $329,437 for Workers Compensation and General Liability Insurance. Included in this expense was $151,086 for retrospective insurance premiums for 1989-1990. Accordingly, the Company made an adjustment reducing expenses by the $151,086 for this out-of-period expense, which has been accepted by staff. The trended amount for 1994 also reflects this adjustment.

Included in the expense for 1994 is $58,673 for Workers' Compensation Insurance premiums. As a result of recent legislation reducing these premiums, it would be appropriate to recognize this reduction by reducing expenses. At the time of filing this staff recommendation, the Company has not received notification as to the amount of the reduction. Staff believes that it would be reasonable and appropriate to reduce the expense by 10.6% or the average reduction ordered by the Insurance Commissioner, effective January 1, 1994 or $6,219.

ISSUE 33: What is the appropriate amount of annual accrual to the Provision for Property Insurance account for the 1992 historical test year and the 1994 projected test year?

RECOMMENDATION: The appropriate amount in Account 924 is $17,304 for 1992 and $200,000 for 1994. In light of the unavailability of reasonably priced distribution system storm insurance, staff would accept the Company position requesting the $200,000 annual accrual to provide a limited form of self-insurance with an additional condition that the Company file a status report annually with its Annual Report filed with this Commission covering the status and reasonableness of the storm reserve and annual accrual amount, along with the availability of distribution system insurance. Expense should also be increased $5,230 in Account 921 for 1994 for the purchase of a $1,046,000 line of credit. (BREMAN, WINDHAM, NEIL, REVELL)

STAFF ANALYSIS: FPUC is more comparable to the City of Homestead than Florida Power & Light Company when considering risk and levels of storm damage. It is not likely that there would be any FPUC customers not affected by the storm in the event of a catastrophic storm. On the other hand, Florida Power & Light has a large customer base which is not directly impacted over which to spread the storm damage costs in the event of another hurricane equivalent to Hurricane Andrew. A direct comparison of risk and levels of storm damage insurance between FPUC and Florida Power & Light is not appropriate.

Similarly, the number of storm events and intensities which FPUC has experienced are very different from Florida's Atlantic coast experiences. The straight forward application of Florida Power & Light's testimony and analysis by adjusting only for differences in miles of distribution will overstate long term average expected damage costs to FPUC from hurricanes. However, the FPL analysis also did not take into account other major storm damage risks, such as that from winter storms, ice storms, and tornados. For example, the winter storm of March 1993 had damage comparable to a class II hurricane in a widespread area of the state and there have been other winter storms and ice storms affecting north Florida.

Total insurance coverage for the FPUC distribution system is not currently available at a reasonable price. Staff recommends that FPUC begin to establish a storm damage reserve of $1,000,000 as a limited form of self insurance to protect the high risk exposure of its customers. The main reason for recommending approval of the Company's request for a $200,000 annual accrual amount is to establish the storm damage reserve as quickly as reasonably possible to provide funds for quick response in beginning the reestablishment of service in the event of major storm damage beyond the reserve amount while negotiations were undertaken to find additional funding. This also spreads the cost responsibility for major storm risk among current as well as future ratepayers. For example, if a storm that caused several million dollars of damage to the system was amortized over a 5 year period following the storm, the rate impact would be very significant at that time. If no significant reserve were available to begin reconstruction, reestablishment of service could be significantly slower while negotiations on funding the cost of renovations was being carried out.

Although staff would accept the position of the Company regarding the storm reserve for the purpose of this rate case, staff does not agree the $200,000 is representative of the long term annual storm damage costs to FPUC. Therefore, staff also recommends that a status report be filed annually with the Company's Annual Report covering the status and reasonableness of the storm reserve and annual accrual amount, along with the availability of distribution system insurance. This would occur prior to the time the reserve reaches $ 1 million.

ISSUE 34: What is the appropriate amount of annual accrual to the Provision for Medical Insurance account for the 1992 historical test year and the 1994 projected test year?

RECOMMENDATION: An adjustment reducing the accrual $12,004 for 1992 and $13,307 for 1994 is appropriate. (L. ROMIG)

STAFF ANALYSIS: In 1992, the Company reduced its accrual for Medical Insurance expense to correct for prior years' overaccruals. The Company's adjustment increasing the expense $47,882 in 1992, to correct for the out-of-period expense, was based on the three year average claims experience for 1990-1992.

During the discovery period, staff requested additional information regarding the level of claims experience for the same years used by the Company. Based on this information, 1992 expenses should be reduced $12,004 and 1994 trended expenses $13,307. Staff's adjustment also allows for $3,604 and $3,991 in administrative fees which the Company did not consider in its adjusted level of medical expense. The use of a three year average claims experience is appropriate in testing the reasonableness of expense accruals and is consistent with the approach used in testing the reasonableness of bad debt expense.

ISSUE 35: Is FPUC's requested level of Distribution O&M in the amount of $747,132 for the 1992 historical test year and $956,147 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of Distribution O&M for 1992 is $744,525 based on adjustments recommended in Issues 21 and 28. The appropriate amount for 1994 is $953,298. (Schedules 4 and 10) (WHEELER, L.ROMIG, REVELL)

STAFF ANALYSIS: For 1992, the Company is $140,366 under the benchmark in the Distribution functional area. Staff is not recommending a benchmark adjustment in this area. However, based on recommended adjustments of $1,672 for inventory losses in Issue 21 and of $935 for employee relocation in Issue 28, the appropriate amount of Distribution O&M is $744,525 for 1992.

In 1994, the Company is $144,051 over the benchmark. However, the Company has justified expenses in excess of the benchmark. $92,380 relates to an additional tree trimming crew hired, $20,000 relates to improvements to the electrical grounding system to make it more effective, and $20,816 relates to an adjustment made to normalize four years of retirements. Staff recommends no further adjustment.

ISSUE 36: Is FPUC's requested level of Customer Accounts O&M in the amount of $452,509 for the 1992 historical test year and $497,475 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of Customer Accounts O&M is $452,042 based on the adjustment recommended in Issue 28. The appropriate amount for 1994 is $502,312. (Schedules 4 and 10) (MERTA)

STAFF ANALYSIS: Customer Accounts expenses are recorded in five accounts: supervision, meter reading expense, customer records and collection expense, uncollectible accounts, and miscellaneous customer accounts.

Staff is not recommending a benchmark adjustment in this issue. However, based on the adjustment of $467 to the supervision account for employee relocation in Issue 28, the appropriate amount of Customer Accounts O&M is $452,042. After making Staff's recommended adjustments, FPUC's expenses in the Customer Accounts functional area are $35,958 under the benchmark in 1992.

In 1994, the Company is $10,974 over the benchmark. However, the Company has justified expenses in excess of the benchmark. $3,894 of the excess relates to Marianna's allocated portion of new personnel and promotions at the officer's level and $5,337 relates to a change in the trend factor applied to Account 903 as discussed in Issue 23. Staff recommends no further adjustment.

ISSUE 37: Is FPUC's requested level of Administrative and General O&M in the amount of $592,993 for the 1992 historical test year and $865,028 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of Administrative & General Expenses is $577,085 after making adjustments in other specific issues. The appropriate amount for 1994 is $832,255. (Schedules 4 and 10) (L. ROMIG)

STAFF ANALYSIS: Staff has recommended specific adjustments to Administrative and General Expenses (A&G), in other issues totalling $15,908 which results in adjusted A&G expense of $577,085. Based on this adjusted amount, the Company is $88,824 under the O&M benchmark for 1992. No further adjustments are proposed for the A&G functional area in 1992.

In 1994, the Company is $205,004 over the benchmark. This benchmark variance is primarily attributable to the recommended $182,696 increase in the accrual for the storm damage and discussed in Issue 33. In addition, Staff Advisory Bulletin No. 33 was issued since the Company's last rate case and contains guidelines for capitalizing overhead costs in accordance with Commission Rule 25-7.0461, Florida Administrative Code. Pursuant to this bulletin, the Company discontinued the use of Account 922, Administrative Expenses Transferred, which was used for transferring administrative expenses to construction. This resulted in an increase of $49,420 in A&G expenses. These two items account for $232,116 in increased A&G expenses.

The specific adjustments made to 1992 expenses have been trended and reflected in the 1994 projected expenses. No further adjustments are proposed for the A&G functional areas in 1994.

ISSUE 38: Is FPUC's requested level of O&M expense in the amount of $1,800,308 for the 1992 historical test year and $2,319,761 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of O&M expense is $1,781,326 for 1992 and $2,288,976 for 1994. (L. ROMIG, WHEELER)

STAFF ANALYSIS: The appropriate amount of O&M expense for 1992 and 1994 is $1,781,326 and $2,288,976, respectively, after making specific adjustments in other issues.

ISSUE 39: What are the appropriate depreciation rates to be used in this proceeding?

RECOMMENDATION: The appropriate depreciation rates to be used in this proceeding are the rates approved by the Commission in Docket No. 930453-EI. For the 1994 test year, the resultant effect is a decrease in the reserve by $65,921 and a reduction in expense by $23,509. (JOHNSON)

STAFF ANALYSIS: The Staff recommended lives, net salvages, reserves and resultant depreciation rates to be used in this proceeding are the rates approved in Docket No. 930453-EI (Order No. PSC-93-1839-FOF-EI, issued December 27, 1993).

ISSUE 40: Is FPUC's requested level of depreciation and amortization expense in the amount of $626,899 for the 1992 historical test year and $724,655 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate jurisdictional depreciation expense is $626,899 for 1992 and $698,503 for 1994. (JOHNSON)

STAFF ANALYSIS: This is a calculation based on new depreciation rates approved in Docket No. 930453-EI and adjustments addressed in other issues. The appropriate jurisdictional expense is $698,503 for 1994. Given that there were no adjustments made to 1992 Plant-In-Service and implementation for the new depreciation rates is January 1, 1994, Staff concurs with FPUC's requested level of depreciation expense of $626,899 for 1992.

ISSUE 41: Are FPUC's level of Taxes-Other of $386,495 for the 1992 historical test year and $236,757 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate Taxes-Other are $388,249 for 1992 and $236,331 for the 1994 projected test year. This represents an increase of $1,754 for 1992 and a decrease of $426 for 1994. (C. ROMIG)

STAFF ANALYSIS: For 1992, FPUC reported Taxes-Other of $386,495, consisting of unemployment taxes, FICA, state intangible, regulatory assessment fees, real and personal property taxes, gross receipts taxes, occupational license fees, and environmental and excise taxes. Of the $386,495, real and personal property taxes are $140,647 and the remaining $245,838 represents the other categories of taxes. Staff recommends that no adjustment be made to the other categories of taxes. However, real and personal property taxes have been increased by a net $1,754, to $142,401. The $1,754 represents the disallowance of the taxes related to the nonutility hydro property addressed in Issue 3, a decrease of $1,479, and the inclusion of an allocated share of common plant property taxes that the Company neglected to include which is an increase of $3,233.

In its projected 1994 test year, the Company requests base rate recovery of Taxes-Other in the amount of $236,757, from which $213,205 in gross receipts taxes (2.5%) has been removed through a Company adjustment. The 1.5% is embedded in its base rates while the recent "step increases" have been billed as a separate line item. Through this proceeding, it requests to "unbundle" the portion which is embedded in rates and to reflect the entire 2.5% as a separate line item. Staff recommends that this request be granted inasmuch as it is consistent with recent Commission decisions and will be less confusing to the utility's customers who are currently encountered with a separate line item for part of the tax and a "concealed" portion for the other part.

For 1994, Staff recommends a net decrease to Taxes-Other of $426. Property taxes have been increased by $2,009 for the same reasons discussed above for the 1992 adjustment. The 1992 net increase of $1,754 was inflated by the plant factor ($1,754 x 1.1454). In addition, Staff used the trending factors authorized in the last Marianna proceeding to trend 1992 costs to 1994 to be consistent and because Staff believes that they are still appropriate. Staff therefore recommends "flat" versus the

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Company's "payroll" for unemployment taxes and "payroll" versus the Company's "payroll and customer growth" for FICA. Application of the alternate factors results in decreased unemployment taxes of $97 and decreased FICA of $2,337. Based on the discussion above, Staff recommends that Taxes-Other be reduced by a net of $426.

DOCKET NO. 930400-EI
JANUARY 6, 1994

ISSUE 42: Has FPUC excluded the appropriate amount of gross receipts taxes from base rates in 1994?

RECOMMENDATION: Yes. The Company excluded $156,220 from revenue and $213,205 from Taxes-Other. (C. ROMIG)

STAFF ANALYSIS: In its projected 1994 test year, the Company requests to "unbundle" the embedded portion of its gross receipts taxes. Staff addressed this request in Issue 41, wherein we discuss the merits of "unbundling" and recommend the request be granted. To accomplish the unbundling, the Company made adjustments to the 1994 test year, removing $156,220 from revenue and $213,205 from expenses. The $156,220 represents the 1.0% gross receipts taxes which is currently shown on the customer's bill as a separate line item and the $213,205 represents the current rate of 2.5%.

