FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

OCTOBER 19, 2004

RE: **Docket No. 040216-GU** - Application for rate increase by Florida Public Utilities Company.

Issue 1: Is FPUC's projected test period of the 12 months ending December 31, 2005 appropriate?
Recommendation: Yes. With the adjustments recommended by staff in the following issues, the projected test year of 2005 is appropriate.

APPROVED

Issue 2: Is the quality of service provided by FPUC adequate?
Recommendation: Yes. FPUC's quality of service is satisfactory.

APPROVED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY	**DISSENTING**
[signature]	[signature] (Issue 2)
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REMARKS/DISSENTING COMMENTS:

Commissioner Davidson dissented on Issue 2

DOCUMENT NUMBER-DATE
11246 OCT 19

FPSC-COMMISSION CLERK

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Issue 3: Is it appropriate for the utility to include the South Florida Division's anticipated property purchase for the relocation of the South Florida Operations Center in its projections for 2005?
Recommendation: No. Rate Base should be reduced by $2,500,000 for the proposed purchase of land for the operations center. Also Account 390, Structures and Improvements, and the associated accumulated depreciation and expense should be reduced by $26,340, $198 and $396, respectively.

APPROVED

Issue 4: Should an adjustment be made to Account 389, Land and Land Rights, and Account 390, Structures and Improvements, to account for the vacant Sanford office building?
Recommendation: Yes. The Sanford office building was vacated in 2002 and is no longer used and useful. Therefore, Account 390 should be reduced by $97,768, $104,123, and $2,542 ~~$293,304, $6,355, and $7,626~~ for plant-in-service, accumulated depreciation, and depreciation expense, respectively. Also, Account 389 should be reduced by $8,436 ~~$25,308~~ for plant-in-service.

APPROVED

Issue 5: Should an adjustment be made to FPUC's proposed level of plant additions for the projected test year?
Recommendation: Yes. Plant-in-service, accumulated depreciation, and depreciation expense should be reduced by a total of $1,076,150, $28,202, and $26,846 ~~$1,560,850, $38,915, $53,694~~, respectively, for the projected test year to reflect changes in the 2004 and 2005 plant additions.

APPROVED

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Issue 6: Should an adjustment be made to plant retirements for the projected test year?
Recommendation: Yes. Adjustments should be made to plant retirements to correct miscalculations and overstated retirements for retired or sold vehicles by a reduction to plant-in-service, accumulated depreciation, and depreciation expense for the projected test year of $30,112, $32,557, and $2,445, respectively.

APPROVED

Issue 7: Should the projected test year rate base be reduced to remove inactive service lines that have been inactive for more than five years?
Recommendation: Yes. The projected test year plant-in-service, accumulated depreciation, and depreciation expense should be reduced by $113,998, $278,678, and $4,045, respectively, to reflect the 309 inactive service lines that have been inactive for five years or more.

APPROVED

Issue 8: Has FPUC accounted for its bare steel replacement program appropriately?
Recommendation: No. Accumulated amortization and amortization expense for this program should be increased for the projected test year by $94,385 and $188,770, respectively, and the amortization period should be decreased to 50 years.

APPROVED

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Issue 9: Is the acquisition adjustment, accumulated amortization and related amortization expense of \$3,300,000, \$49,863, and \$99,726, respectively, for the SFNG acquisition appropriate for the projected test year?
Recommendation: No. The proper totals for the acquisition adjustment, accumulated amortization of the acquisition adjustment, and the related amortization expense for the projected test year should be \$960,376, \$128,052, and \$32,013, respectively. The proper amortization period should be 30 years; however, because the assets of South Florida Natural Gas (SFNG) were acquired on December 14, 2001, staff believes that the amortization period should have begun January 1, 2002, reducing the remaining amortization period at the end of the projected test year to 26 years. The resulting reductions to utility plant and amortization expense are \$2,339,624 and \$67,713, respectively. The resulting increase to accumulated amortization of acquisition adjustment is \$78,189. Staff also recommends that the permanence of these cost savings be reviewed in FPUC's next rate case. If it is determined at that time that the cost savings no longer exist, the acquisition adjustment should be partially or totally removed from rate base.

APPROVED

Issue 10: Is FPUC's requested level of Construction Work in Progress (CWIP) in the amount of \$194,004 for the projected test year appropriate?
Recommendation: No. The appropriate level of CWIP in the projected test year is \$235,540.

