



Public Service Commission

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COMMISSION
CLERK

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DATE: SEPTEMBER 4, 2003

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

FROM: DIVISION OF ECONOMIC REGULATION (SLEMKEWICZ, WHEELER) *JS DM DW*
DIVISION OF THE GENERAL COUNSEL (BRUBAKER) *JSB WAT JDJ*

RE: DOCKET NO. 030438-EI - PETITION FOR RATE INCREASE BY
FLORIDA PUBLIC UTILITIES COMPANY.

AGENDA: 09/16/03 - REGULAR AGENDA - DECISION ON SUSPENSION OF
RATES - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: 60-DAY SUSPENSION DATE: OCTOBER 13, 2003

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\ECR\WP\030438.RCM

CASE BACKGROUND

This proceeding commenced on August 14, 2003, with the filing of a petition for a permanent rate increase by Florida Public Utilities Company (FPUC or Company). FPUC requested an increase in its retail rates and charges to generate \$4,117,212 in additional gross annual revenues. This increase would allow the Company to earn an overall rate of return of 9.00% or a 12.00% return on equity (range 11.00% to 13.00%). FPUC has also requested a 100 basis point return on equity performance award that would increase the requested rate increase by approximately \$302,000. The Company based its request on a projected test year ended December 31, 2004. FPUC stated in its petition that this test year is the appropriate period to be utilized because it represents the conditions to be faced by the Company and is representative of the actual revenues, expenses and investments to be realized under the new rates. A significant aspect of this proceeding is the consolidation of FPUC's heretofore separate Fernandina Beach (Northeast) and Marianna (Northwest) Electric Divisions into a single entity for

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ratemaking purposes. FPUC has not requested any interim rate relief. The Commission has jurisdiction pursuant to Section 366.06, Florida Statutes.

DISCUSSION OF ISSUES

ISSUE 1: Should the \$4,117,121 permanent base rate increase and its associated tariff revisions requested by Florida Public Utilities Company be suspended pending a final decision in this docket?

RECOMMENDATION: Yes, the \$4,117,121 permanent base rate increase and its associated tariff revisions requested by Florida Public Utilities Company should be suspended pending a final decision in this docket. (SLEMKEWICZ, WHEELER)

STAFF ANALYSIS: FPUC filed its petition, testimony, and minimum filing requirements on August 14, 2003. The Company has requested a total permanent base rate increase of \$4,117,121 based on a projected test year ending December 31, 2004.

Historically, especially when a projected test year has been involved, the Commission has suspended the requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. The suspension of the rate increase is authorized by Section 366.06(3), Florida Statutes, which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Inasmuch as FPUC's requested permanent rate relief is based on a projected test year, staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any

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intervenor sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: No. This docket should remain open to process the revenue increase request of the Company. (BRUBAKER)

STAFF ANALYSIS: This docket should remain open pending the Commission's final resolution of the Company's requested rate increase.