

FLORIDA PUBLIC SERVICE COMMISSION  
Capital Circle Office Center • 2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

MEMORANDUM

JANUARY 9, 1997

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF AUDITING & FINANCIAL ANALYSIS (JONES, *197*)  
SLEMKEWICZ) *JS am*  
DIVISION OF ELECTRIC AND GAS (BREMAN) *PET*  
DIVISION OF LEGAL SERVICES (V. JOHNSON) *WJ AVE*

RE: DOCKET NO. 961542-EI - FLORIDA PUBLIC UTILITIES COMPANY -  
INVESTIGATION INTO 1995 EARNINGS OF FLORIDA PUBLIC  
UTILITIES COMPANY - FERNANDINA BEACH ELECTRIC DIVISION

AGENDA: 01/21/97 - REGULAR AGENDA - PROPOSED AGENCY ACTION -  
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\AFA\WP\961542.RCM  
ATTACHMENTS 1 AND 2 NOT AVAILABLE

CASE BACKGROUND

Due to the Commission's continuing earnings surveillance program, it was noted that the earnings of the Fernandina Beach Electric Division of Florida Public Utilities Company (FPUC-FB) were in excess of the maximum authorized return on equity (ROE) of 12.60%. Staff met with the Company on June 12, 1995, to discuss the apparent excess earnings. As a result, the Company submitted a letter, dated June 19, 1995, in which it agreed to cap its 1995 earnings at a 12.60% ROE. (ATTACHMENT 1) The disposition of any excess earnings was left to the discretion of the Commission. The Company, however, did reserve the right to request alternative dispositions such as additional contributions to its storm damage reserve or the reduction of any depreciation reserve deficiencies. An Audit Report was issued on July 17, 1996. The Company's response to the audit report was received on August 12, 1996.

On December 20, 1996, the Company submitted a letter agreeing with the Staff's calculation of 1995 excess earnings of \$61,651, plus interest of \$1,855. In addition, the Company has requested that the total amount of \$63,506 be contributed to the Storm Damage Reserve in Fernandina Beach. (ATTACHMENT 2)

DOCUMENT NUMBER-DATE  
00240 JAN-97  
FPSC-RECORDS/REPORTING

DISCUSSION OF ISSUES

ISSUE 1: What is the appropriate amount of rate base for determining the amount of excess earnings for 1995?

RECOMMENDATION: The appropriate rate base for 1995 is \$14,928,526.  
[SLEMKEWICZ]

STAFF ANALYSIS: Per the December 1995 Earnings Surveillance Report, the Company reported a total "FPSC Adjusted" rate base of \$15,072,505. Based on the adjustments discussed below, the Staff recommends that the appropriate rate base is \$14,928,526. (ATTACHMENT 3)

Common Plant Allocations [AE-1]: Per Audit Exception 1, the Company used incorrect amounts in determining the amount of common plant to be allocated between the electric and water divisions at Fernandina Beach. Based on a recalculation using the proper amounts, the electric division's plant in service and accumulated depreciation should be reduced by \$96,524 and \$5,758, respectively. Per its response to the audit report, the Company agrees with this adjustment.

Working Capital [AE-2]: Per Audit Exception 2, the Company did not follow the Commission's normal procedure of reducing working capital by any net overrecovery of fuel or conservation cost recovery revenues. In this case, the Company had a net overrecovery of \$57,326. Therefore, working capital should be reduced by this amount. In its audit response, the Company disagrees with this adjustment. In addition, it is the Company's position that if the adjustment results in a negative amount of working capital, the working capital should be adjusted to zero. Per its December 20, 1996, letter, however, the Company has accepted this adjustment.

Capital Item Erroneously Expensed [AE-3]: Per Audit Exception 3, the Company expensed the cost of replacing a failed Large Feeder Cable. Under normal accounting procedures, the cost of the new cable should have been capitalized and the cost of the old cable should have been retired. On a 13 month average basis, plant in service should be increased by a net amount of \$628 and accumulated depreciation should be reduced by a net amount of \$1,177. There are also income statement effects as discussed in Issue 3. Per its response to the audit report, the Company agrees with this adjustment.

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Refund Provision [AD-1]: Per Audit Disclosure 1, the Company booked a \$30,000 Provision for Rate Refund in December 1995. On a 13 month average basis, this decreased working capital by \$2,308. Staff is reversing this amount simply to determine the total amount of the excess earnings for 1995. There are also income statement effects as discussed in Issue 3.

