BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for approval of recognition of a regulatory liability and associated amortization schedule by Florida Public Utilities Company.	DOCKET NO. 130185-PU ORDER NO. PSC-13-0594-PAA-PU ISSUED: November 4, 2013

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION
ORDER APPROVING RECOGNITION OF REGULATORY LIABILITY
AND ASSOCIATED AMORTIZATION SCHEDULE

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On July 2, 2013, Florida Public Utilities Company (FPUC) petitioned the Commission, pursuant to Section 366.076, Florida Statutes (F.S.), and Rule 25-14.013, Florida Administrative Code (F.A.C.), for approval to record separate regulatory liabilities for its Electric and Natural Gas Divisions. The proposed regulatory liabilities are associated with a one-time gain FPUC incurred due to a change made to FPUC's post-Retirement Health and Life benefits plans (Plan). FPUC also is seeking permission to amortize the proposed liabilities over a 34-month period, beginning January 1, 2012, and ending October 31, 2014. FPUC's proposal is revenue neutral and it is not requesting any rate adjustment. The Commission has jurisdiction pursuant to Sections 366.04, 366.06, and 366.07, F.S.

According to its petition, FPUC modified the benefits offered to its employees under the plan effective January 1, 2012. On October 28, 2009, Florida Public Utilities Corporation was merged with Chesapeake Utilities Corporation. This merger has prompted a continued effort to conform the benefits offered to FPUC's employees to those offered to Chesapeake Utilities Corporation's employees. This change has reduced FPUC's obligation under the plan. FPUC obtained a report from its actuaries indicating that the change resulted in an overall reduction in FPUC's liability of $2,560,832, $891,928 of which had previously been recognized as an expense by FPUC. Pursuant to Accounting Standards Codification 715 of the United States Generally Accepted Accounting Principles, the change in the plan has resulted in a one-time gain of $891,928, effective January 1, 2012.

FPUC currently allocates the costs associated with the plan to its two regulated divisions and one unregulated affiliate, Flo-Gas. The portion of the $722,642 gain allocated to the two regulated divisions, FPUC Electric Division and FPUC Natural Gas Division are shown below in Table 1. The remaining gain of $169,466 ($891,928 - $722,462 = $169,466) was allocated to FPUC's unregulated affiliate, Flo-Gas.

Table 1

Division	Allocation Percentage	Regulatory Liability
Electric	29%	$258,659
Natural Gas	52%	$463,803
Total Allocated to Regulated Divisions		$722,462

A regulatory liability is an obligation of FPUC that is capitalized and amortized over a future period rather than being recognized when incurred. Account 254, Other Regulatory Liabilities, includes amounts for regulatory liabilities, not includable in other accounts, imposed on the service company by the ratemaking actions of regulatory agencies. (18 CFR §367.2540) We agree with FPUC that Account 254, Other Regulatory Liabilities, is the correct account in which to record the regulatory liabilities, with the amortization to be recorded in Account 407.3, Regulatory Debits.

FPUC is requesting that it be allowed to amortize the regulatory liabilities over a 34-month period beginning January 1, 2012 and ending October 31, 2014. FPUC indicated the requested amortization period will synchronize the amortization of these new regulatory liabilities with the remaining amortization period of the regulatory asset recorded to reflect transaction and transition expenses associated with the merger between FPUC and Chesapeake in Order No. PSC-12-0010-PAA-GU (Acquisition Adjustment Order).[1] We approved the establishment of a regulatory asset to be amortized over a 5-year period, beginning November 2009 and ending October 2014. FPUC states, and we agree, that the proposed 34-month amortization period for the regulatory liability in the instant case will be revenue neutral and amortized in a manner that will not only have no impact on rates, but will lessen the impact of the prior regulatory asset established in the Acquisition Adjustment Order.

Based on the aforementioned, we hereby approve FPUC's request. The one-time gain should be recorded as a regulatory liability in Account 254, Other Regulatory Liabilities and amortized as a credit to in Account 407.3, Regulatory Debits. The amortization should be over a

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[1] See Order No. PSC-12-0010-PAA-GU, issued January 3, 2012, in Docket No. 110133-GU, In re: Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.

34-month period beginning January 1, 2012 ending October 31, 2014. The amounts should be \$258,659 for the Electric Division and \$463,803 for the Natural Gas Division for a total of \$722,462. Further, we find that our approval to record the regulatory liabilities for accounting purposes does not limit our ability to review the amounts for reasonableness in future rate proceedings.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Public Utilities Company's one-time gain shall be recorded as a regulatory liability in Account 254, Other Regulatory Liabilities and amortized as a credit in Account 407.3, Regulatory Debits over a 34-month period beginning January 1, 2012 and ending October 31, 2014. The amounts to be recorded are \$258,659 for the electric division and \$463,803 for the natural gas division for a total of \$722,462. It is further

ORDERED that our approval to record regulatory liabilities for accounting purposes does not limit our ability in future rate proceedings to review the amounts for reasonableness. It is further

ORDERED that if no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of this order, this docket shall be closed upon the issuance of a consummating order.

By ORDER of the Florida Public Service Commission this 4th day of November, 2013.

Ann Cole

ANN COLE
Commission Clerk
Florida Public Service Commission
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Tallahassee, Florida 32399
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

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NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on November 25, 2013.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.