Staff believes these to be the appropriate amounts to exclude from revenue and expenses and based on its recommendation to "unbundle" the embedded portion in Issue 41, Staff recommends that the Company's adjustments be accepted as filed.

DOCKET NO. 930400-EI
JANUARY 6, 1994

ISSUE 43: Are FPUC's income tax expenses, including interest reconciliation and interest synchronization, in the amount of $128,417 for the 1992 historical test year and ($41,596) for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate income tax expense is $135,373 for the 1992 test year and ($31,900) for the 1994 projected test year. (C. ROMIG)

STAFF ANALYSIS: The Company requests income taxes of $128,417 for 1992 and ($41,596) for 1994. These amounts include current tax expense, deferred tax expense and ITC amortization as well as the interest reconciliation/synchronization.

For 1992, Staff increased income tax expense by $9,367 for Staff's recommended adjustments to net operating income and decreased income tax expense by $2,411 for the recommended capital structure changes and to correct an error in the Company's interest reconciliation/synchronization adjustment. Inadvertently, the utility neglected to change its interest reconciliation/synchronization tax adjustment when it made a change to an earlier version of its capital structure. Thus, Staff recommends that income tax expense be increased by $6,956, from $128,417 to $135,373 for 1992.

For 1994, Staff increased income tax expense by $20,345 for Staff's recommended adjustments to net operating income and decreased income tax expense by $10,649 for the recommended capital structure changes (interest reconciliation/synchronization). Consequently, Staff recommends that 1994 income tax expense of ($31,900) be considered appropriate.

ISSUE 44: Is FPUC's requested level of operating expenses in the amount of $2,942,119 for the 1992 historical test year and $3,239,577 for the 1994 projected test year appropriate?

RECOMMENDATION: No. The appropriate amount of operating expenses is $2,931,847 for 1992 and $3,191,910 for 1994. (L. ROMIG)

STAFF ANALYSIS: The appropriate amount of operating expenses for 1992 and 1994 is $2,931,847 and $3,191,910, respectively, after making specific adjustments in other issues.

ISSUE 45: Is FPUC's requested level of net operating income (NOI) in the amount of $715,790 for the 1992 historical test year and $556,985 for the 1994 projected test year appropriate?

RECOMMENDATION: No. the appropriate amount of net operating income is $733,726 for 1992 and $556,985 for 1994. (Schedules 3 and 9) (L. ROMIG)

STAFF ANALYSIS: The appropriate level of NOI for 1992 and 1994 is $733,726 and $556,985, respectively, after making specific adjustments in other issues.

ISSUE 46: Are FPUC's proposed revenue expansion factors appropriate?

RECOMMENDATION: Yes. The proper factors are 1.6326 for 1992 and 1.6081 for 1994. (Schedules 6 and 12) (REVELL, C. ROMIG)

STAFF ANALYSIS: The only change that is usually made to the Company's proposed factor is a change to the bad debt expense allowance. Staff agrees with the Company's bad debt expense in Issue 25. Since no adjustment was proposed to the level of bad debt expense, no revisions are necessary in the above recommended expansion factors.

REVENUE DEFICIENCY

ISSUE 47: Is FPUC's requested annual operating revenue increase of $857,520, $265,476 for the 1992 historical test year and an additional $592,044 for the 1994 projected test year, appropriate?

RECOMMENDATION: No. The total base rate revenue increase is $644,788, with $65,654 attributed to 1992 and $579,134 to 1994. This is a calculation based on the resolution of all other issues. (Schedules 5 and 11) (MERTA)

STAFF ANALYSIS: The following schedule shows the Company and Staff positions:

1992 REVENUE REQUIREMENTS
JURISDICTIONAL

	FPUC-M	STAFF
Rate Base	$10,457,118	$10,291,758
Rate of Return	8.40%	7.52%
Required NOI	$878,398	$773,940
Adj. Achieved NOI	715,790	733,726
NOI Deficiency	$162,608	$40,214
Rev. Expansion Fac.	1.632613	1.632613
Revenue Inc./Dec.	$265,476	$65,654

1994 REVENUE REQUIREMENTS
JURISDICTIONAL

	FPUC-M	STAFF
Rate Base	$12,194,856	$11,959,549
Rate of Return	8.48%	8.01%
Required NOI	$1,034,124	$957,960
Adj. Achieved NOI	500,857	556,985
NOI Deficiency	$533,267	$400,975
Rev. Expansion Fac.	1.608051	1.608051
Revenue Inc./Dec.	$857,520	$644,788

OTHER ISSUES

ISSUE 48: Should any portion of the $137,172 interim increase granted by Order No. PSC-93-1640-FOF-EI issued on November 8, 1993, be refunded?

RECOMMENDATION: No portion of the $137,172 interim revenue should be refunded. (REVELL)

STAFF ANALYSIS: In this docket, the requested test year was the 12 months ended December 31, 1992. The Commission granted and interim increase to FPUC of $137,172 on October 19, 1993 (Order NO. PSC-93-1640-FOF-EI, issued November 8, 1993). The interim rates were therefore in effect in a period other than the test year.

To determine if any portion of the interim increase should be refunded, the Rate Base and Net Operating Income for the year in which interim rates were in effect, 1993, were calculated by trending the Staff adjusted Test Year data using the appropriate trending factors.

This is done to determine what the achieved NOI and total revenue deficiency were for the year. These results are shown on the next page. For the purpose of this calculation, the interim increase is compared to the total revenue deficiency of $314,384 for the year. Since the interim increase of $137,132 was less than the total revenue deficiency for 1993, no portion of the interim increase should be refunded. The calculations are as shown below:

DOCKET NO. 930400-EI
JANUARY 6, 1994

CALCULATION OF INTERIM REFUND
TEST YEAR + 1
12/31/93

RATE BASE (AVERAGE)	$11,223,087
RATE OF RETURN	X 8.11%
REQUIRED NOI	$ 910,192
Operating Revenues	$ 3,790,588
Operating Expenses:	
Operation & Maintenance	1,890,932
Depreciation & Amortization	656,446
Taxes Other Than Income Taxes	433,379
Income Taxes	92,158
Total Operating Expenses	3,072,915
ACHIEVED NOI	$ 717,613
NET REVENUE DEFICIENCY	192,519
REVENUE TAX FACTOR	1.633
TOTAL REVENUE DEFICIENCY	$ 314,384
INTERIM GRANTED	$ 137,132
RECOMMENDED INTERIM	314,384
REFUND	$ 0

ISSUE 49: Should FPUC be required to file, within 60 days after the date of the final order in this docket, a description of all entries or adjustments to its future annual reports, rate of return reports, published financial statements and books and records that will be required as a result of the Commission's findings in this rate case?

RECOMMENDATION: Yes. The utility should be required to fully describe the entries and adjustments that will be either recorded or used in preparing reports submitted to the Commission. (REVELL)

STAFF ANALYSIS: Various adjustments will be made to the records of Florida Public Utilities-Marianna Division as a result of findings in this case. Florida Public should be required to fully describe all entries to the accounting records that are affected by changes ordered by the Commission. In some cases these changes will be reflected in information filed with the Commission in the future. Staff must be informed of the changes the Company has made to adequately evaluate the financial integrity and records of the Company.

ISSUE 50: Should FPUC be required to file calculations of the adjusting entries, revised ITC amortization and revised flowback of excess deferred taxes resulting from its revised depreciation rates?

RECOMMENDATION: Yes. FPUC should be required to file calculations of the adjusting entries, revised ITC amortization and revised flowback of excess deferred taxes resulting from its revised depreciation rates. The calculations should be submitted separately, but at the same time it files its June 1994 Rate of Return Report. (C. ROMIG)

STAFF ANALYSIS: As addressed in Issues 39 and 40, Staff recommends that FPUC's depreciation rates be those approved in the Company's Depreciation Represcription proceeding, Docket No. 930453-EI. Revising a utility's depreciation rates usually results in a change in its rate of ITC amortization and a change in its flowback of excess deferred taxes.

FPUC is treated under Section 46(f)(2) of the Internal Revenue Code (IRC), which results in its ITCs being given a weighted cost rate in its capital structure and above-the-line amortization. Section 46(f)(6) of the IRC states that the amortization of ITCs should be determined by the period of time used in computing depreciation expense for purposes of reflecting regulated operating results of the utility. Rule 25-14.008(3)(b)(3) states that where an election was made under Section 46(f)(2) of the Code, reductions to cost of service are made on the basis of ratable allocations of the credit in proportion to the regulated depreciation expense. Consequently, a change in depreciation rates usually results in a change in the amortization of ITCs.

Regarding the flowback of excess deferred taxes, Section 203(e) of the Tax Reform Act of 1986 (TRA) prohibits rapid write-back of excess protected (depreciation related) deferred taxes. Moreover, Rule 25-14.013, Florida Administrative Code (F.A.C.), prohibits (without good cause shown) excess deferred income taxes (protected and unprotected) associated with temporary differences, from being reversed any faster than allowed under either the average rate assumption method of Section 203(e) of the TRA or Revenue Procedure 88-12, whichever is applicable. Consequently, the flowback of excess deferred taxes should be altered to comply with the TRA and Rule 25-14.013, F.A.C.

The Company should be required to file calculations of the adjusting entries, revised ITC amortization and revised flowback of excess deferred taxes. The calculations should be submitted at the same time FPUC files its June 1994 Rate of Return Report, except that it should be filed as a separate report.

RATE DESIGN AND COST OF SERVICE

ISSUE 51: Are the methodologies used in the cost of service study filed by the company reasonable?

RECOMMENDATION: The methodologies used in the Company's November 8, 1993, revision of the cost of service study are reasonable, and this study should be used in designing rates in this docket. (MEETER)

STAFF ANALYSIS: Four changes have been made in the cost of service study the company filed as part of its MFRs. The first two changes listed below were requested by staff, and the last two changes were made by the company. The four changes incorporated in the November 8 study are as follows: (1) production-energy plant in service, rate base, and expenses are allocated on MWH at source instead of MWH sales; (2) a $91,508 investment in Accounts 364 and 369 for poles used exclusively for street and outdoor lights is directly assigned to the OL classes rather than allocated to all classes on class noncoincident demand; (3) Accounts 585 and 596 (maintenance of street lights) are directly assigned to the SL and OL classes proportional to the number of lights in each class rather than assigned to just the SL classes; and (4) Account 587 (Customer Installation Expenses) is allocated to all classes on Allocation Factor No. 28, Total Distribution Plant, rather than a 100 percent direct assignment to the SL class. The company made the third change because it discovered that maintenance expense for OL light fixtures as well as for SL light fixtures had been booked to these accounts. The fourth change was made because the company discovered that costs booked to this account were primarily for investigating service complaints not related to outdoor lighting.

Staff is recommending that the methodologies used in the November 8, 1993, cost of service study are reasonable and that this version of the cost of service study should be used in designing rates in this docket.

ISSUE 52: Is it appropriate to maintain the transition SL-1 rate for streetlighting service to the City of Marianna established in the last rate case?

RECOMMENDATION: No. The SL-1 transition rate should be eliminated, and the customer should be transferred to the SL-2 rate schedule. (WHEELER)

STAFF ANALYSIS: The SL-1 transition rate was established in the last rate case, and applies only to the City of Marianna's mercury vapor lights. The rate is closed to new business, and as the mercury vapor fixtures fail they are replaced by high pressure sodium lights, which are billed under the SL-3 rate schedule.

Under the transition rate, the City pays a lower rate for its lights than it would under the regular mercury vapor streetlighting rate, SL-2. The lower rate was a part of a now-expired franchise agreement between the City and the utility. The City was made a separate class because it would have received an excessive increase if it had been incorporated into the SL-2 rate schedule in the last rate case. The increase they received was limited to 1.5 times the system average increase.

Staff believes that it is now appropriate to eliminate the transitional rate, and to bill the remaining SL-1 mercury vapor fixtures on the SL-2 rate. This will not result in an excessive increase to the single SL-1 customer, and since there is no difference in the cost to serve them, there is no justification for continuing the SL-1 rate.

ISSUE 53: Is it appropriate to maintain the Transitional Rate for Non-profit Sports Fields under the GS schedule established in the last rate case?

RECOMMENDATION: Yes. Staff believes that elimination of the GS transitional rate would constitute a burdensome rate increase for the Sports Field customers. (BERG)

STAFF ANALYSIS: Prior to the last rate case, the Company had a provision that allowed sports fields that were operated by non-profit organizations and having connected loads of less than 300 Kw to be served under the GS rate schedule. It was recognized in the last rate case, however, that all other general service customers whose demands exceeded 25 kW must take service on the GSD rate schedule. Both staff and the company agreed that the sports field customers, with demands in excess of 25 kW, should also be required to receive service on the GSD rate schedule. At that time, the impact of moving these customers to the GSD rate schedule would constitute an excessive increase in sports field customers' rates. Consequently, a transitional rate was established as a first step toward moving these customers to the appropriate rate schedule. The transitional rate was to remain in effect until the next rate case at which time the Commission would decide if the transitional rate should be eliminated or a new transition rate established.

