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July 15, 1997

Ms. Blanca S. Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard
Betty Easley Conference Center
Room 110
Tallahassee, Florida 32399-0850

HAND DELIVERY

970893-PU

Re: In re: Undocketed - Florida Public Utilities Company 1996
Earnings Review for Potential Overearnings

Dear Ms. Bayo:

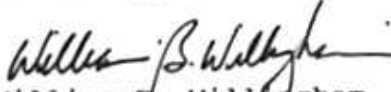
Enclosed herewith for filing in the above-referenced docket on behalf of Florida Public Utilities Company ("FPU") are the following documents:

1. Original and five copies of the FPU's Request for Confidential Classification; and 07052-97
2. An envelope containing a copy of the material considered "Confidential." 07053-97 x-ref 06930-97

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

Sincerely,


William B. Willingham

WBW/r1

Trib.6

RECEIVED & FILED

PSC-BUREAU OF RECORDS

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

ORIGINAL
FILE COPY

In re: Undocketed - Florida Public Utilities)
Company 1996 Earnings Review for)
Potential Overearnings)

Docket No. 970893-PU
Filed: July 15, 1997

FPU'S REQUEST FOR CONFIDENTIAL CLASSIFICATION

Florida Public Utilities Company ("FPU"), pursuant to Section 366.093, Florida Statutes, and Rule 25-22.006(4), Florida Administrative Code, submits this its Request for Confidential Classification of portions of the Commission Staff's audit work papers pertaining to the Commission Staff's 1996 Earnings Review for Potential Earnings of FPU's gas and electric divisions. In support thereof, FPU states as follows:

1. The Commission Staff's audit work papers at issue incorporate FPU's report to the Commission¹ regarding ongoing litigation between FPU and the Florida East Coast Railway ("FEC") and invoices² from the law firm that represents FPU in that matter. The report and the invoices include privileged information regarding the ongoing litigation. Disclosure of this information could impair FPU's chances of prevailing in the ongoing litigation and would provide an unfair advantage to FEC by exposing FPU's theory of the case and its litigation strategy.

2. The specific information and material for which confidential treatment is requested includes the names of present and potential consultants and witnesses, a description of each task that FPU's attorneys have performed on behalf of FPU in the FEC litigation, the strategies and options that have been considered and addressed by the attorneys, and the amounts that FPU has expended to date to pursue the litigation.

¹ Page 1 of 20 of document 43-2/7.

² Pages 2 - 20 of document 43-2/7.

X-ref 06930-57
DOCUMENT NUMBER-DATE
07052 JUL 15 97
FPU-REGULATORY REPORTING


3. FPU requests that the above-listed information be classified as "proprietary confidential business information" within the meaning of Section 366.093, Florida Statutes. The information and material at issue is intended to be and is treated by FPU as privileged attorney-client work product that is proprietary and confidential.

4. An unedited version of the Commission Staff's audit work papers has been submitted to the Division of Records and Reporting on this date under a separate cover with the information asserted to be confidential highlighted in yellow. An edited version of the documents on which the information asserted to be confidential has been blocked out is enclosed herewith.

5. FPU requests that the information for which it seeks confidential classification remain confidential for a period of at least 18 months as provided in Section 366.093(4), Florida Statutes, or until such time as the litigation has concluded, whichever period is longer.

WHEREFORE, for the foregoing reasons, FPU respectfully requests that its Request for Confidential Classification be granted.

Respectfully submitted,


WILLIAM B. WILLINGHAM, ESQ.
RUTLEDGE, ECENIA, UNDERWOOD, PURNELL
& HOFFMAN, P.A.
P. O. Box 551
Tallahassee, Florida 32302-0551
(904) 681-6788

Attorneys for Florida Public
Utilities Company

F-PUC
Review of Deloitte Touch
Follow Up Needed

KW
1/14/97

1. Check list of Site listing on Robert L. Terry,
Walter M. Kohl, Evans & Co. & Chesapeake
Utilities Corp. make sure they don't
have any interest in the co's PUC pay
for right of financial services
2. Get adv to Cash 12/31/96 for \$1353473 -
D/T didn't agree it should be made -
Does it affect expenses or is it capital
work with working capital? (See 247) no effect
34
3. A def tax asset of \$430,000 was replaced
from a sub to a main at year end
Does this affect anything
Get journal entry in 9-2
4. Payroll expense may be overstated by \$22906
if no bases as of year end journal entry
check PR for entry
5. Find out what the story on R15 CORP is.
Should be adjusted upwards for \$214,999
that D/T says it's overstated
Confidential Disclosure Rec 43-5
6. Check loss on inventory to see if it should
be allowed for 1992
7. Compare sundry interest of \$343164 in
WPA's to open WPA in PUC Cost of Capital
See WPA 31-1

Follow up on material items
The following are on stem under review due
to late hits.

