

050000

MEMORANDUM

April 8, 199

DECLASSIFIED

TO: _____ DIVISION OF APPEALS
 _____ DIVISION OF AUDITING AND FINANCIAL ANALYSIS
 _____ DIVISION OF COMMUNICATIONS
X _____ DIVISION OF ELECTRIC AND GAS
 _____ DIVISION OF RESEARCH
 _____ DIVISION OF WATER AND WASTEWATER
 _____ DIVISION OF LEGAL SERVICES

FROM: DIVISION OF RECORDS AND REPORTING (FLYNN)

RE: CONFIDENTIALITY OF CERTAIN INFORMATION

DOCUMENT NO. 03303-94

DESCRIPTION: Documents addressing environmental matters
affecting FPU's operations

SOURCE: Florida Public Utilities

DOCKET NO.: 930720-EI

The above material was received with a request for confidentiality (attached). Please prepare a recommendation for the attorney assigned to the case by completing the section below and forwarding a copy of this memorandum, together with a brief memorandum supporting your recommendation, to the attorney. Copies of your recommendation should also be provided to the Division of Records and Reporting and to the Division of Appeals.

Please read each of the following and check if applicable.

_____ The document(s) is (are), in fact, what the utility asserts it (them) to be.

DECLASSIFIED

Attachment C

1 Prepared by: GDR Feb 15, 1994
2 Reviewed by: SSB Feb 16, 1994
3 Florida Public Utilities 12/31/93
4 3.55.91 Memo Re: Environmental Matters 4

5 FPU has notified its prior and current insurance carriers of
6 environmental impacts detected at each site discussed above.
7 On February 15, 1994, the Company entered into a \$2.6 million
8 settlement agreement with an insurance carrier and negotiations
9 with other carriers continue. The Company anticipates
10 concluding negotiations with the remaining major insurance
11 carriers within the next six months. At that time, the Company
12 will determine what measures should be taken against insurance
13 carriers that are unwilling to settle. Until the conclusion of
14 negotiations and possible litigation with such carriers, the
15 Company is unable to determine whether aggregate proceeds are
16 adequate to cover all environmental costs. The Company will
17 record the \$2.6 million settlement as a regulatory liability in
18 accordance with SFAS 71. However, no allowance has been
19 recorded for any additional recoveries, as probability and a
20 reasonable estimate cannot be determined at this time. The
21 Company anticipates that it will be able to recover the
22 difference, if any, through additional rate relief or rate base
23 proceedings.

24 The following represents a summary of the contingent liability
25 associated with the site assessment studies mention above:

26	Site	Site Assessment
27		Costs
28	-----	-----
28	Gas:	
29	West Palm Beach	\$65,000
30	Sanford	30,000
31	Pensacola	12,500
32	Key West	15,500
33	Electrical:	
34	Marianna	10,000
35	-----	-----
35	Per Attorney Letter at 3.60.4 C1	\$133,000 @
		=====

36 In accordance with SFAS 71, paragraph 9:

37 Rate actions of a regulator can provide reasonable
38 assurance of the existence of an asset. An enterprise shall
39 capitalize all or part of an incurred cost that would
40 otherwise be charged to expense if both of the following
41 criteria are met:

42 a) It is probable that future revenue in an amount at
43 least equal to the capitalized cost will result from

1 Prepared by: GDR Feb 15, 1994

2 Reviewed by: SSB Feb 16, 1994

3 Florida Public Utilities 12/31/93
4 3.55.91 Memo Re: Environmental Matters 5

5 inclusion of that cost in allowable costs for rate-making
6 purposes.

7 b) Based on available evidence, the future revenue will be
8 provided to permit recovery of the previously incurred cost
9 rather than to provide for expected levels of similar
10 future costs.

11 On February 12, 1991 the Florida Public Service Commission
12 issued Order No. 24094 in Docket No 90151-GU and allowed
13 environmental costs to be written off over ten years at the rate
14 of \$239,600 per annum beginning March 1, 1991. Agreed amount
15 and duration of write-off to FPU Docket No. 700151-GU filing
16 without exception.

17 Management noted that FPU was the 4th Company to include and
18 gain acceptance of environmental costs in a rate case.

19 Based on above, the above site assessment costs should be
20 properly capitalized and amortized over 10 years in accordance
21 with SFAS 71. (Note> Such environmental capitalized costs are
22 accumulated with other costs in G/L Account 186.1: Special Jobs
23 Misc. Deferred Debits. Per review of the account detail at
24 12/31/93 the balance related to unamortized capitalized
25 environmental costs was a debit of \$172,104, see 3.55.92 for
26 further discussion.

27 The following adjustment is passed to
28 [4.75.2 Errors Originating in Current Period] to record a
29 liability for the estimated costs to complete the site
30 assessment studies:

31 Special Jobs Misc. Deferred Debits	133,000 !	
32 Accrued Environmental Costs		(133,000) !
33 (to accrue for est. environ. costs		
34 per attorney response at 5.60.4)		

35 Note> As actual clean up cost are reasonably possible but
36 cannot be estimated, in accordance with SFAS 5, such contingency
37 will be disclosed in the notes to the financial statements.

1
2
3
4
5
6
7
8
9
10

AUDIT DISCLOSURE NO.3

SUBJECT: Environmental Issues

Statement of Facts: The Public Service Commission is allowing the company's Gas Divisions to amortize \$239,600 per year over a 10 year period for environmental issues. On February 14, 1994, the company received a \$2,600,000 settlement from one of its insurance companies for environmental issues primarily related to their gas division and Green Street Warehouse in Marianna.

Opinion: This settlement may affect the Commissioner's decision to allow amortization.

FRUC

Review of External Audit Workpapers
1993

Kew

3/10/94

Budes II

Pensions account not recorded properly enough
to be in agreement with the pension
credibility for the actuarial report

On Feb 14, 1994 FRUC received \$2.6 mil settlement
from one of its major contractors CA's in relationship
to environmental work

Mostly Gas Plants:

WPB Gasification Plant, 209 Second Street
Soil & groundwater impacts

Sanford Gasification Plant - Cedar & W Sixth St.

Soil & groundwater impacts

FRUC filed against 4 power buyers

Panola Gasification Plant - Quantico St &

Douville & Nashville Railroad Line

Limited Soil & groundwater impacts

Estimated Cost \$50,000, FRUC share \$12,500

Key West Gas Plant 726 Catherine St

\$3,000 Cost of Review 50% FRUC \$1,500

Very limited impact

Green St Warehouse - Marianna 406 S. Green St

Capacitors were burned & may be releasing

transformer fluids - need to be

excavated. Done in 1993 \$30,000

Another \$10,000 expected for groundwater

Special Jobs near Key Dates

FRUC is allowing \$239,600/yr to be amortized over 10 yrs