Staff believes a new transitional rate should be established. The impact of eliminating the transitional rate in this proceeding would constitute an excessive increase in these customers' rates. Elimination of the transitional rate would cause these customers to experience approximately a 170% increase in their total bills. Staff is recommending that the increase in the transitional rate be limited to a 20% increase in the customers' total bills. The resulting base rate charges are a customer charge of $16.00 and a non-fuel energy charge of $0.028698 per kWh.

ISSUE 54: Is it appropriate to establish a new GSLD class for demand customers with maximum demands in excess of 500 KW?

RECOMMENDATION: Yes. Staff believes it is appropriate to create a separate GSLD rate class because the eight proposed GSLD customers have significantly different characteristics than the remaining GSD customers. (BERG)

STAFF ANALYSIS: The Company has proposed to establish a new GSLD customer class for customers with maximum demands in excess of 500 KW. Currently there are eight customers on the company's system whose maximum demands qualify them to receive service on the proposed rate schedule. The class load factor of the proposed GSLD class is slightly greater than 52 percent, while the load factor of the GSD customer class is approximately 38 percent. In addition to variations in the load factors among the GSD and GSLD customer classes, there are differences in the cost structures between the two classes. There is a 21 percent difference in the demand allocated unit costs and a 36 percent difference in the customer allocated unit costs. To the greatest extent possible, customers with similar usage characteristics and costs structures should be grouped into a separate rate class. Staff believes it is appropriate to create a separate GSLD rate class because the eight proposed GSLD customers have significantly different characteristics than the remaining GSD customers.

ISSUE 55: What are the appropriate factors for the allocation of purchased power costs?

RECOMMENDATION: The allocation factors of the demand portion of purchased power costs should be derived using the ratio of class 12 CP KW to the total 12 CP KW for each class shown on MFR Schedule 12. This percentage by class should then be applied to the total demand related purchased power costs calculated in the fuel docket to determine the appropriate dollars per class for collection through the fuel factor. (KUMMER, WHEELER)

STAFF ANALYSIS: The issue of the allocation of the demand portion of purchased power was addressed in FPUC-Marianna's last rate case, Docket No. 880558-EI, (Order No. 21532, issued July 12, 1989). At that time, the Commission approved the separation of the demand-related portion of purchased power costs from the balance of fuel and purchased power costs and the allocation those demand costs on a demand basis, based on the cost of service study approved in the company's last rate case. This is the same philosophy followed by other investor-owned utilities in determining their capacity factors. Although the actual dollars associated with these costs are addressed in the Fuel docket, the allocation factors were initially set in the utility's last rate case. In order to ensure that the allocation factor is updated to reflect the cost study in this case, the methodology for determining the factor is set out here. The utility has properly applied the factor since the last rate case, and staff believes it will continue to do so. Updating the factors is essentially a formality.

ISSUE 56: What is the appropriate adjustment to revenues for the increase in unbilled revenues due to the recommended rate increase?

RECOMMENDATION: A negative adjustment should be made to the recommended revenue requirement of each class to reflect the increase in unbilled revenue due to the recommended rate increase. Schedule 13 shows the adjustment by class. (MEETER)

STAFF ANALYSIS: Because unbilled revenues increase when base rates are increased, a negative adjustment should be made to the recommended revenues for each class used to design rates. The adjustment should be based on the number of unbilled megawatt hours (MWH) by class calculated in MFR Schedule E-15. The change in unbilled revenues by class should be the difference in unbilled MWH's times the base rate revenue per MWH at recommended base rates for the class and unbilled MWH's times the present base rate revenue per MWH. Schedule 13 shows the derivation by this methodology of the increase in unbilled revenues by class due to the recommended rate increase.

Florida Public Utilities Co.
Docket No. 930400-EI

INCREASE IN UNBILLED REVENUE DUE TO PROPOSED RATES

	Booked Sales			Unbilled Sales	Base Revenue		
Rate Class	Proposed Base Revenue	MWH	Per Unit $/MWH Col(1)/Col(2)	MWH	Proposed Col(3)*Col(4)	Present (*)	Adjustment Col(5)-Col(6)
RS	$2,399,657	113,640	$21.12	124	$2,624	$2,120	$504
GS	$497,047	19,828	$25.07	22	$544	$515	$28
GSD	$853,336	73,374	$11.63	80	$933	$830	$104
GSLD	$259,153	43,721	$5.93	48	$283	$281	$2
OL	$58,930	803	$73.39	1	$64	$51	$13
OL-2	$124,592	744	$167.46	1	$136	$108	$28
SL1-2	$49,390	988	$49.99	1	$54	$50	$4
SL-3	$25,507	204	$125.03	0	$0	$0	$0
Total	$4,267,612	253,302		277	$4,639	$3,956	$683

*Note: Unbilled MWH times present base revenue divided by booked MWH.

DOCKET NO. 930400-EI
JANUARY 6, 1994

ISSUE 57: How should the increase in revenues be spread among rate classes?

RECOMMENDATION: Any increase in total revenues should be allocated among rate classes to bring all classes as close to the system rate of return as possible, as long as no class receives an increase or a decrease greater than 1.5 times the system average increase. (BERG, KUMMER)

STAFF ANALYSIS: One of the purposes of a rate case is to adjust the relative rates of return of all customer classes to ensure that all classes are paying a fair share of the total costs. Any increase or decrease to total revenue requirements approved by the Commission is allocated to rate classes to bring all classes as close to the system rate of return, or parity, as possible. Historically, the amount of increase or decrease to any one class has been limited to one and one-half times the system average increase. For example, if the system received an increase of five percent, no class would be given an increase which would result in more than a seven and one-half percent increase. This cap on percentage increases is to alleviate rate shock for classes substantially below parity prior to the rate case. The allocation of the increase as proposed by staff is shown in Schedule 14.

FPUC – MARIANNA
DOCKET NO. 930400–EI
APROVED REVENUE INCREASE BY CLASS
BASED ON THE COMPANY'S 12 CP AND 1/13TH COST OF SERVICE STUDY
SUMMARY OF CLASS ROR'S AND % INCREASE

(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)	(9)	
					(b)	(b)	(b)			
Rate Code	(a) Proposed Rate Base	(a) 1994 NOI Present Rates	Present ROR /	INDEX	Stipulated Increase Service Charges	Proposed Increase Sales of Electricity	Total Approved Increased Revenue	Required NOI	Proposed RoR /	Index
RS	$6,583,149	$239,357	3.64% /	0.78	15,150	$461,135	$476,285	$535,544	8.14% /	1.02
.GS	$1,302,880	$87,713	6.73% /	1.45	$3,491	$26,000	$29,491	$106,053	8.14% /	1.02
GSD	$2,548,288	$147,810	5.80% /	1.25	$1,250	$94,737	$95,987	$207,502	8.14% /	1.02
GSLD	$806,926	$65,077	8.06% /	1.73	$0	$2,195	$2,195	$66,442	8.23% /	1.03
OL	$149,692	$1,792	1.20% /	0.26	$0	$12,060	$12,060	$9,291	6.21% /	0.77
OL–2	$374,490	$824	0.22% /	0.05	$0	$25,500	$25,500	$16,682	4.45% /	0.56
OLCA	$524,182	$2,616	0.50% /	0.11	$0	$37,560	$37,560	$25,973	4.95% /	0.62
SL1–2	$131,769	$8,694	6.60% /	1.42	$0	$3,270	$3,270	$10,728	8.14% /	1.02
SL–3	$62,356	$5,716	9.17% /	1.97	$0	$0	$0	$5,716	9.17% /	1.14
SLC	$194,126	$14,412	7.42% /	1.59	$0	$3,270	$3,270	$16,446	8.47% /	1.05
Totals	$11,959,549	$556,985	4.66% /	1.00	$19,891	$624,097	$644,788	$957,060	8.01% /	1.00

ISSUE 58: What are the appropriate customer charges?

RECOMMENDATION: The appropriate customer charges are as follows:

Residential	$ 8.30
General Service	11.50
General Service	43.75
Gen. Svc. Large Dem.	52.50

(BASS)

STAFF ANALYSIS: The customer charges should be set at or near the customer unit cost at the class requested rate of return subject to the Commission's established policy that no charge will increase by more than 50%. The company has requested an increase in residential customer charges of approximately 32%. Staff recommends that the increase in the residential customer charge be reduced to 25% or $8.30. The reduction in the increase will lessen the impact on those customers using lower levels of KWH, while still setting the customer charge near the unit cost.

ISSUE 59: What are the appropriate demand charges?

RECOMMENDATION: Staff believes the appropriate demand charges for the GSD and GSLD rate classes are $2.40 and $2.80, respectively. (BERG)

STAFF ANALYSIS: The Commission's general policy has been to establish demand charges that are based on unit costs. The unit costs for the GSD rate class is $2.79 and $2.90 for the GSLD rate class. The Commission, however, rarely approves demand charges that are equal to or greater than unit costs. When demand charges are set at or above unit costs, for a non homogeneous rate class, the lower load factor customers within that class tend to be penalized. This is because of the mismatch between the cost allocating kW and the cost recovering billing kW.

If the Commission approves the proposed GSLD rate class, staff recommends approval of a unique demand charge for each class. Staff recommends a demand charge of $2.40 per kW for the GSD customer class and $2.80 per kW for the GSLD customer class. The recommended demand charge for GSLD customers is set much closer to unit costs than the GSD demand charge because the GSLD class is fairly homogeneous. The GSD customer class, however, consists of a wide variety of customers with many differing load factors. As previously mentioned, setting the demand charges extremely close to unit costs would result in the lower load factor customers within the GSD class being penalized.

ISSUE 60: What are the appropriate transformer ownership discounts for GSD and GSLD?

RECOMMENDATION: The appropriate transformer ownership discount is $0.74 for the GSD and GSLD classes. (BOOKER)

STAFF ANALYSIS: When establishing the transformer credits for the company, staff reviewed the present transformer credits calculated in the 1989 rate case. The present GSD transformer credit of $0.44 cents was miscalculated in the 1989 rate case. This miscalculation resulted in an understatement of the GSD transformer credit. The GSLD is a new rate class and was not approved in the 1989 rate case.

The company's new 1994 proposed transformer credits of $0.56 cents for GSD and $0.50 cents for GSLD are derived from the present transformer credit which staff believes is an incorrect credit amount. Staff and the company agree that the company's present and proposed transformer credits are understated and do not reflect the actual transformation costs.

In an effort to accurately calculate the new transformer credits, staff calculated the company's annual cost of transformation ($/KW/month) by utilizing the annual revenue requirement for transformation divided by the KW billing determinants.

After deriving the new transformation credits, staff discovered that the GSLD class had a high transformer credit, and staff recommends using the average transformation credit for both the GSD and GSLD classes. Staff believes that to separate the credits between the individual classes would create a problem with customers switching to their own transformers in the GSLD class since the class credit for GSLD is substantially higher than the average credit. The second affect of a separate credit could potentially increase demand charges for the secondary customers, because the cost of the transformation credit is recovered as part of the demand cost. Therefore, staff recommends a transformer credit of $0.74 cents for the GSD and GSLD service classes.

ISSUE 61: What are the appropriate service charges?

RECOMMENDATION: The appropriate service charges are as follows:

Initial Connection	$33.20
Reestablish Service to Inactive Account	14.50
Temporary Disconnect then Reconnect	26.25
Reestablish Active Service	16.00
Reconnect after Disconnect for Nonpay	38.25
Temporary Service	30.50
Collection Charge	6.00

(BOOKER)

STAFF ANALYSIS: After reviewing the derivation of the service charges, staff believes that the service charges listed above are appropriate since they appear to be cost based. Therefore, staff recommends that the service charges be approved as stated above.

ISSUE 62: Are the standby service rates proposed by the company appropriate?

RECOMMENDATION: With the exception of the level of the local facilities charge and the transformer ownership credit and the absence of a customer charge for standby customers who would otherwise take service on the proposed GSLD rate schedule, the standby service rates proposed by the company are appropriate. The local facilities charge should be the distribution unit cost calculated using 100 percent ratcheted billing KW as the billing determinant, for the class to which the customer would otherwise belong. The appropriate local facilities charge is $1.81 for customers who would otherwise take service on GSLD, and $2.04 for customers who would otherwise take service on GSD. If a separate GSLD class is not approved, the local facilities charge should be $1.97. The transformer ownership credit should be the transformer ownership credit of the otherwise applicable class divided by the ratio of the 100 percent ratcheted KW to billing KW. The appropriate customer charge for customers who would otherwise take service on GSLD is the GSLD customer charge plus $25. (MEETER)

STAFF ANALYSIS: Order No. 17159, issued February 6, 1987, in Docket No. 850673-EU, regarding the generic investigation of standby rates for electric utilities, outlines how standby service rates should be designed. With respect to the charge for local facilities, this order at page 17 specifies that the costs of dedicated local facilities shall be recovered through a charge consisting of the distribution system unit cost, calculated using 100 percent ratcheted billing KW as the billing determinant, for the class to which the customer would otherwise belong. Since the local facilities charge is based on a unit cost calculated using 100 percent ratcheted billing KW, the transformation credit should be based on the higher number of billing KW. Dividing the approved transformer ownership credit of the otherwise applicable class by the ratio of the 100 percent ratcheted KW to billing KW will result in a transformer ownership credit based on the 100 percent ratcheted KW.