Q/1

Risk identified - environmental, insurance assessment -
replan

Response to internal control letters

Agree with cost-benefit assessment

Fixed assets - some done in 1996

Property - don't feel applicable

Kramer Salary \$148,937

Custom inv - 100 shares stock \$300 + \$100 for each

meeting & \$300 for each 2000 shares

Maguire, Spok, Salazar - Terry, Robert L.

Kate, Anne M. Edick Co., & Chesapeake

Walton's corp

EOP audit - Computer Control Worksheet

follow-up on last mgmt letter

update documentation on info security

Systems acquisition, development &

etc., computer operations & information

support

Salazar controls trend in info security

test controls around system conversion

test A/P application

Password change frequency inadequate

Security plan not reviewed regularly

Backup tapes not stored adequately

Each employee can perform workable tasks

expense report processing

employee purchasing can grant payment

processing of open items & the ability to change

open item status

Need to divide duties

Users are not always deleted on termination

Legal in re: Robert Oberman, Gault, Pitt & Eubank

Environmental

Order of operations - F PJC vs City of Deland

Order of operations agreement

March 1996

Elm, Dec 1, 1996 - T. Gordon - Nothing Significant

Letter - earnings cap, Fernandez both denying

litigation: re: F PJC vs FEC - see note on

responsibility

Company investigation - Continental Ins Co

1 Name of Kimberly & First Natl Bank vs FRC
of Town of Palm Beach Fla Dist
Hawaii fire - alleged fire caused fire
& had requests for information
Damage est \$20000 for FRC

Used PET activity for inc. account audit
Normal risk - Storage release on int control
In adjusted differences also \$263,700

Analytical Review results - Other current liabilities
High due to increase in accrued payable
due to timing diff.
No other significant differences that were not
similar to prior years
Materiality was \$298,000

Seven checks over \$1000 did not have proper
authorization - bank didn't pay until later and
enclosed outstanding

2 Cash - check adj of \$1,553,473 & a post
audit adj of \$36,477 for cash receipts of personal
drawn from or adj for outstanding checks
Reversal occurred in 1993, 000

Reversal of post retirement benefits received
for insurance - wealthy
C/R up because of sales

3 Increase in net asset due to amortization of
neg asset

Decrease in def tax liab due to timing of \$109 def
asset liquidation during yr

Overhead insurance on 10, 50, 2 mil due to underwriting
Report was increased due to change in policy date
from March to Sept

4 Def tax asset of \$490,000 reclassified from liab
to asset acct at yr end
A/P-complex

Adjustments Passed On:

Misc. A/R	37,700	
Def. Ret	(37,700)	
Employee A/R	27,906) Credits deb't credit to employee A/R for cash on hand & other. Debit to A/R for the same. debit write to complete check data benefit.
A/R	(27,906)	
Misc. A/R	24,600	
Def. Ret	(24,600)	
Compensation Exp	16,118	
Misc. Payroll Exp	(16,118)	
second compensation exp	FY 1996	
Misc. Pay/Debit	273,572	} no effect
Accrued Pay. Liab	(595,106)	
Legal Liab	(86,867)	
To adjust accrued on 12/31/96 to a right		
Payroll Exp	1,343,672	} Reverse entry made in CO 12/1/96
Liab	(1,343,672)	
To record outstanding checks RT 12/96		
Accrued Liab	214,339	
Liab Exp	(214,339)	
To reverse over accrual of exp		
Expenses	6,667	
A/R	(6,667)	
Invoices received after year end		
Legal Exp	130,011	
Accrued Liab	(130,011)	
Accrue Legal		
Liab on Bal	19,926	
Inventory	(19,926)	
To record estimated year loss.		