ISSUE 2: What is the appropriate overall rate of return for determining the amount of excess earnings for 1995?

RECOMMENDATION: For measuring excess earnings, the appropriate overall rate of return is 9.19% based on a 12.60% ROE and a 13-month average capital structure for the period ending December 31, 1995. [JONES, SLEMKEWICZ]

STAFF ANALYSIS: Staff began with the 13-month average capital structure from the Company's earnings surveillance report for the period ending December 31, 1995. Staff then reconciled its adjustments to rate base on a pro rata basis over investor-supplied sources of capital except for the deferred income taxes related to the \$30,000 refund provision. These taxes were reconciled specifically to cost free deferred taxes in the capital structure. In addition, the average amount of excess earnings for 1995 was specifically included as short term debt with an effective interest rate of 5.97%. The other sources of investor-supplied capital were reduced on a pro rata basis to reconcile the additional short term debt. Based on this, the Staff recommends that the appropriate overall rate of return for evaluating excess earnings is 9.19%. (ATTACHMENT 4)

ISSUE 3: What is the appropriate net operating income for determining the amount of excess earnings for 1995?

RECOMMENDATION: The appropriate net operating income for 1995 is \$1,409,717. [SLEMKEWICZ]

STAFF ANALYSIS: Per the December 1995 Earnings Surveillance Report, the Company reported a "FPSC Adjusted" net operating income of



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\$1,386,035. Based on the adjustments discussed below, the Staff recommends that the appropriate net operating income is \$1,409,717. (ATTACHMENT 3)

Capital Item Erroneously Expensed [AE-3]: Per Audit Exception 3, the Company expensed the cost of replacing a failed Large Feeder Cable rather than capitalizing it. As discussed in Issue 1, there are also income statement adjustments that must be made to correct the error. O&M expenses should be reduced by \$7,834 and depreciation expense should be increased by \$21. Per its response to the audit report, the Company agrees with this adjustment.

Prior Audit Expense Adjustments [AE-4]: Per Audit Exception 4, the Company used amounts determined in its last rate case to allocate certain costs between the electric and water divisions. However, these amounts should have been updated to reflect the current amounts as of December 31, 1995. Based on a recalculation using the updated amounts, O&M expense should be reduced by \$2,742, Taxes Other Than Income should be reduced by \$338, and depreciation expense should be reduced by \$1,482. Per its response to the audit report, the Company agrees with this adjustment.

Interest Income on Cash in Working Capital [AE-5]: Per Audit Exception 5, the Company included interest earning cash in working capital but did not include the related interest income in revenues. In the Company's MMFR review in Docket No. 930720-EI, the Commission determined that the interest income should be included in revenues if the interest bearing cash is included in working capital. Therefore, operating revenues should be increased by \$2,257. Per its response to the audit report, the Company agrees with this adjustment.

Refund Provision [AD-1]: Per Audit Disclosure 1, the Company booked a \$30,000 Provision for Rate Refund in December 1995, thereby reducing the reported operating revenues for 1995. As discussed in Issue 1, Staff is reversing this amount simply to determine the total amount of the excess earnings for 1995.

Stone & Webster Payments [AD-4]: Per Audit Disclosure 4, the Company allocated \$56,173 to the Fernandina Beach electric division for services performed by Stone & Webster. In a subsequent reconciliation of that account, it was discovered that \$58,482 should have been allocated. Therefore, O&M expenses should be increased for the \$2,309 difference. Per its response to the audit report, the Company agrees with this adjustment.

Interest Synchronization: This is a fallout adjustment based on the reconciliation of the rate base and the capital structure due to

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the Staff's adjustments to the rate base. In this instance, income taxes should be increased by \$2,754.

ISSUE 4: What is the amount of excess earnings for 1995?

RECOMMENDATION: The amount of excess earnings for 1995 is \$61,651 plus interest of \$1,855. [SLEMKEWICZ]

STAFF ANALYSIS: Based on the recommendations in the previous issues, Staff has determined that the excess earnings for 1995 are \$61,651, plus interest of \$1,855. This represents an earned ROE of 13.35%, which exceeds the maximum authorized ROE of 12.60%. (SCHEDULE 3)

ISSUE 5: What is the appropriate disposition of the 1995 excess earnings?