If the proposed GSLD rate class is approved, the standby service rate schedule should include customer and local facilities charges for those customers who would otherwise take service on GSLD. The customer charge for those who use standby service would be the GSLD customer charge plus $25.

ISSUE 63: What are the appropriate streetlighting rates?

RECOMMENDATION: The energy charges for each class should be set at the non-fuel energy and customer unit costs as developed in the cost of service study. The maintenance charges should be set to recover the maintenance revenue requirement for each class as developed in the cost of service study. The fixture charges for each type of lamp should be set to recover the remaining revenue requirement for each of the classes. (WHEELER)

STAFF ANALYSIS: Monthly lighting charges consist of three separate parts: the energy charge, the maintenance charge, and the fixture charge. The energy charge is determined by multiplying the estimated kilowatt hour usage of each lamp type by the non-fuel energy and customer unit cost as determined from the cost of service study. An estimated kwh usage is used because the lights are not metered. The maintenance charge is designed to recover the monthly cost of maintaining each fixture, as derived from the cost of service study. The fixture charge is analogous to a rental charge for the light and is designed to recover the carrying cost of the fixture. The fixture charges should be adjusted to recover the remaining revenue requirement for each class after subtracting the maintenance and energy charge revenue.

In addition to the charges for lamps, there are also fixture charges for poles. These are rental charges for dedicated poles installed when the company can not mount the street or outdoor light on an existing distribution pole. There is no pole charge when the lights can be installed on an existing distribution pole. The pole charges should be set to recover the revenue requirement associated with the investment in these dedicated poles.

FPUC currently offers three streetlighting (SL) rate schedules: SL-1, SL-2, and SL-3. The SL-1 rate is a transition rate for mercury vapor fixtures which is available only to the City of Marianna. Staff is recommending that this rate be eliminated, and its remaining fixtures be billed on the SL-2 rate, as discussed in Issue 52. The SL-2 rate is closed to new business and is also a mercury vapor lighting schedule. The SL-3 rate offers high pressure sodium lamps. There are currently two outdoor lighting rate schedules: OL and OL-2. The OL rate is closed to new business and offers mercury vapor lamps. The OL-2 rate offers high pressure sodium lamps.

The staff recommends that the street and outdoor lighting rates for all rate schedules be set using the above described methodology. This is the same methodology which was used in the recent Florida Power Corporation and Tampa Electric Company rate cases.

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

SCHEDULE 1
06-Jan-94

LN NO	COMPARATIVE RATE BASE (000)	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	RATE BASE PER FILING:				
2					
3	Plant in Service	$15,909,833			
4	Depreciation Reserve	(5,845,931)			
5		------------			
6	Net Plant in Service	$10,063,902			
7	Construction Work in Progress	289,255			
8	Property Held for Future Use	0			
9	Nuclear Fuel (Net)	(96,330)			
10	Allowance for Working Capital	200,291			
11		------------			
12					
13	Total rate base	$10,457,118	$10,457,118	$10,457,118	10,457,118
14		============	============	============	============
15					
16	ADJUSTMENTS TO COMPANY FILING:				
17					
18	ISSUE:				
19	8. Cash in Working Capital	0	0	(165,360)	0
20		0	0	0	0
21		0	0	0	0
22		0	0	0	0
23		0	0	0	0
24		0	0	0	0
25		0	0	0	0
26		0	0	0	0
27		0	0	0	0
28		0	0	0	0
29		0	0	0	0
30		0	0	0	0
31		0	0	0	0
32		0	0	0	0
33		0	0	0	0
34		0	0	0	0
35		0	0	0	0
36		0	0	0	0
37		0	0	0	0
38		0	0	0	0
39					
40					
41		------------	------------	------------	------------
42	Total Adjustment	$0	$0	($165,360)	$0
43		------------	------------	------------	------------
44					
45	ADJUSTED RATE BASE:	$10,457,118	$0	$10,291,758	$0
46		============	============	============	============

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

SCHEDULE 2
06-Jan-94

LN NO	COMPARATIVE CAPITAL	AMOUNT (000)	RATIO	COST RATE	WEIGHTED COST
1	COMPANY				
3	Long Term Debt	$3,682,767	35.22%	9.58%	3.37%
4	Short Term Debt	853,296	8.16%	4.62%	0.38%
5	Preferred Stock	99,846	0.95%	4.75%	0.05%
6	Customer Deposits	471,225	4.51%	8.15%	0.37%
7	Common Equity	3,044,523	29.11%	13.35%	3.89%
8	Deferred ITC - Weighted Cost	326,770	3.12%	11.19%	0.34%
9	Accumulated Deferred Income Taxes &	1,978,691	18.92%	0.00%	0.00%
10	Zero Cost ITCs				
12	Total Capital	$10,457,118	99.99%		8.40%
16	OPC				
18	Long Term Debt	$0	0.00%	0.00%	0.00%
19	Short Term Debt	0	0.00%	0.00%	0.00%
20	Preferred Stock	0	0.00%	0.00%	0.00%
21	Customer Deposits	0	0.00%	0.00%	0.00%
22	Common Equity	0	0.00%	0.00%	0.00%
23	Deferred ITC - Weighted Cost	0	0.00%	0.00%	0.00%
24	Accumulated Deferred Income Taxes &	0	0.00%	0.00%	0.00%
25	Zero Cost ITCs				
27	Total Capital	$0	0.00%		0.00%
31	STAFF RECOMMENDATION				
33	Long Term Debt	$3,754,889	36.48%	9.58%	3.50%
34	Short Term Debt	869,821	8.45%	4.62%	0.39%
35	Preferred Stock	101,870	0.99%	4.75%	0.05%
36	Customer Deposits	471,225	4.58%	8.15%	0.37%
37	Common Equity	2,764,954	26.87%	10.85%	2.91%
38	Deferred ITC - Weighted Cost	326,770	3.18%	9.41%	0.30%
39	Accumulated Deferred Income Taxes &	2,002,229	19.45%	0.00%	0.00%
40	Zero Cost ITCs				
42	Total Capital	$10,291,758	100.00%		7.52%
46	COMMISSION				
48	Long Term Debt	$0	0.00%	0.00%	0.00%
49	Short Term Debt	0	0.00%	0.00%	0.00%
50	Preferred Stock	0	0.00%	0.00%	0.00%
51	Customer Deposits	0	0.00%	0.00%	0.00%
52	Common Equity	0	0.00%	0.00%	0.00%
53	Deferred ITC - Weighted Cost	0	0.00%	0.00%	0.00%
54	Accumulated Deferred Income Taxes &	0	0.00%	0.00%	0.00%
55	Zero Cost ITCs				
57	Total Capital	$0	0.00%		0.00%

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

SCHEDULE 2
06-Jan-94

LN NO	RECONCILIATION OF AVERAGE RATE BASE AND AVERAGE CAPITAL STRUCTURE (000)	LONG-TERM DEBT	SHORT-TERM DEBT	PREFERRED STOCK	CUSTOMER DEPOSITS	COMMON EQUITY	TAX CREDITS WEIGHTED COST	DEFERRED INCOME TAXES & ZERO COST ITCs	TOTAL CAPITAL
1	System Per Books	$3,682,767	$853,296	$99,846	$471,225	$3,044,523	$326,770	$1,978,691	$10,457,118
2	Non-Utility	0	0	0	0	0	0	0	0
3	Pro Forma Adjustments:	0	0	0	0	0	0	0	0
4	Pro Rata Adjustments	0	0	0	0	0	0	0	0
5									
6	FPUC Adjusted Retail Per MFR	$3,682,767	$853,296	$99,846	$471,225	$3,044,523	$326,770	$1,978,691	$10,457,118
7	Post-Filing Adjustments	0	0	0	0	0	0	0	0
8									
9	Company Position	$3,682,767	$853,296	$99,846	$471,225	$3,044,523	$326,770	$1,978,691	$10,457,118
10									
11	Adjustments to Co. MFR Filing:								
12		0	0	0	0	0	0	0	$0
13									
14	Subtotal	$3,682,767	$853,296	$99,846	$471,225	$3,044,523	$326,770	$1,978,691	$10,457,118
15	ISSUE:								
16	Rate Base Adjustments (Specific)	$155,003	$35,724	$4,273	$0	($218,539)	$0	$23,538	($1)
17	Rate Base Adjustments (Pro Rata)	(82,881)	(19,199)	(2,249)	0	(61,030)	0	0	(165,359)
18									
19									
20	Total Adjustment	$72,122	$16,525	$2,024	$0	($279,569)	$0	$23,538	($165,360)
21									
22									
23	Adjusted Jurisdictional								
24	Capital Structure	$3,754,889	$869,821	$101,870	$471,225	$2,764,954	$326,770	$2,002,229	$10,291,758
25									

LN NO	COMPARATIVE NET OPERATING INCOME (000) OPERATING REVENUE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	OPERATING REVENUE PER FILING:				
2					
3	Revenue From Sales of Electricity	$3,582,377			
4	Other Operating Revenue	75,532			
5					
6					
7	Total Operating Revenue	$3,657,909	$3,657,909	$3,657,909	$3,657,909
8					
9					
10	ADJUSTMENTS TO COMPANY FILING:				
11					
12	ISSUE:				
13					
14	8. Cash in Working Capital	$0	$0	$7,664	$0
15		0	0	0	0
16		0	0	0	0
17					
18					
19					
20	Total Adjustments	$0	$0	$7,664	$0
21					
22	ADJUSTED OPERATING REVENUE	$3,657,909	$0	$3,665,573	$0

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

COMPARATIVE NET OPERATING INCOME (000) OPERATION & MAINTENANCE EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
OPERATION & MAINTENANCE EXPENSES PER FILING:				
Operation & Maintenance	$1,800,308			
Total Operation & Maintenance Expense	$1,800,308	$1,800,308	$1,800,308	$1,800,308
ADJUSTMENTS TO COMPANY FILING:				
ISSUE:				
21. Inventory Losses	$0	$0	($1,672)	$0
26. Chamber of Commerce Dues	0	0	(1,125)	0
27. Moving Expenses	0	0	(1,700)	0
28. Employee Relocation Expenses	0	0	(1,402)	0
29. Outside Services	0	0	(879)	0
31. Advertising Expense	0	0	(200)	0
34. Medical Insurance Accrual	0	0	(12,004)	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
Total Adjustment	$0	$0	($18,982)	$0
ADJUSTED OPERATION & MAINTENANCE EXPENSES	$1,800,308	$0	$1,781,326	$0

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

LN NO	COMPARATIVE NET OPERATING INCOME (000) DEPRECIATION & AMORTIZATION EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
71	DEPRECIATION & AMORTIZATION EXPENSES PER FILING:				
73	Depreciation & Amortization	$626,899			
76	Total Depreciation & Amortization Expense	$626,899	$626,899	$626,899	$626,899
79	ADJUSTMENTS TO COMPANY FILING:				
81	ISSUE:				
82		$0	$0	$0	$0
83		0	0	0	0
84		0	0	0	0
85		0	0	0	0
86		0	0	0	0
87		0	0	0	0
88		0			
90	Total Adjustment	$0	$0	$0	$0
93	ADJUSTED DEPRECIATION & AMORTIZATION	$626,899	$0	$626,899	$0

LN NO	COMPARATIVE NET OPERATING INCOME (000) TAXES OTHER THAN INCOME	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
90	OTHER TAXES PER FILING	$386,495	$386,495	$386,495	$386,495
93	ADJUSTMENTS TO COMPANY FILING:				
94	ISSUE:				
95	Tax Effect of Revenue Adjustments	$0	$0	$0	$0
96	41. Taxes-Other	0	0	1,754	0
97		0	0	0	0
98		0	0	0	0
101	Total Adjustments	$0	$0	$1,754	$0
104	ADJUSTED OTHER TAXES	$386,495	$0	$388,249	$0