Deloitte & Touche LLP



Deloitte Touche
International

Suite 900
1645 Palm Beach Lakes Boulevard
West Palm Beach, FL 33401-2221
Telephone: (561) 687-4043
Facsimile: (561) 687-4061
Internet: gray@dtus.com

Gail D. Ray
Manager
Accounting & Auditing Services

Computer audit did the following:

Reviewed cash requirements report - agreed to supporting
doc reviewed check write
selected 25 checks & agreed with supp doc.
for proper signatures
verified trace of checks of signatures plus
selected 3 months to research A/P to B/L
selected 25 checks traced to backup including
purchase order
Verified responsibilities of individuals

Cash - with the conclusion of outstanding checks

FANC has negative cash position

Look at FANC contract 12/31/96

that was cash 1243672, AP (1243672)

D&T don't agree with it

Examined monthly Stmt

Don't get accts:

End Bal 5718-

Provision 91 967-

Charge off (13,139-)

Reserves 19038-

2 45367-

Based on analysis of 3 yrs write offs in comparison
to revenue

Asked for telephone history

D&T did not attend call history

Co wrote of \$210,546 in property in Dec. 96
\$21,000 of which was for items not found
lost identity

Audit Program

• Bank - Test bank recs - ^{confirmations} - agree, re-
select a few and check, debit & other & check
to documentation -
test cash on hand

• AP/R - Determine if policies are applied, look for entries in related
section, etc.
Test all of doubtful accounts & bad debts exp. select a few
write off & determine whether correct
look at way estimate doubtful accounts
2nd roll forward test
test Recs. Subsequent to cash recs.

• Inventory - Test final count completely
Test Market value measures, presentation of bal
check purchases in 1/2 way, find to YE trace to
receiving reports
Test daily cut off of debit notes & physical adj's

• Payables - look at aging procedure
Test presentation
Liabilities - Complete - Look at estimates & review for reasonable
Property - Get CWP schedule, paper to L & S, Sub to look, look at
AFUDC calc, see surveying work's, agree balance
URIS 10 CWP Test Recs. Diff by agreeing totals
audit & review

• Complete Acc. Adj.
Payroll - complete; make selection of date & test for cutoff (id)
select some 5 days after end.

• Debt - Complete, complete, & not accrued interests
& not expenses (retail)

• Account exp. - Evaluate reasonableness of estimates
& check of presentation

• Ret. for Empl. - Check credentials of actuary, complete
Equity - look for changes & trace to GL, examine TB
Test Dividends, RE, test stock system Calc
refer to Board of Dir. Minutes

• Sales - Analytical test select sales returns & trace
to credits (not done)

• Expense - Analytical test
Test cutoff of sales

* Net asset value must be \$343,164
Per 6/1 348,881
ITC - consistent with prior years

* The 1991-92 accrual did not fall in acceptable
range of the D&T estimate (\$24,329,000)
There is concern regarding RISCORP's handling
of the accrual. There is a discrepancy in the
amount of the accrual. The 1991-92 accrual
was \$25,000,000. The 1992-93 accrual
was \$25,000,000.

Accrual for 1991-92 is \$19,789,500
Actual claim paid 2590- 330-

Insurance - As of 3/96 RISCORP is doing a net income
policy plan agreement for Workman's Corp.
Also in 3/96 RISCORP is doing a net income
policy plan agreement for Workman's Corp.
The plan has been set up for 1996 for gas plant
plant to Sullivan Peak Bridge and other
Coverage for losses over \$250,000 has been purchased
for the plant & auto \$4,500,000 for pollution &
employee liability.
Revenue as of 12/31/92 - \$1,206,340.

D&T used 2 methods to estimate losses for WIC -
increased loss development factor with 1992
used increased loss method for gas plant
estimate range was \$420,000 - \$920,000
Because of uncertainty of RISCORP, holding a
reserve at the high end of range would be desirable

1/17

PB2

FPU v. FEC RE: FPU'S LANTANA PROPERTY
REPORT TO PSC AUDITORS, REQUESTED 04/23/97

C:\FEC_PSC.PSC [M.L. SCHNEIDERMAN] 04/24/97

CONFIDENTIAL

SUMMARY:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ACTIONS:

[REDACTED]

[REDACTED]

Confidential

3a

1

43-2
7

LAW OFFICES OF
RMAN, CRITTON & LUTTIG
712 U.S. HIGHWAY ONE
SUITE 300
NORTH PALM BEACH, FLORIDA 33408

APRIL 2, 1994

MARC L. SCHNEIDERMAN
FL. PUBLIC UTILITIES CO.
401 S. DIXIE HWY.
WEST PALM BEACH, FL 33401

STATEMENT

Matter: 96029
FL. PUBLIC UTIL. CO. V. FL. EA. COAST RAILW
Client: 1828

For Professional Services Rendered:

