

Shawna Senko

From: Keating, Beth <BKeating@gunster.com>
Sent: Friday, February 21, 2014 10:17 AM
To: Filings@psc.state.fl.us
Subject: Docket No. 140025-EI
Attachments: Supplemental Letter_Filed_FPUC.PDF

Attached for electronic filing, please find a true and correct copy of a letter sent to Marshall Willis on behalf of Florida Public Utilities Company in the referenced docket.

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b. Docket No. 140025-EI – **Application for rate increase by Florida Public Utilities Company.**

c. On behalf of: Florida Public Utilities Company

d. There are a total of pages: 2

e. Description: Supplemental Letter



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February 21, 2014

BY ELECTRONIC MAIL

Mr. Marshall Willis, Director
Division of Accounting and Finance
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Docket No. 140025-EI - Application for rate increase by Florida Public Utilities Company.
(Supplemental Information)

Dear Mr. Willis:

As requested, Florida Public Utilities Company hereby submits this Letter for purposes of providing supplemental information regarding the Company's current projections of the changes to its revenue requirements it believes will be necessary in order to continue to provide a high level of service to our customers. The estimate provided herein is offered solely for regulatory purposes to assist in gauging the scope of the proceeding. It is possible that the requested increase in revenues submitted with the Company's MFRs may differ from the estimated amount set forth herein.

As noted in the Company's January 31, 2014, Test Year Notification Letter to Chairman Graham, the slow economic recovery has had a significant impact on the areas of the State served by FPUC, as well as the Company itself. The costs of providing service have continued to increase over the seven-year interim since the Company's last rate case, while growth in customer count, load, and revenues have remained at a virtual plateau. In addition, the Company has made improvements to the infrastructure in its operating areas, and has significantly improved the reliability of service in those areas. The key drivers necessitating the Company's request for a base rate increase are O&M costs that have outpaced electric revenues, and significant capital investments, in excess of \$5,000,000, to enhance the service reliability of both Divisions.¹ At this time, FPUC estimates that an increase in annual revenues of approximately \$4 to \$5 million is necessary to produce total annual revenues in the range of \$28 to \$29 million

¹ As noted in the Company's January 31, 2014, Test Year Notification Letter, capital investments in facilities for purposes of enhancing reliability have included replacement of aging/unreliable underground conductors, replacement/upgrade of internal components at a distribution substation, replacement/upgrade of transmission circuit breakers at two substations, reconfiguration/upgrade of substation buss at one substation, replacement of a number of wooden distribution poles, relocation of inaccessible distribution lines to roadways, replacement of insulators along a coastal highway, replacement/upgrade of distribution regulators/reclosers, replacement of a substation LTC transformer (2014), and replacement of 34 wood transmission poles with concrete (2014).



Mr. Marshall Willis
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in order to allow the Company to continue to provide the reliable electric service our customers require.

The Company has only undertaken this request upon thoughtful deliberation and considerable study. While the Company has made significant efforts to control its expenses, it will be unable to maintain high quality service to its customers at its current base rates. Thus, a base rate increase is necessary in order to ensure that the Company maintains a reliable and safe electric system, which ultimately inures to the benefit of the Company's customers.

Sincerely,

s/ Cheryl Martin

Cheryl Martin, Director/Regulatory Affairs
Florida Public Utilities Company

cc: // Jim Dean, Director/Economics
Martha Barrera, Senior Staff Counsel
Suzanne Brownless, Senior Staff Counsel
Office of Public Counsel (Christensen)
Beth Keating (Gunster Law Firm)
Docket File: (140025-EI)