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

SCHEDULE 3
06-Jan-94

LN NO	COMPARATIVE NET OPERATING INCOME (000) INCOME TAX EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
107					
108	INCOME TAXES PER FILING:				
109	Current Income Taxes	$125,203			
110	Deferred Income Taxes	23,385			
111	Investment Tax Credit	(20,171)			
112					
113					
114	Total Income Tax	$128,417	$128,417	$128,417	$128,417
115					
116					
117	ADJUSTMENTS TO COMPANY FILING:				
118	ISSUE:				
119	Tax Effect of Other Adjustments	$0	$0	$9,367	$0
120	43. Interest Rec/Synch	0	0	(2,411)	0
121		0	0	0	0
122		0	0	0	0
123		0	0	0	0
124		0	0	0	0
125		0	0	0	0
126		0	0	0	0
127					
128					
129	Total Adjustments	$0	$0	$6,956	$0
130					
131					
132	ADJUSTED INCOME TAXES	$128,417	$0	$135,373	$0
133					
134					
135					
136	OTHER ITEMS PER FILING:				
137	(Gain)/Loss on Sale	$0			
138	Regulatory Practices Reconciliation	0			
139					
140					
141	Total	$0	$0	$0	$0
142					
143	ADJUSTMENTS TO COMPANY FILING:				
144	ISSUE:				
145		$0	$0	$0	$0
146					
147					
148	ADJUSTED OTHER ITEMS	$0	$0	$0	$0
149					

LN NO	COMPARATIVE NET OPERATING INCOME (000) NET OPERATING INCOME / SUMMARY	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
150	NET OPERATING INCOME:				
151	Operating Revenue	$3,657,909	$0	$3,665,573	$0
152	Operation & Maintenance Expenses	(1,800,308)	0	([illegible]91,326)	0
153	Depreciation & Amortization	(626,899)	0	(626,899)	0
154	Taxes Other than Income	(386,495)	0	(388,249)	0
155	Income Taxes	(128,417)	0	(135,373)	0
156	Other Items	0	0	0	0
157					
158					
159	Net operating income	$715,790	$0	$733,726	$0
160					

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT HYDRAULIC POWER GENERATION	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
535 Payroll trended	0	0	0	
Non Payroll Trended	49	0	0	9
Other trended	0	0	0	
Total	49	0	0	
537 Payroll trended	3,097	0	0	9
Non Payroll Trended	1,166	0	0	9
Other trended	0	0	0	
Total	4,263	0	0	
538 Payroll trended	190	0	0	9
Non Payroll Trended	87	0	0	9
Other trended	0	0	0	
Total	277	0	0	
539 Payroll trended	1,029	0	0	1
Non Payroll Trended	770	59	0	4
Other trended	0	0	0	
Total	1,799	59	0	
SUB–TOTAL	$6,388	$59	$0	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

Schedule 3A
06–Jan–94

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	3.50%
# 5	Revenues/$	4.54%	2.90%
# 6	Plant	8.04%	2.68%
# 7	Inflation x Customer Growth	5.10%	6.02%
# 8	Payroll x Customer Growth	5.25%	5.14%
# 9	Other	0.00%	5.33%
			0.00%

ACCOUNT DISTRIBUTION EXPENSE	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
580 Payroll trended	96,944	100,337	103,849	3
Non Payroll Trended	30,248	31,261	32,296	1
Other trended	0	0	0	
Total	127,192	131,598	136,145	
582 Payroll trended	2,927	3,029	3,135	3
Non Payroll Trended	2,132	2,203	2,276	1
Other trended	0	0	0	
Total	5,059	5,233	5,412	
583 Payroll trended	43,614	45,903	48,350	8
Non Payroll Trended	(19,241)	1,498	1,575	9
Other trended	0	0	0	
Total	24,373	47,401	49,925	
584 Payroll trended	837	866	897	3
Non Payroll Trended	281	295	311	7
Other trended	0	0	0	
Total	1,118	1,162	1,207	
585 Payroll trended	7,057	7,427	7,823	8
Non Payroll Trended	7,231	7,600	7,990	7
Other trended	0	0	0	
Total	14,288	15,027	15,813	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT		BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
586	Payroll trended	77,531	81,601	85,950	8
	Non Payroll Trended	16,321	17,153	18,034	7
	Other trended				
	Total	93,852	98,754	103,985	
587	Payroll trended	5,234	5,509	5,802	8
	Non Payroll Trended	2,065	2,170	2,282	7
	Other trended	0	0	0	
	Total	7,299	7,679	8,084	
588	Payroll trended	29,251	30,786	32,427	8
	Non Payroll Trended	20,224	21,255	22,347	7
	Other trended	0	0	0	
	Total	49,475	52,041	54,775	
589	Payroll trended	0	0	0	
	Non Payroll Trended	302	312	322	1
	Other trended	0	0	0	
	Total	302	312	322	
	SUB–TOTAL	$322,958	$359,207	$375,668	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

Schedule 3A
06–Jan–94

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT MAINTENANCE EXPENSE	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
542 Payroll trended	162	111	0	9
Non Payroll Trended	34	31	0	9
Other trended	0	0	0	
Total	196	142	0	
590 Payroll trended	25,099	25,977	26,887	3
Non Payroll Trended	7,006	7,241	7,480	1
Other trended	0	0	0	
Total	32,105	33,218	34,367	
592 Payroll trended	3,248	3,418	3,601	8
Non Payroll Trended	4,720	4,961	5,216	7
Other trended	0	0	0	
Total	7,968	8,379	8,816	
593 Payroll trended	108,544	114,242	120,331	8
Non Payroll Trended	218,370	229,499	241,296	7
Other trended	0	20,000	20,000	9
Other trended		0	92,380	9
Total	326,914	363,741	474,006	
594 Payroll trended	506	533	561	8
Non Payroll Trended	345	363	381	7
Other trended	0	0	0	
Total	851	895	942	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT		BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
595	Payroll trended	19,130	20,134	21,207	8
	Non Payroll Trended	9,965	10,473	11,011	7
	Other trended	0	0	0	
	Total	29,095	30,607	32,218	
596	Payroll trended	14,760	15,535	16,363	8
	Non Payroll Trended	9,235	9,706	10,205	7
	Other trended	0	0	0	
	Total	23,995	25,240	26,567	
597	Payroll trended	490	516	543	8
	Non Payroll Trended	149	157	165	7
	Other trended	0	0	0	
	Total	639	672	708	
932	Payroll trended	588	609	630	3
	Non Payroll Trended	12,814	13,243	13,682	1
	Other trended	0	0	0	
	Total	13,402	13,852	14,312	
	SUB–TOTAL	$435,165	$476,747	$591,937	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT CUSTOMER ACCOUNTS	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
901 Payroll trended	27,464	28,425	29,420	3
Non Payroll Trended	6,335	6,547	6,764	1
Other trended	0	0	0	
Total	33,799	34,972	36,184	
902 Payroll trended	84,929	89,387	94,151	8
Non Payroll Trended	37,663	39,583	41,617	7
Other trended	0	0	0	
Total	122,592	128,970	135,768	
903 Payroll trended	139,246	146,555	154,367	8
Non Payroll Trended	110,346	115,970	121,931	7
Other trended	0	3,758	3,894	9
Total	249,592	266,283	280,191	
904 Payroll trended	0	0	0	
Non Payroll Trended	27,197	28,432	29,194	5
Other trended	0	0	0	
Total	27,197	28,432	29,194	
905 Payroll trended	68	72	75	8
Non Payroll Trended	18,794	19,752	20,767	7
Other trended	0	0	0	
Total	18,862	19,823	20,842	
SUBTOTAL	$452,042	$478,480	$502,180	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
CUSTOMER SERVICE & INFORMATION				
906 Payroll trended	62	0	0	0
Non Payroll Trended	22	0	0	0
Other trended	0	0	0	
Total	84	0	0	
SUBTOTAL	84	0	0	
SALES				
913 Payroll trended	0	0	0	
Non Payroll Trended	127	133	140	7
Other trended	0	0	0	
Total	127	133	140	
916 Payroll trended	0	0	0	
Non Payroll Trended	879	924	971	7
Other trended	0	0	0	
Total	879	924	971	
SUBTOTAL	$1,006	$1,057	$1,112	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT	BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
ADMINISTRATIVE & GENERAL				
920 Payroll trended	180,955	187,288	193,844	3
Non Payroll Trended	0	0	0	
Other trended–payroll	0	10,095	10,452	9
Total	180,955	197,383	204,296	
921 Payroll trended	0	0	0	
Non Payroll Trended	40,371	41,723	48,334	1
Other trended	0	0	0	
Total	40,371	41,723	48,334	
922 Payroll trended	0	0	0	
Non Payroll Trended	(49,420)	(51,150)	0	9
Other trended	0	0	0	
Total	(49,420)	(51,150)	0	
923 Payroll trended	0	0	0	
Non Payroll Trended	33,357	34,474	35,616	1
Other trended	0	0	0	
Total	33,357	34,474	35,616	
924 Payroll trended	0	0	0	
Other trended	7,419	8,866	10,078	9
Other trended	17,304	17,304	200,000	9
Total	24,723	26,170	210,078	

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT		BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
925	Payroll trended	0	0	0	
	Non Payroll Trended	0	0	0	
	Other trended	178,351	182,888	184,635	9
	Total	178,351	182,888	184,635	
926.1	Payroll trended	0	0	0	
	Non Payroll Trended	0	0	0	
	Other trended	(1,496)	(10,221)	(2,380)	9
	Total	(1,496)	(10,221)	(2,380)	
926.2	Payroll trended	0	0	0	
	Non Payroll Trended	(8,837)	(9,133)	(9,435)	1
	Other trended	100,573	120,696	111,384	9
	Total	91,736	111,563	101,949	
928	Payroll trended	0	0	0	
	Non Payroll Trended	1,197	1,237	1,278	1
	Other trended	19,319	19,319	13,421	9
	Total	20,516	20,556	14,699	
930	Payroll trended	0	0	0	
	Non Payroll Trended	17,780	18,686	19,647	7
	Other trended	0	0	0	
	Total	17,780	18,686	19,647	

FLORIDA PUBLIC UTILITIES COMPANY – MARIANNA DIVISION
O&M FORECAST WORKSHEET – PROJECTED TEST YEAR CALCULATION

	STAFF TREND RATES:	BASE YEAR + 1 12/31/93	PROJECTED TEST YEAR 12/31/94
# 1	Inflation Only (CPI–U)	3.35%	3.31%
# 2	Customer Growth	1.69%	1.77%
# 3	Payroll Increases	3.50%	3.50%
# 4	Sales/KWH	3.22%	2.90%
# 5	Revenues/$	4.54%	2.68%
# 6	Plant	8.04%	6.02%
# 7	Inflation x Customer Growth	5.10%	5.14%
# 8	Payroll x Customer Growth	5.25%	5.33%
# 9	Other	0.00%	0.00%

ACCOUNT		BASE YEAR 1992	BASE YEAR + 1 1993	PROJECTED TEST YEAR 1994	TREND BASIS APPLIED
931	Payroll trended	0	0	0	
	Non Payroll Trended	1,130	1,168	1,207	1
	Other trended	25,680	2,140	0	9
	Total	26,810	3,308	1,207	
	SUB–TOTAL	$563,683	$575,381	$818,079	
	TOTAL O&M EXPENSES	$1,781,326	$1,890,932	$2,288,976	

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA DIVISION
DOCKET NO. 930400-EI
O & M BENCHMARK VARIANCE BY FUNCTION
1992

	Steam Production (000)	Hydro Production (000)	Other Production (000)	Trans-mission (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Admin. & General (000)	Other Adjustments (000)	Total (000)
1987 FPSC Allowed O&M-System	$0	$7,234	$24	$0	$657,410	$362,549	$35	$2,163	$494,722	$0	$1,524,137
1987-1992 Compound Multiplier	1.34603	1.34603	1.34603	1.34603	1.34603	1.34603	1.34603	1.34603	1.34603	0.00000	
1992 O&M Benchmark - System	0	9,737	32	0	884,891	488,000	47	2,911	665,909	0	2,051,528
	0	0	0	0	0	0	0	0	0	0	0
Revised 1993 O&M Benchmark	0	9,737	32	0	884,891	488,000	47	2,911	665,909	0	2,051,528
1992 Adj. O&M - System	0	6,584	0	0	747,132	452,509	84	1,006	592,993	0	1,800,308
Benchmark Variance	0	(3,153)	(32)	0	(137,759)	(35,491)	37	(1,905)	(72,916)	0	(251,220
Staff Adjustments-System	0	0	0	0	(2,607)	(467)	0	0	(15,908)	0	(18,982
Adjusted Variance-System	0	(3,153)	(32)	0	(140,366)	(35,958)	37	(1,905)	(88,824)	0	(270,202
1992 O&M Benchmark - System	0	9,737	32	0	884,891	488,000	47	2,911	665,909	0	2,051,528
Juris. Separation Factors	0.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	0.0000	
1992 Benchmark - Juris.	0	9,737	32	0	884,891	488,000	47	2,911	665,909	0	2,051,538
1992 Adj. O&M - Juris.	0	6,584	0	0	747,132	452,509	84	1,006	592,993	0	1,800,308
Juris. Benchmark Variance	0	(3,153)	(32)	0	(137,759)	(35,491)	37	(1,905)	(72,916)	0	(251,220
Staff Adjustments-Juris.	0	0	0	0	(2,607)	(467)	0	0	(15,908)	0	(18,982
Adjusted Variance-Juris.	$0	($3,153)	($32)	$0	($140,366)	($35,958)	$37	($1,905)	($88,824)	$0	($270,202

