



Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

COMMISSION
CLERK

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RECEIVED FPSC

DATE: JULY 25, 2002

TO: DIRECTOR, DIVISION OF THE COMMISSION CLERK
ADMINISTRATIVE SERVICES (BAYÓ)

FROM: DIVISION OF ECONOMIC REGULATION (E. BASS MEEKS)
OFFICE OF THE GENERAL COUNSEL (JAEGER)

EB BSM JS dm

RE: DOCKET NO. 020521-GU - PETITION FOR APPROVAL TO AMORTIZE
GAIN ON SALE OF PROPERTY OVER FIVE-YEAR PERIOD BY FLORIDA
PUBLIC UTILITIES COMPANY.

AGENDA: 08/06/02 - REGULAR AGENDA - PROPOSED AGENCY ACTION -
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\020521.RCM

CASE BACKGROUND

On March 14, 2002, Florida Public Utilities Company (FPUC) sold property located in Delray Beach, Florida, consisting of land, and an office and warehouse building. The office was used primarily as a customer service location for jurisdictional and non-jurisdictional gas operations. The warehouse was used as a small storage facility. On June 14, 2002, FPUC filed a petition for approval to amortize the gain on the sale of the property over a five-year period, beginning April 1, 2002. Staff has completed its review and presents its recommendation herein.

DOCUMENT NUMBER-DATE

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DISCUSSION OF ISSUES

ISSUE 1: Should FPUC's request to amortize the net gain associated with the sale of property consisting of land, and an office and warehouse building over a five-year period be approved?

RECOMMENDATION: Yes.. Staff recommends that the net gain of \$528,748 (\$444,148 jurisdictional) be amortized over five years beginning April 1, 2002. Further, staff recommends that \$33,277 of the sale proceeds be recorded as gross salvage to recover the net unrecovered amount of the office and warehouse building.
(E. BASS, MEEKS)

STAFF ANALYSIS: The sales price of the property was \$601,000 with associated cost of sales of \$10,685. The book value of the land is \$28,290. The investment and related reserve associated with the office and warehouse building is \$59,247 and \$25,970, respectively. Staff recommends that \$33,277 of the sales proceeds be recorded as gross salvage to recover the net unrecovered amount of the building. The resulting net gain is \$528,748.

Since the property was used for both jurisdictional natural gas operations and non-jurisdictional program operations, a portion of the net gain should be allocated to each. Consistent with FPUC's last rate proceeding by Order No. PSC-95-0518-FOF-GU, issued April 26, 1995, in Docket No. 940620-GU, the allocation based on number of customers, is 84 percent jurisdictional and 16 percent non-jurisdictional. This results in a jurisdictional net gain of \$444,148 from the sale as shown below.

Sales Price	\$601,000
Less: Cost of Sales	<u>10,685</u>
Net Proceeds	\$590,315
Less: Cost of Land	28,290
Less: Unrecovered Amount of Building	<u>33,277</u>
Net Gain	<u>\$528,748</u>
Jurisdictional (84%)	\$444,148
Non-Jurisdictional (16%)	\$ 84,600

Although it is not unusual for a utility to dispose of real property and realize a gain, it is not part of the normal operations and is generally non-recurring. Staff recommends that

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the net gain should be amortized over five years, beginning April 1, 2002. This treatment is consistent with prior Commission decisions regarding the amortization of gains on sales of property. (See Order Nos. PSC-97-1609-FOF-EI and PSC-98-0451-FOF-EI, issued December 22, 1997 and March 30, 1998, respectively, in Docket No. 970537-EI; and Order No. PSC-01-0316-PAA-GU, issued February 5, 2001, in Docket No. 000768-GU)

ISSUE 2: 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. (JAEGER)

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed upon the issuance of a consummating order.