RECOMMENDATION: The total amount of 1995 excess earnings of \$63,506, including interest, should be contributed to Fernandina Beach's Storm Damage Reserve. The booking of this amount should be considered to be effective as of January 1, 1996, for ratemaking, earnings surveillance, and overearnings review purposes. [SLEMKEWICZ]

STAFF ANALYSIS: In its December 20, 1996, letter (ATTACHMENT 2), the Company requested that the \$63,506 of excess earnings be contributed to the Storm Damage Reserve in Fernandina Beach. The Company cited the current disparity of the reserve and accrual levels between its Marianna and Fernandina Beach electric divisions. The Staff would agree that there appears to be a deficiency in the Storm Damage Reserve for Fernandina Beach and that the current annual accrual seems to be inadequate for the purposes of building a sufficient reserve in the short term. Therefore, Staff recommends that the \$63,506 of excess earnings be included in the Storm Damage Reserve.

Since the excess earnings occurred during 1995 and interest has only been calculated for that year, Staff is also recommending

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that the increase in the reserve be made effective as of January 1, 1996, for all regulatory purposes. This would eliminate the need for the calculation of any additional amounts of interest and would include the increased reserve in the determination of earnings for 1996.

ISSUE 6: Should this docket be closed?

RECOMMENDATION: Yes, this docket should be closed if no substantially affected person timely files a protest to the Commission's proposed agency action. [V. JOHNSON]

STAFF ANALYSIS: This docket should be closed if no substantially affected person files a protest to the proposed agency action within the 21 day protest period.



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ATTACHMENT 1  
PAGE 1 OF 1

# FLORIDA PUBLIC UTILITIES COMPANY

P O Box 3395  
West Palm Beach  
FL 33402-3395

June 19, 1995

Mr. Timothy J. Devlin, Director  
Division of Auditing and Financial Analysis  
FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Blvd  
Tallahassee FL 32399-0865

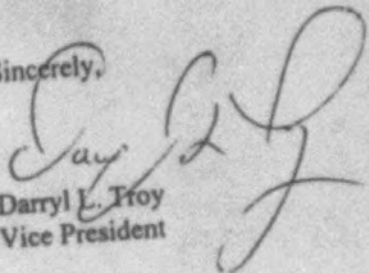
Dear Mr. Devlin:

As a result of our meeting on Monday, June 12, 1995, Florida Public Utilities Company agrees to cap its earned return on equity (ROE) for calendar year 1995 at 11.85% for its Marianna Electric Division and 12.60% for its Fernandina Beach Electric Division. These caps represent the maximum authorized ROE for each of the respective divisions.

The calculations of the earned ROE will be based on the "FPSC Adjusted Basis" in the Earnings Surveillance Reports for December 1995, using the same adjustments approved in each division's last rate case. All reasonable and prudent expenses and investment will be allowed in the calculations, but no annualized or pro forma adjustments will be allowed. These calculations are subject to Commission audit.

The disposition of any excess earnings shall be left to the discretion of the Commission. In addition to a direct cash refund, the Company may request consideration of other alternatives such as additional contributions to the storm damage reserve or the reduction of any depreciation reserve deficiencies.

Sincerely,



Darryl E. Troy  
Vice President

cc: Roger Howe, Office of Public Counsel  
Wayne Schiefelbein

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ATTACHMENT 2  
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FLORIDA  
PUBLIC UTILITIES COMPANY

December 20, 1996

Mr Timothy J Devlin Director  
Division of Auditing & Financial Analysis  
FLORIDA PUBLIC SERVICE COMMISSION  
2540 Shumard Oak Blvd  
Tallahassee FL 32399-0865

Re: 1995 Over-earnings - Fernandina Beach Electric

Dear Mr. Devlin:

With our June 19, 1995, letter (copy enclosed) Florida Public Utilities Company (Company) agreed to cap its return on equity (ROE) for calendar year 1995 at 12.60% for our Fernandina Beach electric operations. This cap represents the maximum authorized ROE for this electric operation. In that letter, the Company also requested that the Commission consider alternatives to a cash refund of any excess earnings. The alternatives to be considered are additional contributions to the Storm Damage Reserve or the reduction in any Depreciation Reserve deficiencies.

The Florida Public Service Commission staff has determined the Fernandina Beach excess revenues for calendar year 1995 to be \$61,651, with \$1,855 in accrued interest. The Company accepts this figure and requests that the total of \$63,506 be contributed to the Storm Damage Reserve in Fernandina Beach. We believe the Storm Damage Reserve to be deficient due to the following reasons.