APPROVED

Issue 11: Should an adjustment be made to allocate working capital to reflect nonutility operations and corporate allocations?
Recommendation: Yes. Working capital should be increased by \$1,434,985.

APPROVED

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Issue 12: Should an adjustment be made to the amount of cash in working capital?
Recommendation: Yes. Cash in working capital should be reduced by $155,648.

APPROVED

Issue 13: Should an adjustment be made to working capital to allocate Materials & Supplies to non-regulated operations?
Recommendation: Yes. An adjustment to reduce Account 154, Materials & Supplies, in working capital by $42,577 should be approved.

APPROVED

Issue 14: Are the balances for the medical self insurance reserve and accrued liability insurance appropriate?
Recommendation: The balances in these liability accounts should be decreased by $10,781, thereby increasing working capital by $10,781.

APPROVED

Issue 15: Is the Prepaid Pensions in working capital appropriate?
Recommendation: The balance in the Prepaid Pension account should be increased by $31,706, thereby increasing working capital by $31,706.

APPROVED

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Issue 16: Is FPUC's requested level of Working Capital Allowance in the amount of zero for the projected test year appropriate?
Recommendation: No. Working capital should be ($706,682).

APPROVED

Issue 17: Is FPUC's requested level of Rate Base in the amount of $65,835,210 for the projected test year appropriate?
Recommendation: No. The appropriate rate base for the projected test year is $59,171,674 ~~$58,387,511~~, which includes the staff-recommended components shown in the analysis portion of staff's October 7, 2004 memorandum.

APPROVED

Issue 18: Should an adjustment be made to Accumulated Deferred Income Taxes in the capital structure?
Recommendation: Yes. An adjustment should be made to increase Accumulated Deferred Income Taxes in the capital structure by $2,992,338 ~~$2,397,521~~, to reflect a balance of $9,245,613 ~~$8,650,796~~.

APPROVED

Issue 19: What is the appropriate amount and cost rate of the unamortized investment tax credits to include in the capital structure?
Recommendation: The appropriate amount of unamortized investment tax credits (ITCs) is $276,563. The ITCs should be included in the capital structure at a 9.28% cost rate.

APPROVED

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Issue 20: What is the appropriate cost rate for common equity for the projected test year?
Recommendation: The appropriate cost rate for common equity is 11.25% with a range of plus or minus 100 basis points.

APPROVED

Issue 21: What is the appropriate weighted average cost of capital including the proper components, amounts and cost rates associated with the capital structure?
Recommendation: The appropriate weighted average cost of capital is 7.62% ~~7.69%~~.

APPROVED

Issue 22: Is FPUC's projected level of Total Operating Revenues in the amount of $22,568,224 for the projected test year appropriate?
Recommendation: No. Other Operating Revenues should be increased by $3,600. The appropriate amount of Total Operating Revenues for the projected test year is $22,571,824.

APPROVED

Issue 23: Is the level of overhead cost allocations for the projected test year appropriate?
Recommendation: No. The level of overhead cost allocations should be decreased by $155,692.

APPROVED

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Issue 24: Should an adjustment be made to remove nonrecurring expenses?
Recommendation: Yes. Expenses should be decreased by $78,127 to remove nonrecurring expenses.

APPROVED

Issue 25: Should an adjustment be made for the new positions requested by the company?
Recommendation: Yes. Expenses should be increased by $21,624 and decreased by $91,557 for a net decrease of $69,932 for new positions requested by the company.

APPROVED

Issue 26: Are the expenses for the Fleet Image Improvement Program appropriately recovered through base rates?
Recommendation: Expenses of $31,980 are appropriate and should be allowed in rate base for the Fleet Improvement Program.

APPROVED

Issue 27: Should an adjustment be made to Account 878, Meter & House Regulator Expense, for periodic meter and regulator change-out expense?
Recommendation: Yes. Account 878 should be decreased by $47,531 to correct the projection of periodic meter and regulator change-out expense for 2005.

APPROVED

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Issue 28: Should Accounts 903, Customer Records and Collection Expenses, and 905, Miscellaneous Customer Accounts Expenses, be adjusted for state sales tax on company-use gas?
Recommendation: Yes. Account 903 should be increased by $5,221 and Account 905 should be increased by $7,409 for a total of $12,630 to remove credits for state sales tax on company-use gas.

