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TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

# Public Service Commission

December 16, 2003

F. Marshall Deterding, Esq.  
Rose, Sundstrom & Bentley, LLP  
2548 Blairstone Pines, Drive  
Tallahassee, FL 32301

**Re: Docket No. 030601-SW - Investigation of Possible Overearnings by North Peninsula Utilities Corporation in Volusia County**

Dear Mr. Deterding:

We are in receipt of your November 10, 2003, letter in the above referenced docket. Upon reviewing your proposals in staff's investigation, staff offers the following for your consideration:

1. 2002 Overearnings - Staff agrees that for the calendar year 2002, the index was implemented in August. Therefore, any refunds of overearnings for the 2002 historic test year would be for the period August through December, 2002. The utility has agreed to recognize \$1,135, or approximately 40% of overearnings, as refundable for the calendar year 2002. However, the utility has offered to book this amount to its CIAC account in lieu of refunding these overearnings. Staff does not believe that is appropriate at this time. As discussed further in this letter, staff believes that additional refunds may be due for the year 2003. Therefore, staff believes it is more appropriate for the utility to agree to continue holding these monies subject to refund, pending the completion of staff's review of 2003. Further, any additions to the utility's CIAC account will merely exasperate any overearnings situation.
2. 2003 Overearnings - Staff's review of the utility's earnings for the projected year 2003 indicates potential overearnings of \$8,623. This amount includes the utility's projected maintenance expenses and proforma plant submitted in its September 16, 2003, and October 14, 2003, letters. This analysis also took into consideration indexed O&M expenses for the year 2003. In its current proposal, the utility believes it will demonstrate that there will be no overearnings for the year 2003. The utility proposes that the Commission staff take no further action other than dealing with the 2002 overearnings. Instead the utility proposes that (a) it will agree to file its 2003 Annual Report no later than April 30, 2004; (b) it will obtain a letter of credit for jurisdictional overearnings for 2003 plus the staff's own calculation of the potential

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overearnings for 2004, for a total letter of credit of approximately \$7,000; and (c) thereafter the staff will delay any further action on this proceeding until actual operations information is available at the end of April, 2004.

In an effort to work with the utility to reach an equitable resolution to staff's investigation, staff is willing to postpone any further action until it has an opportunity to review and analyze the utility's 2003 Annual Report. However, staff is willing to agree to this proposal in consideration of the following:

(a) the utility's 2003 Annual Report should be filed no later than March 31, 2004. Staff reserves the right to conduct further analysis of the utility's reported amounts and seek additional clarification from the utility;

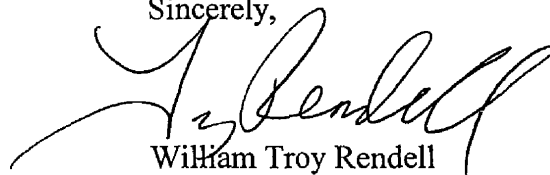
(b) since the entire 2002 index, in the amount of \$2,724, collected during 2003 remains jurisdictional, staff agrees that the remaining amount of jurisdictional overearnings is approximately \$5,900 for the year 2003. However, pursuant to Order No. PSC-03-1001-PCO-SU, issued September 5, 2003, in this docket, \$10,073 in annual revenues are being held subject to refund. Staff agrees that the jurisdictional amount is for approximately 4/12 of the year, beginning in September, 2003. Assuming a 10 month period, (September, 2003 through June, 2004), for the resolution of staff's investigation, the potential additional refund for 2003, above the 2002 index amount, would be approximately \$7,246, with interest.

Further, staff has projected potential overearning of approximately \$1,893 for the projected year 2004. Again, assuming a resolution by June, 2004, potential overearnings for 2004 would be \$951, with interest. Therefore, staff is willing to agree to a letter of credit in the amount of \$8,197; and

(c) since staff's analyses for both 2003 and 2004 already incorporate indexes of O&M for both years, the utility should consider a proposal not to file for either of these index filings.

Staff is willing to postpone any further action pending a response to this letter by the utility. A response should be submitted no later than January 16, 2004. If you have any questions, please contact me at (850) 413-6934 or Jennifer J. Iwenjiora at (850) 413-6980.

Sincerely,



William Troy Rendell  
Public Utilities Supervisor

cc: Division of Economic Regulation (Willis, Iwenjiora)  
Office of the General Counsel (Fleming)  
Division of Commission Clerk and Administrative Services (Docket File)  
Mr. Robert Hillman