1. The Company's first attempt to establish a Storm Damage Reserve was in our Marianna Rate Case Docket No. 880558-EI (1988) Although the Company requested an annual allowance of \$54,050 based on damages from Hurricane Kate, the Commission thought this was excessive and reduced the annual accrual to \$17,300.
2. The Company again sought to establish a storm damage accrual in our Fernandina Beach Rate Case, Docket No. 881056-EI (1988). We again requested an annual accrual of \$54,050 based on our argument in the previous Marianna case, the greater potential for loss due to a 25% larger gross plant investment and a more vulnerable coastal location. The final decision was to allow an annual accrual of \$21,625 which was 25% larger than that allowed in the Marianna case.



3. In 1993, the Company again filed for rate relief in the Marianna division. In this Rate Case, Docket No. 930400-EI (1993), we requested the annual accrual be increased to \$200,000 from the previous authorized level of \$17,300. We also requested the Storm Damage Reserve be capped at \$1 million. The reasons for this increase were the impact that Hurricane Andrew (1992) had on electric distribution property and on the insurance industry's coverage rates making it impossible to obtain coverage at a reasonable cost. The Final Order in Docket No. 930400-EI reads:

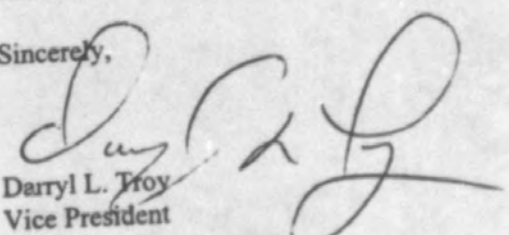
"Accordingly, we shall establish a storm damage reserve of \$1 million, with the accrual period for the reserve set at 10 years at \$100,000 per year." (Order No. PSC-94-0170-FOF-EI, p.23)

4. The current accumulated Storm Damage Reserves in Marianna and Fernandina Beach are as follows:

|                  | <u>Accumulated Reserve</u> | <u>Annual Accrual</u> |
|------------------|----------------------------|-----------------------|
| Marianna         | \$193,000                  | \$100,000             |
| Fernandina Beach | 140,000                    | 21,600                |

It is apparent from items (1) through (4) that there is a deficiency in the Fernandina Beach accumulated Storm Damage Reserve. We are therefore requesting the 1995 excess revenues and interest of \$63,506 be transferred to the Fernandina Beach Storm Damage Reserve.

Sincerely,

  
Darryl L. Troy  
Vice President

Enc: Letter to Mr. Devlin dated 6-19-95

cc:

J. Shreve  
W. Schiefelbein  
Frank Cressman  
Jack Brown  
Jack English  
George Bachman  
Pat Foster  
DTroy 12/96fpscroe\_95.dt

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ATTACHMENT 3

FLORIDA PUBLIC UTILITIES COMPANY  
 FERNANDINA BEACH ELECTRIC DIVISION  
 DOCKET NO. 961542-EI  
 REVIEW OF 1995 EARNINGS

**RATE BASE**

Plant in Service  
 Accumulated Depreciation  
 Net Plant in Service  
 Property Held for Future Use  
 Construction Work in Progress  
 Net Utility Plant  
 Working Capital  
 Total Rate Base