APPROVED

Issue 29: Should an adjustment be made to Account 904, Uncollectible Accounts, and Account 144, Allowance for Uncollectibles, for bad debt expense for the projected test year and what is the appropriate factor to include in the revenue expansion factor?
Recommendation: Account 904 should be decreased by $34,411 to reflect a five-year average of net write-offs to revenues. The Allowance for Uncollectibles should be decreased by $17,205, thereby increasing working capital. The appropriate factor to include in the revenue expansion factor is 0.3300.

APPROVED

Issue 30: Should an adjustment be made to remove nonutility advertising expense?
Recommendation: Yes. Account 912 should be reduced by $1,335.

APPROVED

Issue 31: Should an adjustment be made to Account 913 for the Advertising Expense-Safety Program and for cooperative advertising?
Recommendation: Yes. Account 913 should be reduced by $91,357.

APPROVED

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Issue 32: Should an adjustment be made to Account 920, A&G Salaries, for a payroll increase?
Recommendation: Yes. Account 920 should be decreased by $10,400 to remove the payroll increase for an officer position which was eliminated.

APPROVED

Issue 33: Should an adjustment be made to Account 921, Office Supplies and Expenses for the projected test year?
Recommendation: Yes. Account 921 should be decreased by $17,828 for the projected test year.

APPROVED

Issue 34: Should an adjustment be made to Account 923, Outside Services, and Account 930, Miscellaneous General Expenses?
Recommendation: Yes. Account 923 should be decreased by $1,786 for duplicate legal fees and for $10,200 for an audit contingency, for a total of $11,986. In addition Account 930 should be decreased by $6,585 for duplicate annual report costs. The total adjustment is an $18,571 decrease to expenses.

APPROVED

Issue 35: Should an adjustment be made to Account 926, Employee Benefits, for the projected test year?
Recommendation: Yes. Account 926 should be decreased by $14,626 for the projected test year.

APPROVED

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Issue 36: Should an adjustment be made to Other Post Employment Benefits Expense for the projected test year?
Recommendation: Yes. The other post employment benefits (OPEB) expense for the projected test year ending December 31, 2005 should be reduced by $11,886 to reflect a balance of $103,400.

APPROVED

Issue 37: Should an adjustment be made to pension expense for the projected test year?
Recommendation: Yes. The pension expense for the projected test year ending December 31, 2005 should be reduced by $26,645 to reflect a balance of $585,902.

APPROVED

Issue 38: Should an adjustment be made to Account 928, Regulatory Commission Expense, for rate case expense for the projected test year and what is the appropriate amortization period?
Recommendation: Yes. Rate case expense should be reduced by $41,646 and the expense should be amortized over four years. Additionally, one-half of the unamortized portion of the allowed expense or $184,064 should be included in the projected test year working capital, reducing working capital by $329,826.

APPROVED

Issue 39: Should an adjustment be made to Account 930, General Advertising and Miscellaneous General Expenses, projected test year?
Recommendation: Yes, Account 930 should be reduced by $3,213 for membership dues.

APPROVED

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Issue 40: What adjustments, if any, should be made to accumulated depreciation and depreciation expense to reflect the Commission's decision in Docket No. 040352-GU In re: 2004 Depreciation Study for Florida Public Utilities Company to be implemented January 1, 2005?
Recommendation: The Commission approved the staff recommendation in Docket No. 040352-GU at the October 5, 2004 agenda conference. The impacts of the new depreciation rates on the projected test year are to increase depreciation expense by $154,289 and to increase accumulated depreciation by $77,145. These values have been incorporated into the current staff recommendation and no further adjustments are necessary.

APPROVED

Issue 41: Is FPUC's Taxes Other Than Income of $4,464,719 for the projected test year appropriate?
Recommendation: No. The appropriate amount of Taxes Other Than Income (TOTI) is $4,324,539 ~~$4,310,816~~, a decrease of $140,180 ~~$153,903~~.

APPROVED

Issue 42: Is FPUC's Income Tax Expense of ($1,093,873), which includes current and deferred income taxes, investment tax credit (ITC) amortization, and interest reconciliation for the projected test year, appropriate?
Recommendation: No. The appropriate income tax expense, including current taxes, deferred income taxes, ITC amortization, and interest reconciliation is ($811,143) ~~($791,055)~~.

APPROVED

Issue 43: Is FPUC's Net Operating Income of $641,221 for the projected test year appropriate?
Recommendation: No. For the projected test year, the appropriate Net Operating Income is $880,787 ~~$906,355~~, which includes the staff-recommended components shown in the staff analysis.