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA DIVISION
DOCKET NO. 930400-EI
O & M BENCHMARK VARIANCE BY FUNCTION - JURISDICTIONAL
1992

	Steam Production (000)	Hydro Production (000)	Other Power Supply (000)	Trans-mission (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Admin. & General (000)	Total (000)
21. INVENTORY LOSSES					(1,672)					(1,672)
26. CHAMBER OF COMMERCE DUES									(1,125)	(1,125)
27. MOVING EXPENSES									(1,700)	(1,700)
28. EMPLOYEE RELOCATION EXPENSES					(935)	(467)				(1,402)
29. OUTSIDE SERVICES									(879)	(879)
31. ADVERTISING EXPENSE									(200)	(200)
34. MEDICAL INSURANCE ACCRUAL									(12,004)	(12,004)
TOTAL JURISDICTIONAL	0	0	0	0	(2,607)	(467)	0	0	(15,908)	(18,982)

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA OIVISION
DOCKET NO. 930400-EI
O & M COMPOUNO MULTIPLIERS

	Total Customers			Average CPI-U (1982-1984=100)			
Year	Amount	%Increase	Compound Multiplier	Amount	% Increase	Compound Multiplier	Inflation and Growth Compound Multiplier
1987	10,048		1.00000	113.6		1.00000	1.00000
1988	10,255	2.0601%	1.02060	118.3	4.1373%	1.04137	1.06283
1989	10,489	2.2818%	1.04389	124.0	4.8183%	1.09155	1.13947
1990	10,665	1.6779%	1.06141	130.7	5.4032%	1.15053	1.22119
1991	10,772	1.0033%	1.07205	136.2	4.2081%	1.19894	1.28532
1992	10,951	1.6617%	1.08987	140.3	3.0103%	1.23504	1.34603

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

SCHEDULE 5
06-Jan-94

LN NO	COMPARATIVE REVENUE REQUIREMENTS (000)	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	Adjusted Jurisdictional Rate Base	$10,457,118	$0	$10,291,758	$0
2					
3	Required Rate of Return	8.40%	0.00%	7.52%	0.00%
4					
5					
6					
7	Required Net Operating Income	$878,398	$0	$773,940	$0
8					
9	Adjusted Achieved Test Year				
10	Jurisdictional Net Operating Income	715,790	0	733,726	0
11					
12					
13					
14	Jurisdictional NOI Deficiency (Excess)	$162,608	$0	$40,214	$0
15					
16	Revenue Expansion Factor	1.632613	0.000000	1.632613	0.000000
17					
18					
19					
20	Revenue Increase (Decrease) - Test Year	$265,476	$0	$65,654	$0
21		0	0	0	0
22					
23					
24	Total Base Rate Revenue Increase	$265,476	$0	$65,654	$0
25					

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1992

Revenue Expansion Factor

Schedule 6
06-Jan-94

LN NO	REVENUE EXPANSION FACTOR	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	Revenue Requirement	100.000000	0.000000	100.000000	0.000000
2					
3					
4	Uncollectible Rate	0.210000	0.000000	0.210000	0.000000
5					
6	Gross Reciepts Tax	1.500000	0.000000	1.500000	0.000000
7					
8	Regulatory Assessment Fee	0.083330	0.000000	0.083330	0.000000
9					
10					
11	Net Before Income Taxes	98.206670	0.000000	98.206670	0.000000
12					
13	State Income Tax	0.055000	0.055000	0.055000	0.055000
14	Rate				
15					
16	Amount	5.401367	0.000000	5.401367	0.000000
17					
18					
19	Net Before Federal Income Taxes	92.805303	0.000000	92.805303	0.000000
20					
21	Federal Income Tax				
22	Rate	0.340000	0.340000	0.340000	0.340000
23					
24					
25	Amount	31.553803	0.000000	31.553803	0.000000
26					
27					
28	Net Operating Income	61.251500	0.000000	61.251500	0.000000
29					
30					
31					
32	Net Operating Income Multiplier	1.632613	0.000000	1.632613	0.000000
33					

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 7
06-Jan-94

LN NO	COMPARATIVE RATE BASE (000)	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	RATE BASE PER FILING:				
2					
3	Plant in Service	$18,561,046			
4	Depreciation Reserve	(6,459,835)			
5		------------			
6	Net Plant in Service	$12,101,211			
7	Construction Work in Progress	38,125			
8	Property Held for Future Use	0			
9	Nuclear Fuel (Net)	(125,197)			
10	Allowance for Working Capital	180,717			
11		------------			
12					
13	Total rate base	$12,194,856	$12,194,856	$12,194,856	12,194,856
14		============	============	============	============
15					
16	ADJUSTMENTS TO COMPANY FILING:				
17					
18	ISSUE:				
19	3. Hydraulic Prod. Plant Land	$0	$0	($1,837)	0
20	4. Plant Additions	0	0	(111,307)	0
21	8. Cash in Working Capital	0	0	(188,084)	0
22	39. Depreciation Rates	0	0	65,921	0
23		0	0	0	0
24		0	0	0	0
25		0	0	0	0
26		0	0	0	0
27		0	0	0	0
28		0	0	0	0
29		0	0	0	0
30		0	0	0	0
31		0	0	0	0
32		0	0	0	0
33		0	0	0	0
34		0	0	0	0
35		0	0	0	0
36		0	0	0	0
37		0	0	0	0
38		0	0	0	0
39					
40		------------	------------	------------	------------
41					
42	Total Adjustment	$0	$0	($235,307)	$0
43		------------	------------	------------	------------
44					
45	ADJUSTED RATE BASE:	$12,194,856	$0	$11,959,549	$0
46		============	============	============	============

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 8
06-Jan-94
Page 1 of 2

LN NO	COMPARATIVE CAPITAL	AMOUNT (000)	RATIO	COST RATE	WEIGHTED COST
1	COMPANY				
2					
3	Long Term Debt	$4,297,893	35.24%	9.86%	3.48%
4	Short Term Debt	920,644	7.55%	3.96%	0.30%
5	Preferred Stock	110,178	0.90%	4.75%	0.04%
6	Customer Deposits	515,200	4.22%	8.15%	0.34%
7	Common Equity	4,008,441	32.87%	12.35%	4.06%
8	Deferred ITC - Weighted Cost	289,700	2.38%	10.97%	0.26%
9	Accumulated Deferred Income Taxes &	2,052,800	16.83%	0.00%	0.00%
10	Zero Cost ITCs				
11					
12	Total Capital	$12,194,856	100.00%		8.48%
13					
14					
15					
16	OPC				
17					
18	Long Term Debt	$0	0.00%	0.00%	0.00%
19	Short Term Debt	0	0.00%	0.00%	0.00%
20	Preferred Stock	0	0.00%	0.00%	0.00%
21	Customer Deposits	0	0.00%	0.00%	0.00%
22	Common Equity	0	0.00%	0.00%	0.00%
23	Deferred ITC - Weighted Cost	0	0.00%	0.00%	0.00%
24	Accumulated Deferred Income Taxes &	0	0.00%	0.00%	0.00%
25	Zero Cost ITCs				
26					
27	Total Capital	$0	0.00%		0.00%
28					
29					
30					
31	STAFF RECOMMENDATION				
32					
33	Long Term Debt	$4,403,008	36.82%	9.86%	3.63%
34	Short Term Debt	943,482	7.89%	5.66%	0.45%
35	Preferred Stock	112,936	0.94%	4.75%	0.04%
36	Customer Deposits	515,200	4.31%	8.16%	0.35%
37	Common Equity	3,638,000	30.42%	10.85%	3.30%
38	Deferred ITC - Weighted Cost	289,700	2.42%	9.76%	0.24%
39	Accumulated Deferred Income Taxes &	2,057,223	17.20%	0.00%	0.00%
40	Zero Cost ITCs				
41					
42	Total Capital	$11,959,549	100.00%		8.01%
43					
44					
45					
46	COMMISSION				
47					
48	Long Term Debt	$0	0.00%	0.00%	0.00%
49	Short Term Debt	$0	0.00%	0.00%	0.00%
50	Preferred Stock	$0	0.00%	0.00%	0.00%
51	Customer Deposits	$0	0.00%	0.00%	0.00%
52	Common Equity	$0	0.00%	0.00%	0.00%
53	Deferred ITC - Weighted Cost	$0	0.00%	0.00%	0.00%
54	Accumulated Deferred Income Taxes &	$0	0.00%	0.00%	0.00%
55	Zero Cost ITCs				
56					
57	Total Capital	$0	0.00%		0.00%
58					

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

LN NO	RECONCILIATION OF AVERAGE RATE BASE AND AVERAGE CAPITAL STRUCTURE (000)	LONG-TERM DEBT	SHORT-TERM DEBT	PREFERRED STOCK	CUSTOMER DEPOSITS	COMMON EQUITY	TAX CREDITS WEIGHTED COST	DEFERRED INCOME TAXES & ZERO COST ITCs	TOTAL CAPITAL
1	System Per Books	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
2	Non-Utility	0	0	0	0	0	0	0	0
3	Pro Forma Adjustments:	0	0	0	0	0	0	0	0
4	Pro Rata Adjustments	0	0	0	0	0	0	0	0
5									
6	FPUC Adjusted Retail Per MFR	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
7	Post-Filing Adjustments	0	0	0	0	0	0	0	0
8									
9	Company Position	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
10									
11	Adjustments to Co. MFR Filing:								
12		0	0	0	0	0	0	0	$0
13									
14	Subtotal	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
15	ISSUE:								
16	Rate Base Adjustments (Specific)	$219,000	$47,241	$5,679	$0	($276,343)	$0	$4,423	$0
17	Rate Base Adjustments (Pro Rata)	(113,885)	(24,403)	(2,921)	0	(94,098)	0	0	(235,307)
18									
19									
20	Total Adjustment	$105,115	$22,838	$2,758	$0	($370,441)	$0	$4,423	($235,307)
21									
22									
23	Adjusted Jurisdictional								
24	Capital Structure	$4,403,008	$943,482	$112,936	$515,200	$3,638,000	$289,700	$2,057,223	$11,959,549
25									

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

Company Capital
Reconciliation Worksheet
14-Sep-92

Company Capital
Reconciliation Worksheet
06-Jan-94

LN NO	RECONCILING ITEM	LONG-TERM DEBT	SHORT-TERM DEBT	PREFERRED STOCK	CUSTOMER DEPOSITS	COMMON EQUITY	TAX CREDITS WEIGHTED COST	DEFERRED INCOME TAXES & ZERO COST ITCs	TOTAL CAPITAL
1	System Per Books	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
2	Non-Utility	0	0	0	0	0	0	0	0
3									
4									
5	Net Electric System Per Books	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
6									
7	Pro Forma Adjustments:								
8		$0	$0	$0	$0	$0	$0	$0	$0
9		0	0	0	0	0	0	0	0
10		0	0	0	0	0	0	0	0
11									
12									
13	Total Adjustments	$0	$0	$0	$0	$0	$0	$0	$0
14									
15									
16	Adjusted Capital per Books	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
17	Pro Rata Adjustments	0	0	0	0	0	0	0	0
18									
19									
20	FPUC Adjusted Retail	$4,297,893	$920,644	$110,178	$515,200	$4,008,441	$289,700	$2,052,800	$12,194,856
21									

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

LN NO	COMPARATIVE NET OPERATING INCOME (000) OPERATING REVENUE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	OPERATING REVENUE PER FILING:				
2					
3	Revenue From Sales of Electricity	$3,642,400			
4	Other Operating Revenue	98,034			
5		------------			
6					
7	Total Operating Revenue	$3,740,434	$3,740,434	$3,740,434	$3,740,434
8		============	============	============	============
9					
10	ADJUSTMENTS TO COMPANY FILING:				
11					
12	ISSUE:				
13					
14	8. Cash in Working Capital	$0	$0	$8,461	$0
15		0	0	0	0
16		0	0	0	0
17					
18		------------	------------	------------	------------
19					
20	Total Adjustments	$0	$0	$8,461	$0
21		------------	------------	------------	------------
22	ADJUSTED OPERATING REVENUE	$3,740,434	$0	$3,748,895	$0
		============	============	============	============