| As Filed<br>FPSC<br>Adjusted<br>Basis | Deferred<br>Excess<br>Earnings<br>Booked<br>[AD-1] | Common<br>Plant<br>Allocations<br>[AE-1&4] | Over/Under<br>Recoveries<br>[AE-2] | Capitalize<br>Erroneously<br>Expensed<br>Item<br>[AE-3] | Interest<br>Income on<br>Cash in<br>Work. Cap.<br>[AE-5] | Stone &<br>Webster<br>Payments<br>[AD-4] | Interest<br>Synch | Total<br>Adjustments | Total<br>Adjusted<br>Rate Base |
|---------------------------------------|----------------------------------------------------|--------------------------------------------|------------------------------------|---------------------------------------------------------|----------------------------------------------------------|------------------------------------------|-------------------|----------------------|--------------------------------|
| \$22,688,821                          |                                                    | (\$96,524)                                 |                                    | \$628                                                   |                                                          |                                          |                   | (\$95,896)           | \$22,592,925                   |
| (7,847,127)                           |                                                    | 5,758                                      |                                    | 1,177                                                   |                                                          |                                          |                   | 6,935                | (7,840,192)                    |
| 14,841,694                            |                                                    | (90,766)                                   |                                    | 1,805                                                   |                                                          |                                          |                   | (88,961)             | 14,752,733                     |
| 0                                     |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | 0                    | 0                              |
| 212,757                               |                                                    | (90,766)                                   |                                    | (57,326)                                                |                                                          |                                          |                   | 0                    | 212,757                        |
| 15,054,451                            |                                                    | 2,308                                      |                                    | 0                                                       | 1,805                                                    |                                          |                   | (88,961)             | 14,965,490                     |
| 18,054                                |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | (55,018)             | (36,964)                       |
| \$15,072,505                          |                                                    | \$2,308                                    |                                    |                                                         | \$1,805                                                  | \$0                                      | \$0               | \$0 (\$143,979)      | \$14,928,526                   |
|                                       |                                                    |                                            |                                    |                                                         |                                                          | \$2,257                                  |                   | \$32,257             | \$4,837,138                    |
| \$4,804,881                           |                                                    | \$30,000                                   |                                    |                                                         |                                                          |                                          |                   | 0                    | 0                              |
| 0                                     |                                                    |                                            | (2,742)                            |                                                         | (7,834)                                                  |                                          |                   | (8,267)              | 1,663,429                      |
| 1,671,696                             |                                                    |                                            | (1,482)                            |                                                         | 21                                                       |                                          |                   | (1,461)              | 771,263                        |
| 772,724                               |                                                    |                                            | (338)                              |                                                         | 2,948                                                    | 849                                      |                   | (338)                | 582,510                        |
| 582,848                               |                                                    |                                            | 1,159                              |                                                         | (8)                                                      |                                          |                   | 6,841                | 242,837                        |
| 235,996                               |                                                    | 11,250                                     | 558                                |                                                         |                                                          |                                          |                   | 11,800               | 193,366                        |
| 181,566                               |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | 0                    | (25,984)                       |
| (25,984)                              |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | 0                    | 0                              |
| 0                                     |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | 2,754                | 3,427,421                      |
| 3,418,846                             |                                                    | 11,250                                     | (2,845)                            |                                                         | 0                                                        | 849                                      | 1,440             | 2,754                | 8,575                          |
| \$1,386,035                           |                                                    | \$18,750                                   | \$2,845                            |                                                         | \$0                                                      | \$4,873                                  | \$1,408           | (\$1,440)            | \$23,682                       |
|                                       |                                                    |                                            |                                    |                                                         |                                                          |                                          |                   | (\$2,754)            | \$1,409,717                    |

**INCOME STATEMENT**

Operating Revenues  
 Operating Expenses:  
 Operation & Maintenance - Fuel  
 Operation & Maintenance - Other  
 Depreciation & Amortization  
 Taxes Other Than Income  
 Income Taxes - Current  
 Deferred Income Taxes (Net)  
 Investment Tax Credit (Net)  
 (Gain)/Loss on Disposition  
 Total Operating Expenses  
 Net Operating Income

|             |  |          |         |  |         |         |         |           |           |             |
|-------------|--|----------|---------|--|---------|---------|---------|-----------|-----------|-------------|
| 0           |  |          |         |  | (7,834) |         |         |           | 0         | 1,663,429   |
| 1,671,696   |  |          | (2,742) |  | 21      |         |         |           | (8,267)   | 771,263     |
| 772,724     |  |          | (1,482) |  | 2,948   | 849     |         |           | (1,461)   | 582,510     |
| 582,848     |  |          | (338)   |  | (8)     |         |         |           | (338)     | 242,837     |
| 235,996     |  | 11,250   | 1,159   |  |         |         |         |           | 6,841     | 193,366     |
| 181,566     |  |          | 558     |  |         |         |         |           | 11,800    | (25,984)    |
| (25,984)    |  |          |         |  |         |         |         |           | 0         | 0           |
| 0           |  |          |         |  |         |         |         |           | 2,754     | 3,427,421   |
| 3,418,846   |  | 11,250   | (2,845) |  | 0       | 849     | 1,440   | 2,754     | 8,575     | 8,575       |
| \$1,386,035 |  | \$18,750 | \$2,845 |  | \$0     | \$4,873 | \$1,408 | (\$1,440) | (\$2,754) | \$23,682    |
|             |  |          |         |  |         |         |         |           |           | \$1,409,717 |

OVERALL RATE OF RETURN  
 RETURN ON EQUITY

9.20%  
 12.60%

0.25% 9.44%  
 0.75% 13.35%

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FLORIDA PUBLIC UTILITIES COMPANY  
 FERNANDINA BEACH ELECTRIC DIVISION  
 DOCKET NO. 961542-EI  
 REVIEW OF 1995 EARNINGS