APPROVED

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Issue 44: What is the appropriate projected test year revenue expansion factor and the appropriate net operating income multiplier, including the appropriate elements and rates for FPUC?
Recommendation: The appropriate projected test year revenue expansion factor is 0.618523 and the appropriate net operating income multiplier is 1.6168.

APPROVED

Issue 45: Is FPUC's requested annual operating revenue increase of $8,186,989 for the projected test year appropriate?
Recommendation: No. The appropriate annual operating revenue increase for the projected test year is $5,865,903 ~~$5,794,037~~.

APPROVED

Issue 46: What is the appropriate cost of service methodology to be used to allocate costs to the rate classes?
Recommendation: The appropriate methodology is contained in Attachment 6 to staff's memorandum.

APPROVED

Issue 47: If the Commission grants a revenue increase to FPUC, how should the increase be allocated to the rate classes?
Recommendation: Staff's recommended allocation of the revenue increase to the rate classes is contained in Attachment 6 to staff's memorandum, page 16 of 16.

APPROVED

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Issue 48: What are the appropriate Customer Charges?
Recommendation: Staff's recommended customer charges are as follows:

Rate Class	Staff Recommended Customer Charge
Residential Service (RS)	$8.00
General Service (GS)	$15.00
General Service Transportation Service (GSTS)	$15.00
Large Volume Service (LVS) >500 therms/mo.	$45.00
Large Volume Transportation Service (LVTS) >500 therms/mo.	$45.00
Interruptible Service (IS)	$240.00
Interruptible Transportation Service (ITS)	$240.00

APPROVED

Issue 49: What are the appropriate per therm Energy Charges?
Recommendation: Staff's recommended per therm Energy Charges are contained in Attachment 7 to staff's memorandum, page 1.

APPROVED

Issue 50: Are FPUC's Miscellaneous Service Charges appropriate?
Recommendation: Yes.

APPROVED

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Issue 51: Is FPUC's proposal to eliminate the separate base rate schedules applicable to its New Smyrna Beach District customers and charge all customers under uniform base rate schedules appropriate?
Recommendation: Yes.

APPROVED

Issue 52: What is the appropriate monthly Pool Manager Service Charge?
Recommendation: The appropriate monthly Pool Manager Service Charge is $100.

APPROVED

Issue 53: Should FPUC's proposal to eliminate the Large Volume Interruptible Service (LVIS) and the Large Volume Interruptible Transportation Service (LVITS) rate schedules be approved?
Recommendation: Yes.

APPROVED

Issue 54: What is the appropriate fee for transportation customers who change their pool managers?
Recommendation: The appropriate fee for transportation customers who change their pool manager is $19.

APPROVED

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Issue 55: Is FPUC's proposed new Gas Lighting Service (GLS) rate schedule appropriate?
Recommendation: Yes.

APPROVED

Issue 56: Are FPUC's proposed charges for transportation service customers appropriate?
Recommendation: Yes. FPUC's proposed charges for transportation service customers are appropriate. FPUC should discontinue billing its customers the Transportation Cost Recovery and Non-monitored Transportation Administration Charge cost recovery factors at the time the revised rates in this case become effective. In addition, staff recommends that FPUC file a petition for the final true-up of the Transportation Cost Recovery Clause and the Non-monitored Transportation Administration Charge within 30 days of the effective date of the revised rates.

APPROVED

Issue 57: Is FPUC's proposal to eliminate the charge for historical consumption information appropriate?
Recommendation: Yes.

APPROVED

Issue 58: What is the appropriate effective date for FPUC's revised rates and charges?
Recommendation: The revised rates and charges should become effective for meter readings on or after 30 days following the date of the Commission vote approving the rates and charges.

APPROVED

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Issue 59: Should any portion of the $1,236,108 interim increase granted by Order No. PSC-04-0721-PCO-GU, issued July 26, 2004, be refunded to the customers?
Recommendation: No portion of the $1,236,108 interim revenue increase should be refunded.

APPROVED

Issue 60: Should FPUC be required to file, within 90 days after the date of the final order in this docket, a description of all entries or adjustments to its annual report, rate of return reports, and books and records that will be required as a result of the Commission's findings in this rate case?
Recommendation: Yes. To ensure that the utility adjusts its books in accordance with the Commission's decision, FPUC should provide proof, within 90 days of the consummating order finalizing this docket, that the adjustments for all the applicable NARUC USOA primary accounts have been made to its annual report, rate of return reports, and its books and records.

APPROVED

Issue 61: Should this docket be closed?
Recommendation: Yes. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

APPROVED