[REDACTED]

(continued)

(3)

(2)

LAW OFFICES OF
BURMAN, CRITTON & LUTTIER
712 U.S. HIGHWAY ONE
SUITE 300
NORTH PALM BEACH, FLORIDA 33409

542-2320

JUNE 7, 1996

MARC L. SCHNEIDERMAN
FL.PUBLIC UTILITIES CO.
401 S. DIXIE HWY.
WEST PALM BEACH, FL 33401

S T A T E M E N T

Matter: 96029
FL.PUBLIC UTIL.CO. V. FL.EA.COAST RAILW
Client: 1828

For Professional Services Rendered:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total Professional Services \$ [REDACTED]

For Disbursements Incurred:

[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Total Disbursements Incurred \$ [REDACTED]

ENTERED

JUN 14 1996

ACCT'S PAYABLE

INVOICE AUDIT	
<input checked="" type="checkbox"/>	CHECK EXTENSIONS
<input checked="" type="checkbox"/>	CHECK SALES TAX
<input checked="" type="checkbox"/>	CHECK DISCOUNTS
<input checked="" type="checkbox"/>	CHECK ACCOUNT NO.
<input checked="" type="checkbox"/>	ENCODE DUE DATE
<input checked="" type="checkbox"/>	CHECK PAYMENT STUBS
<input type="checkbox"/>	DATE: 6/14/96
<input type="checkbox"/>	AUDITED BY: L. Tortorella

(continued)

(C)

696-168

LAW OFFICES OF
E. MAN, CRITTON & LUTTIER
712 U.S. HIGHWAY ONE
SUITE 300
NORTH PALM BEACH, FLORIDA 33408

OCTOBER 3, 1996

MARC L. SCHNEIDERMAN
FL.PUBLIC UTILITIES CO.
401 S. DIXIE HWY.
WEST PALM BEACH, FL 33401

S T A T E M E N T

Matter: 96029
FL.PUBLIC UTIL.CO. V. FL.EA.COAST RAILW
Client: 1828

For Professional Services Rendered:

[REDACTED]

(continued)

8

Recapitulation

At [REDACTED] per hour [REDACTED] worked [REDACTED] Hours for \$ [REDACTED]
 [REDACTED] [REDACTED] [REDACTED] [REDACTED]

For Professional Services [REDACTED] Hours \$ [REDACTED]
 For Disbursements Incurred [REDACTED]
 Balance in Trust/Retainer \$ [REDACTED]

Bill # 12663 Total Due \$ [REDACTED]
 IRS # 59-28274R1

Please INDICATE the Matter number with your remittance. This bill includes payments received ONLY through the end of this billing cycle month

ENTERED
 NOV 20 1996
 ACCT'S PAYABLE

(17)

COMPANY CORRESPONDENCE

LOCATION: WEST PALM BEACH
ATTENTION OF: C.L. STEIN, VICE PRESIDENT
SUBJECT: FEC LITIGATION

DATE: DECEMBER 9, 1996
LOCATION: WEST PALM BEACH

TO DATE, INCLUDING THE ATTACHED INVOICE, WE HAVE RECEIVED THE FOLLOWING INVOICES PERTAINING TO OUR F.E.C. DISPUTE:

- ALLEY MAASS: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓
- MIKE BURMAN: \$ [REDACTED] ✓

SINCERELY
[Signature]
MARC L. SCHNEIDERMAN
MANAGER OF ENGINEERING
AND GAS SUPPLY

✓ = Copies of invoices
⊙ = Invoices reviewed for Payee, Amt, + work app. to this litigation

ENTERED
DEC 11 1996
ACCT'S PAYABLE

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total Professional Services \$ [REDACTED]

For Disbursements Incurred:

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total Disbursements Incurred \$ [REDACTED]

ENTERED
DEC 11 1996

ACCT'S PAYABLE

Recapitulation

At [REDACTED] per hour [REDACTED] worked [REDACTED] Hours for \$ [REDACTED]

For Professional Services [REDACTED] Hours \$ [REDACTED]

For Disbursements Incurred [REDACTED]

Balance in Trust/Retainer \$ [REDACTED]

Bill # 12752
IRS # 59-2827481

Total Due \$ [REDACTED]

Please INDICATE the Matter number with your remittance. This bill includes payments received ONLY through the end of this billing cycle month.