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 9
06-Jan-94
Page 2 of 4

COMPARATIVE NET OPERATING INCOME (000) OPERATION & MAINTENANCE EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
OPERATION & MAINTENANCE EXPENSES PER FILING:				
Operation & Maintenance	$2,319,761			
Total Operation & Maintenance Expense	$2,319,761	$2,319,761	$2,319,761	$2,319,761
ADJUSTMENTS TO COMPANY FILING:				
ISSUE:				
21. Inventory Losses	$0	$0	($1,848)	$0
23. Trend Factors	0	0	5,337	0
26. Chamber of Commerce Dues	0	0	(1,244)	0
27. Moving Expenses	0	0	(1,879)	0
28. Employee Relocation Expenses	0	0	(1,501)	0
29. Outside Services	0	0	(939)	0
30. Rate Case Expense	0	0	(14,194)	0
31. Advertising Expense	0	0	(221)	0
32. Injuries & Damages Expense	0	0	(6,219)	0
33. Storm Damage Accrual	0	0	5,230	0
34. Medical Insurance Accrual	0	0	(13,307)	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
	0	0	0	0
Total Adjustment	$0	$0	($30,785)	$0
ADJUSTED OPERATION & MAINTENANCE EXPENSES	$2,319,761	$0	$2,288,976	$0

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 9
06-Jan-94
Page 2 of 4

LN NO	COMPARATIVE NET OPERATING INCOME (000) OPERATION & MAINTENANCE EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECON	COMMISSION
23	OPERATION & MAINTENANCE EXPENSES PER FILING:				
25	Operation & Maintenance	$2,319,761			
28	Total Operation & Maintenance Expense	$2,319,761	$2,319,761	$2,319,761	$2,319,761
31	ADJUSTMENTS TO COMPANY FILING:				
33	ISSUE:				
34	21. Inventory Losses	$0	$0	($1,848)	$0
35	23. Trend Factors	0	0	5,337	0
36	~~26. Chamber of Commerce Dues~~	0	0	(1,244)	0
37	27. Moving Expenses	0	0	(1,879)	0
38	28. Employee Relocation Expenses	0	0	(1,501)	0
39	29. Outside Services	0	0	(939)	0
40	30. Rate Case Expense	0	0	(14,194)	0
41	31. Advertising Expense	0	0	(221)	0
42	32. Injuries & Damages Expense	0	0	(6,219)	0
43	33. Storm Damage Accrual	0	0	5,230	0
44	34. Medical Insurance Accrual	0	0	(13,307)	0
45		0	0	0	0
46		0	0	0	0
47		0	0	0	0
48		0	0	0	0
66	Total Adjustment	$0	$0	($30,785)	$0
69	ADJUSTED OPERATION & MAINTENANCE EXPENSES	$2,319,761	$0	$2,288,976	$0

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

LN NO	COMPARATIVE NET OPERATING INCOME (000) DEPRECIATION & AMORTIZATION EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
71	DEPRECIATION & AMORTIZATION EXPENSES PER FILING:				
72					
73	Depreciation & Amortization	$724,655			
74					
75					
76	Total Depreciation & Amortization Expense	$724,655	$724,655	$724,655	$724,655
77					
78					
79	ADJUSTMENTS TO COMPANY FILING:				
80					
81	ISSUE:				
82	4. Plant Additions	$0	$0	($2,643)	$0
83	39. Depreciation Rates	0	0	(23,509)	0
84		0	0	0	0
85		0	0	0	0
86		0	0	0	0
87		0	0	0	0
88					
89					
90	Total Adjustment	$0	$0	($26,152)	$0
91					
92					
93	ADJUSTED DEPRECIATION & AMORTIZATION	$724,655	$0	$698,503	$0

LN NO	COMPARATIVE NET OPERATING INCOME (000) TAXES OTHER THAN INCOME	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
90	OTHER TAXES PER FILING	$236,757	$236,757	$236,757	$236,757
91					
92					
93	ADJUSTMENTS TO COMPANY FILING:				
94	ISSUE:				
95	Tax Effect of Revenue Adjustments	$0	$0	$0	$0
96	41. Taxes-Other	0	0	(426)	0
97		0	0	0	0
98		0	0	0	0
99					
100					
101	Total Adjustments	$0	$0	($426)	$0
102					
103					
104	ADJUSTED OTHER TAXES	$236,757	$0	$236,331	$0
105					
106					

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 9
06-Jan-94

LN NO	COMPARATIVE NET OPERATING INCOME (000) INCOME TAX EXPENSE	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
107					
108	INCOME TAXES PER FILING:				
109	Current Income Taxes	($142,228)			
110	Deferred Income Taxes	120,573			
111	Investment Tax Credit	(19,941)			
112					
113					
114	Total Income Tax	($41,596)	($41,596)	($41,596)	($41,596)
115					
116					
117	ADJUSTMENTS TO COMPANY FILING:				
118	ISSUE:				
119	Tax Effect of Other Adjustments	$0	$0	$20,345	$0
120	43. Interest Rec/Synch	0	0	(10,649)	0
121		0	0	0	0
122		0	0	0	0
123		0	0	0	0
124		0	0	0	0
125		0	0	0	0
126		0	0	0	0
127		0	0	0	0
128					
129	Total Adjustments	$0	$0	$9,696	$0
130					
131					
132	ADJUSTED INCOME TAXES	($41,596)	$0	($31,900)	$0
133					
134					
135					
136	OTHER ITEMS PER FILING:				
137	(Gain)/Loss on Sale	$0			
138	Regulatory Practices Reconcilation	0			
139					
140					
141	Total	$0	$0	$0	$0
142					
143	ADJUSTMENTS TO COMPANY FILING:				
144	ISSUE:				
145		$0	$0	$0	$0
146					
147					
148	ADJUSTED OTHER ITEMS	$0	$0	$0	$0
149					

LN NO	COMPARATIVE NET OPERATING INCOME (000) NET OPERATING INCOME / SUMMARY	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
150	NET OPERATING INCOME:				
151	Operating Revenue	$3,740,434	$0	$3,748,895	$0
152	Operation & Maintenance Expenses	(2,319,761)	0	(2,288,976)	0
153	Depreciation & Amortization	(724,655)	0	(698,503)	0
154	Taxes Other than Income	(236,757)	0	(236,331)	0
155	Income Taxes	41,596	0	31,900	0
156	Other Items	0	0	0	0
157					
158					
159	Net operating income	$500,857	$0	$556,985	$0
160					

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA DIVISION
DOCKET NO. 930400-EI
O & M BENCHMARK VARIANCE BY FUNCTION
1994

SCHEDULE 10

06-Jan-94

	Steam Production (000)	Hydro Production (000)	Other Production (000)	Trans-mission (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Admin. & General (000)	Other Adjustments (000)	Total (000)
1992 FPSC Allowed O&M-Juris.	$0	$6,584	$0	$0	$744,525	$452,042	$84	$1,006	$577,085	$0	$1,781,326
1992-1994 Compound Multiplier	1.08693	1.08693	1.08693	1.08693	1.08693	1.08693	1.08693	1.08693	1.08693	0.00000	
1994 O&M Benchmark - Juris.	0	7,156	0	0	809,247	491,338	91	1,093	627,251	0	1,936,178
	0	0	0	0	0	0	0	0	0	0	0
Revised 1994 O&M Benchmark	0	7,156	0	D	809,247	491,338	91	1,093	627,251	0	1,936,178
1994 Adj. O&M - Juris.	0	0	0	0	956,147	497,475	0	1,111	865,028	0	2,319,761
Benchmark Variance	0	(7,156)	0	0	146,900	6,137	(91)	18	237,777	0	383,583
Staff Adjustments-Juris.	0	0	0	0	(2,849)	4,837	0	0	(32,773)	0	(30,785
Adjusted Variance-Juris.	0	(7,156)	0	0	144,051	10,974	(91)	18	205,004	0	352,798
1994 O&M Benchmark - System	0	7,156	0	0	809,247	491,338	91	1,093	627,251	0	1,936,178
Juris. Separation Factors	0.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	0.0000	
1994 Benchmark - Juris.	0	7,156	0	0	809,247	491,338	91	1,093	627,251	0	1,936,186
1994 Adj. O&M - Juris.	0	0	0	0	956,147	497,475	0	1,111	865,028	0	2,319,761
Juris. Benchmark Variance	0	(7,156)	0	0	146,900	6,137	(91)	18	237,777	0	383,583
Staff Adjustments-Juris.	0	0	0	0	(2,849)	4,837	0	0	(32,773)	0	(30,785
Adjusted Variance-Juris.	$0	($7,156)	$0	$0	$144,051	$10,974	($91)	$18	$205,004	$0	$352,798

Reconciling Items

Additional Tree Trimming Crew Hired	92,380	3,894	New Personnel & Promotions	10,452	New Personnel & Promotions
Electrical Grounding System Improvements	20,000	5,337	Application of Trend Factor	185,355	Storm Damage and Prop. Ins.
Adjustment for 4 years of retirements	20,816			49,420	Administrative Overheads
				(25,680)	Rents
	133,198	9,231		219,547	

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA DIVISION
DOCKET NO. 930400-EI
O & M BENCHMARK VARIANCE BY FUNCTION - JURISDICTIONAL
1994

	Steam Production (000)	Hydro Production (000)	Other Power Supply (000)	Trans-mission (000)	Distribution (000)	Customer Accounts (000)	Customer Service (000)	Sales (000)	Admin. & General (000)	Total (000)
21. INVENTORY LOSSES					(1,848)					(1,848)
23. TREND FACTORS						5,337				5,337
26. CHAMBER OF COMMERCE DUES									(1,244)	(1,244)
27. MOVING EXPENSES									(1,879)	(1,879)
28. EMPLOYEE RELOCATION EXPENSES					(1,001)	(500)				(1,501)
29. OUTSIDE SERVICES									(939)	(939)
30. RATE CASE EXPENSE									(14,194)	(14,194)
31. ADVERTISING EXPENSE									(221)	(221)
32. INJURIES & DAMAGES EXPENSE									(6,219)	(6,219)
33. STORM DAMAGE ACCRUAL									5,230	5,230
34. MEDICAL INSURANCE ACCRUAL									(13,307)	(13,307)
TOTAL JURISDICTIONAL	0	0	0	0	(2,849)	4,837	0	0	(32,773)	(30,785)

FLORIDA PUBLIC UTILITIES COMPANY
MARIANNA DIVISION
DOCKET NO. 930400-EI
O & M COMPOUND MULTIPLIERS

Year	Total Customers			Average CPI-U (1982-1984=100)			
	Amount	%Increase	Compound Multiplier	Amount	% Increase	Compound Multiplier	Inflation and Growt Compound Multiplier
1992	10,951		1.00000	140.3		1.00000	1.00000
1993	11,136	1.6900%	1.01690	145.0	3.3500%	1.03350	1.05097
1994	11,333	1.7701%	1.01800	149.8	3.3103%	1.06771	1.08693

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

SCHEDULE 11
06-Jan-94

LN NO	COMPARATIVE REVENUE REQUIREMENTS (000)	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	Adjusted Jurisdictional Rate Base	$12,194,856	$0	$11,959,549	$0
2					
3	Required Rate of Return	8.48%	0.00%	8.01%	0.00%
4					
5					
6					
7	Required Net Operating Income	$1,034,124	$0	$957,960	$0
8					
9	Adjusted Achieved Test Year				
10	Jurisdictional Net Operating Income	500,857	0	556,985	0
11					
12					
13					
14	Jurisdictional NOI Deficiency (Excess)	$533,267	$0	$400,975	$0
15					
16	Revenue Expansion Factor	1.608051	0.000000	1.608051	0.000000
17					
18					
19					
20	Total Revenue Increase (Decrease)	$857,520	$0	$644,788	$0
21					
22					
23	1992 Test Year Increase	$265,476	$0	$65,654	$0
24	1994 Increase	592,044	0	579,134	0
25					
26	Total Base Rate Revenue Increase	$857,520	$0	$644,788	$0
27					

Company : FPUC - Marianna Division
Docket No. : 930400-EI
Test Year : December 31, 1994

Revenue Expansion Factor

Schedule 12
06-Jan-94

LN NO	REVENUE EXPANSION FACTOR	COMPANY POSITION	OPC POSITION	STAFF RECOM	COMMISSION
1	Revenue Requirement	100.000000	0.000000	100.000000	0.000000
4	Uncollectible Rate	0.210000	0.000000	0.210000	0.000000
6	Gross Reciepts Tax	0.000000	0.000000	0.000000	0.000000
8	Regulatory Assessment Fee	0.083330	0.000000	0.083330	0.000000
11	Net Before Income Taxes	99.706670	0.000000	99.706670	0.000000
13	State Income Tax	0.055000	0.055000	0.055000	0.055000
14	Rate				
16	Amount	5.483867	0.000000	5.483867	0.000000
19	Net Before Federal Income Taxes	94.222803	0.000000	94.222803	0.000000
21	Federal Income Tax				
22	Rate	0.340000	0.340000	0.340000	0.340000
25	Amount	32.035753	0.000000	32.035753	0.000000
28	Net Operating Income	62.187050	0.000000	62.187050	0.000000
32	Net Operating Income Multiplier	1.608051	0.000000	1.608051	0.000000

Florida Public Utilities Co.
Docket No. 930400-EI

INCREASE IN UNBILLED REVENUE DUE TO PROPOSED RATES

	Booked Sales			Unbilled Sales	Base Revenue		
Rate Class	Proposed Base Revenue	MWH	Per Unit $/MWH Col(1)/Col(2)	MWH	Proposed Col(3)*Col(4)	Present (*)	Adjustment Col(5)-Col(6)
RS	$2,399,657	113,640	$21.12	124	$2,624	$2,120	$504
GS	$497,047	19,828	$25.07	22	$544	$515	$28
GSD	$853,336	73,374	$11.63	80	$933	$830	$104
GSLD	$259,153	43,721	$5.93	48	$283	$281	$2
OL	$58,930	803	$73.39	1	$64	$51	$13
OL-2	$124,592	744	$167.46	1	$136	$108	$28
SL1-2	$49,390	988	$49.99	1	$54	$50	$4
SL-3	$25,507	204	$125.03	0	$0	$0	$0
Total	$4,267,612	253,302		277	$4,639	$3,956	$683

*Note: Unbilled MWH times present base revenue divided by booked MWH.