ATTACHMENT 4

**CAPITAL STRUCTURE**

**AS FILED - FPSC ADJUSTED**

|                             | Amount              | Ratio          | Cost Rate | Weighted Cost |
|-----------------------------|---------------------|----------------|-----------|---------------|
| Long Term Debt              | \$5,708,690         | 37.87%         | 10.05%    | 3.81%         |
| Short Term Debt             | 1,061,239           | 7.04%          | 6.56%     | 0.46%         |
| Preferred Stock             | 148,670             | 0.99%          | 4.75%     | 0.05%         |
| Customer Deposits           | 624,991             | 4.15%          | 6.57%     | 0.27%         |
| Common Equity               | 5,168,400           | 34.29%         | 11.60%    | 3.98%         |
| Deferred Income Taxes       | 1,933,138           | 12.83%         | 0.00%     | 0.00%         |
| Tax Credits - Zero Cost     | 1,097               | 0.01%          | 0.00%     | 0.00%         |
| Tax Credits - Weighted Cost | 426,280             | 2.83%          | 10.35%    | 0.29%         |
| <b>Total</b>                | <b>\$15,072,505</b> | <b>100.00%</b> |           | <b>8.86%</b>  |

**ADJUSTED**

|                             | Amount              | Adjustments  |                    | Adjusted Total      | Ratio          | Cost Rate | Weighted Cost |
|-----------------------------|---------------------|--------------|--------------------|---------------------|----------------|-----------|---------------|
|                             |                     | Specific     | Pro Rata           |                     |                |           |               |
| Long Term Debt              | \$5,708,690         | (15,247)     | (\$68,227)         | \$5,625,216         | 37.68%         | 10.05%    | 3.79%         |
| Short Term Debt             | 1,061,239           | 29,448       | (13,070)           | 1,077,617           | 7.22%          | 6.54%     | 0.47%         |
| Preferred Stock             | 148,670             | (397)        | (1,777)            | 146,496             | 0.98%          | 4.75%     | 0.05%         |
| Customer Deposits           | 624,991             |              |                    | 624,991             | 4.19%          | 6.57%     | 0.28%         |
| Common Equity               | 5,168,400           | (13,804)     | (61,770)           | 5,092,826           | 34.11%         | 12.60%    | 4.30%         |
| Deferred Income Taxes       | 1,933,138           | 865          |                    | 1,934,003           | 12.96%         | 0.00%     | 0.00%         |
| Tax Credits - Zero Cost     | 1,097               |              |                    | 1,097               | 0.01%          | 0.00%     | 0.00%         |
| Tax Credits - Weighted Cost | 426,280             |              |                    | 426,280             | 2.86%          | 10.77%    | 0.31%         |
| <b>Total</b>                | <b>\$15,072,505</b> | <b>\$865</b> | <b>(\$144,844)</b> | <b>\$14,928,526</b> | <b>100.00%</b> |           | <b>5.19%</b>  |

**INTEREST SYNCHRONIZATION**

|                   | Adjustments       | Cost Rate | Effect on Interest Exp. | Tax Rate | Effect on Income Taxes |
|-------------------|-------------------|-----------|-------------------------|----------|------------------------|
| Long Term Debt    | (\$83,474)        | 10.05%    | (\$8,389)               | 37.63%   | \$3,157                |
| Short Term Debt   | 16,378            | 6.54%     | 1,071                   | 37.63%   | (403)                  |
| Customer Deposits | 0                 | 6.57%     | 0                       | 37.63%   | 0                      |
| <b>Total</b>      | <b>(\$67,096)</b> |           | <b>(\$7,318)</b>        |          | <b>\$2,754</b>         |



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ATTACHMENT 5

FLORIDA PUBLIC UTILITIES COMPANY  
FERNANDINA BEACH ELECTRIC DIVISION  
DOCKET NO. 961542-EI  
REVIEW OF 1995 EARNINGS

|                             |              |                     |
|-----------------------------|--------------|---------------------|
|                             |              | <u>\$14,928,526</u> |
| Adjusted Rate Base          |              |                     |
| Achieved Rate of Return     | 9.44%        |                     |
| Maximum Rate of Return      | <u>9.19%</u> | 0.26%               |
| Excess Rate of Return       | x            | <u>38,293</u>       |
| Excess Net Operating Income |              | 1.61000             |
| Revenue Expansion Factor    | x            | <u>\$61,651</u>     |
| Excess Revenues             |              |                     |