FPUC – MARIANNA
DOCKET NO. 930400–EI
APROVED REVENUE INCREASE BY CLASS
BASED ON THE COMPANY'S 12 CP AND 1/13TH COST OF SERVICE STUDY
SUMMARY OF CLASS ROR'S AND % INCREASE

(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)	(9)	
Rate Code	(a) Proposed Rate Base	(a) 1994 NOI Present Rates	Present ROR /	INDEX	(b) Stipulated Increase Service Charges	(b) Proposed Increase Sales of Electricity	(b) Total Approved Increased Revenue	Required NOI	Proposed RoR /	Index
RS	$6,583,149	$239,357	3.64% /	0.78	15,150	$461,135	$476,285	$535,544	8.14% /	1.02
GS	$1,302,880	$87,713	6.73% /	1.45	$3,491	$26,000	$29,491	$106,053	8.14% /	1.02
GSD	$2,548,288	$147,810	5.80% /	1.25	$1,250	$94,737	$95,987	$207,502	8.14% /	1.02
GSLD	$806,926	$65,077	8.06% /	1.73	$0	$2,195	$2,195	$66,442	8.23% /	1.03
OL	$149,692	$1,792	1.20% /	0.26	$0	$12,060	$12,060	$9,291	6.21% /	0.77
OL–2	$374,490	$824	0.22% /	0.05	$0	$25,500	$25,500	$16,682	4.45% /	0.56
OLCA	$524,182	$2,616	0.50% /	0.11	$0	$37,560	$37,560	$25,973	4.95% /	0.62
SL1–2	$131,769	$8,694	6.60% /	1.42	$0	$3,270	$3,270	$10,728	8.14% /	1.02
SL–3	$62,356	$5,718	9.17% /	1.97	$0	$0	$0	$5,718	9.17% /	1.14
SLC	$194,126	$14,412	7.42% /	1.59	$0	$3,270	$3,270	$16,446	8.47% /	1.06
Totals	$11,959,549	$556,985	4.66% /	1.00	$19,891	$624,897	$644,788	$957,960	8.01% /	1.00

FPSC

COMPANY: FPUC

DOCKET NO.: 930400-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-16a. The billing units must equal those shown in Schedules E-18a, E-18b and E-18c. Provide total number of Bills, MWH and Billing KW for each rate schedule (including Standard and Time-of-Day customers) and transfer group.

Type of data shown:
XX Projected Test Year Ended 12/31/94
__ Projected Prior Year Ended __/__/__
__ Historical Prior Year Ended __/__/__
Witness: J. English

RATE SCHEDULE RS

TYPE OF CHARGES	PRESENT REVENUE CALCULATION				PROPOSED REVENUE CALCULATION				% INCREASE
	UNITS		CHARGE/UNIT	$ REVENUE	UNITS		CHARGE/UNIT	$ REVENUE	
Customer Charge:									
Standard	110,880	Bills	$6.65	$737,352	110,880	Bills	$8.30	$920,304	24.81%
Time-of-Day (Co. Owned)	0	Bills	$0.00	$0	0	Bills	$0.00	$0	0.00%
Time-of-Day (Cust. Owned)	0	Bills	$0.00	$0	0	Bills	$0.00	$0	0.00%
Total	110,880	Bills		$737,352	110,880	Bills		$920,304	24.81%
									0.00%
Energy and Demand Charge:									
Standard	113,639,504	KWH	0.01057	$1,201,170	113,639,504	MWH	$0.01300	$1,477,169	22.98%
Time-of-Day On-Peak	0	KWH	0.00000	$0	0	MWH	$0.00000	$0	0.00%
Time-of-Day Off-Peak	0	KWH	0.00000	$0	0	MWH	$0.00000	$0	0.00%
Total	113,639,504	KWH		$1,201,170	113,639,504	MWH		$1,477,169	22.98%
	Total Base Revenue Equals			$1,938,522	Proposed Base Revenue			$2,397,473	23.68%

BASE REVENUE BY RATE SCHEDULE - CALCULATIONS

FPSC

COMPANY: FPUC

DOCKET NO.: 930400-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-16a. The billing units must

equal those shown in Schedules E-18a, E-18b and E-18c. Provide total number of Bills, MWH and Billing KW for each rate schedule (including Standard and Time-of-Day customers) and transfer group.

Type of data shown:
XX Projected Test Year Ended 12/31/94
__ Projected Prior Year Ended __/__/__
__ Historical Prior Year Ended __/__/__
Witness: J. English

RATE SCHEDULE GS

TYPE OF CHARGES	PRESENT REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	PROPOSED REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	% INCREASE
Customer Charge:									
Standard Metered	20,424	Bills	$9.20	$187,901	20,424	Bills	$11.50	$234,876	25.00%
Sports Fields	276	Bills	$12.00	$3,312	276	Bills	$16.00	$4,416	33.33%
Standard Unmetered	0	Bills	$0.00	$0	0	Bills	$0.00	$0	0.00%
Time-of-Day (Co. Owned)	0	Bills	$0.00	$0	0	Bills	$0.00	$0	0.00%
Time-of-Day (Cust. Owned)	0	Bills	$0.00	$0	0	Bills	$0.00	$0	0.00%
Total	20,700	Bills		$191,213	20,700	Bills		$239,292	25.14%
Energy and Demand Charge:									
Standard	19,695,095	KWH	$0.01408	$277,307	19,695,095	KWH	$0.01300	$255,949	-7.70%
Sports Fields	133,100	KWH	$0.01899	$2,528	133,100	KWH	$0.02870	$3,820	51.11%
Time-of-Day On-Peak	0	KWH	$0.00000	$0	0	KWH	$0.00000	$0	0.00%
Time-of-Day Off-Peak	0	KWH	$0.00000	$0	0	KWH	$0.00000	$0	0.00%
Total	19,828,195	KWH		$279,835	19,828,195	KWH		$259,769	-7.17%
			Total Base Revenue Equals	$471,048			Proposed Base Revenue	$499,061	5.95%

FPSC

COMPANY: FPUC

DOCKET NO.: 930400-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another, show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-16a. The billing units must equal those shown in Schedules E-18a, E-18b and E-18c. Provide total number of Bills, MWH and Billing KW for each rate schedule (including Standard and Time-of-Day customers) and transfer group.

Type of data:
XX Projected Test Year Ended 12/31/94
__ Projected Prior Year Ended __/__/__
__ Historical Prior Year Ended __/__/__
Witness: J. English

RATE SCHEDULE GSD

TYPE OF CHARGES	PRESENT REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	PROPOSED REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	% INCREASE
Customer Charge:									
Standard Secondary	3,852	Bills	$35.00	$134,820	3,852	Bills	$43.75	$168,525	25.00%
Standard Primary	0	Bills	$35.00	$0	0	Bills	$43.75	$0	0.00%
Total	3,852			$134,820	3,852			$168,525	25.00%
Energy Charge:									
Standard Secondary	73,374,225	KWH	$0.00162	$118,866	73,374,225	KWH	$0.00083	$61,247	-48.47%
Standard Primary	0	KWH	$0.00162	$0	0	KWH	$0.00083	$0	0.00%
Total	73,374,225	KWH		$118,866	73,374,225	KWH		$61,247	-48.47%
Demand Charge:									
Standard Secondary	255,625	KW	$1.94	$495,913	255,625	KW	$2.40	$613,500	23.71%
Standard Primary	6,000	KW	$1.94	$11,640	6,000	KW	$2.40	$14,400	23.71%
Total	261,625	KW		$507,553	261,625	KW		$627,900	23.71%
Transformer Owner. Discount:									
Standard Primary	6,000	KW	($0.44)	($2,640)	6,000	KW	($0.74)	($4,440)	68.18%
Total									
	Total Base Revenue Equals			$758,599	Proposed Base Revenue			$853,232	12.47%

Note: an explicit Metering Voltage adjustment is not needed because only billed kWh and kW were used in these calculations.

Schedule 15
Page 3 of 5

127

Schedule E-16c

BASE REVENUE BY RATE SCHEDULE - CALCULATIONS

FPSC

COMPANY: FPUC

DOCKET NO.: 930400-EI

EXPLANATION: By rate schedule, calculate revenues under present and proposed rates for the test year. If any customers are to be transferred from one schedule to another; show revenues separately for the transfer group. Correction factors are used for historical test years only. The total base revenue by class must equal that shown in Schedule E-15a. The billing units must equal those shown in Schedules E-18a, E-18b and E-18c. Provide total number of Bills, MWH and Billing KW for each rate schedule (including Standard and Time-of-Day customers) and transfer group.

Type of data shown:
XX Projected Test Year Ended 12/31/94
__ Projected Prior Year Ended __/__/__
__ Historical Prior Year Ended __/__/__
Witness: J. English

RATE SCHEDULE GSLD

TYPE OF CHARGES	PRESENT REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	PROPOSED REVENUE CALCULATION UNITS		CHARGE/UNIT	$ REVENUE	% INCREASE
Customer Charge:									
Standard Secondary	36	Bills	$35.00	$1,260	36	Bills	$52.50	$1,890	50.00%
Standard Primary	60	Bills	$35.00	$2,100	60	Bills	$52.50	$3,150	50.00%
Total	96	Bills		$3,360	96	Bills		$5,040	50.00%
Energy Charge:									
Standard Secondary	9,185,489	KWH	$0.00162	$14,880	9,185,489	KWH	$0.00000	$0	-100.00%
Standard Primary	34,535,580	KWH	$0.00162	$55,948	34,535,580	KWH	$0.00000	$0	-100.00%
Total	43,721,069	KWH		$70,828	43,721,069	MWH		$0	-100.00%
Demand Charge:									
Standard Secondary	23,000	KW	$1.94	$44,620	23,000	KW	$2.80	$64,400	44.33%
Standard Primary	92,100	KW	$1.94	$178,674	92,100	KW	$2.80	$257,880	44.33%
Total	115,100	KW		$223,294	115,100	KW		$322,280	44.33%
Transformer Owner. Discount:									
Standard Primary	92,100	KW	($0.44)	($40,524)	92,100	KW	($0.74)	($68,154)	68.18%
Total	92,100	KW		($40,524)	92,100	KW		($68,154)	68.18%
			Total Base Revenue Equals	$256,958			Proposed Base Revenue	$259,166	0.86%

Note: an explicit Metering Voltage adjustment is not needed because only billed kWh and kW were used in these calcualtions.

FLORIDA PUBLIC UTILITIES – MARIANNA DIVISION – DOCKET NO. 930400–EI
STAFF – PROPOSED STREET AND OUTDOOR LIGHTING RATES

RATE SCHEDULE	FIXTURE CHARGE	NON–FUEL ENERGY CHARGE	MAINTENANCE CHARGE	TOTAL MONTHLY CHARGE
OL – MERCURY VAPOR				
175w 7,000 Lumen	\$1.57	\$1.80	\$1.19	\$4.56
400w 20,000 Lumen	\$4.51	\$3.85	\$1.21	\$9.57
OL–2 – HIGH–PRESSURE SODIUM				
100w 9,500 Lumen	\$5.16	\$1.05	\$1.40	\$7.61
200w 22,000 Lumen	\$7.12	\$2.23	\$1.42	\$10.76
SL–1 AND SL–2 MERCURY VAPOR				
175w 7,000 Lumen	\$1.29	\$0.97	\$1.24	\$3.50
400w 20,000 Lumen	\$3.51	\$2.08	\$1.27	\$6.86
SL–3 – HIGH–PRESSURE SODIUM				
100w 9,500 Lumen	\$3.66	\$0.88	\$1.50	\$6.04
200w 22,000 Lumen	\$5.06	\$1.86	\$1.54	\$8.45

POLE CHARGE: \$2.50