

ORIGINAL

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Public Service Commission

June 8, 2004

STAFF'S FIRST DATA REQUEST

Mr. John T. English
P. O. Box 3395
West Palm Beach, FL 33402-3395

Re: Docket No. 040216-GU – Application for Rate Increase by Florida Public Utilities Company.

Dear Mr. English:

By this letter, the Commission staff requests that Florida Public Utilities Company (FPUC or utility) provide responses to the following data requests:

1. Related to deferred taxes, provide details of the calculation of bonus depreciation (for the years 2003, 2004, and 2005) to include these columns:

Life Years	Additions Amount	Not Eligible for Bonus	Eligible Additions	Bonus Depreciation Percent	Bonus Depreciation
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2. Related to the above question on deferred taxes, provide a schedule for the years 2003, 2004, and 2005, that shows a comparison for each year of bonus depreciation, depreciation expense for tax purposes, and book depreciation.

- CMP _____
 - COM _____
 - CTR _____
 - ECR _____
 - GCL _____
 - OPC _____
 - MMS _____
 - RCA _____
 - SCR _____
 - SEC 1
 - OTH _____
3. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Taxable Contributions for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Taxable Contributions were calculated for tax purposes.
4. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Loss on ACRS Retirements for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending Dec. 31, 2003. Please be sure to show how Loss on ACRS Retirements was calculated for tax purposes.

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5. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Conservation Program Costs for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Conservation Program Costs were calculated for tax purposes.

6. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Pension Costs for the periods ending December 31, 2004 and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December, 31, 2003. Please be sure to show how Pension Costs were calculated for tax purposes.

7. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Uncollectibles for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Uncollectibles were calculated for tax purposes.

8. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Environmental Costs for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Environmental Costs were calculated for tax purposes.

9. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Environmental Depreciation for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Environmental Depreciation was calculated for tax purposes.

10. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to General Liability for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how General Liability was calculated for tax purposes.

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11. Referring to MFR Schedule G-2(C-24), please provide a detailed calculation of the deferred taxes related to Def. Gain – Delray & Deland for the periods ending December 31, 2004, and December 31, 2005. If your response is that the deferred taxes were trended from the historic base year, then please answer for the period ending December 31, 2003. Please be sure to show how Def. Gain – Delray & Deland was calculated for tax purposes.

12. Per MFR Schedule G-1(B-1), for the 2004 year, deferred taxes show a \$600,489 decrease from December 2003 to December 2004, but deferred income tax expense on the income statement (Schedule G-2(C-20)) is \$1,371,525. Please explain/reconcile.

13. Per MFR Schedule G-1(B-1), for the 2005 year, deferred taxes show a \$499,752 increase from December 2004 to December 2005, but deferred income tax expense on the income statement (Schedule G-2(C-20)) is \$1,397,315. Please explain/reconcile.

14. Please provide actual bad debt expense for years ending December 31, 2002, and December 31, 2003.

15. In the Direct Testimony of Mehrdad Khojasteh, on page 106, he states that: “There was also an offsetting decrease to projected deferred taxes in 2003-2005 to account for the basis reduction from plant investments associated with our recent water sale. The provisions of the tax law allows for a reduction of basis of assets for any similar purchase. We have determined that the natural gas distribution plant can be used for these investments, and accordingly provides for a reduction in tax basis and tax depreciation for 2003-2005.” Please provide the source or reference (i.e. IRS Code Section, Regulation, Bulletin, etc.) that covers this provision, as well as full details on how this reduction in tax basis and tax depreciation was calculated for the years 2003 through 2005.

16. Were any journal entries made to true up 2003 accumulated deferred taxes to the 2003 income tax return? If so, please provide them. Include a schedule of the net effect (i.e. the ending balance) of any journal entries to true-up deferred taxes to the 2003 income tax return on the following accounts: 190, 281, 282 and 283.

17. Please provide an Accumulated Deferred Income Taxes – Summary schedule similar to Schedule B-18 to include the period January 2004 through December 2005.

18. Referring to MFR Schedule G-2(C-21), page 3, please provide a breakdown of the Line 9, Page 2 – Adjustments to State Taxable Income amounts, showing the amount to remove State prior period tax adjustment, the amount for interest sync., and the amount for income tax effect on other adjustments. Also provide a breakdown of the Line 14, Page 2 – Adjustments to Federal Taxable Income amounts, showing the amount to remove Federal tax adjustment, the amount for interest sync., and the amount for income tax effect on other adjustments. Provide the above information for years ending December 31, 2003, December 31, 2004, and December 31, 2005.

19. Referring to MFR Schedule G-2(C-21), the taxable income amounts for December 31, 2004, and December 31, 2005, on page 1, line 30, do not match the taxable income amounts on page 2, line 1. Which page has the correct amounts?

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20. Please provide in Excel spreadsheet format the following:

a) the historical and projected annual customer counts and therm usage by rate class by division for the period 1994 through the 2005 test year;

b) any historical weather data used in the creation of the projected customer and therm forecasts;

c) any analyses, calculations, or regressions used to produce the test year projections by rate class by division.

21. Please provide the latest available forecast variance report for 2004 comparing forecasted customers and therms to actual customers and therms by rate class by division.

22. Provide a reconciliation of FPUC's capital structure from a total company basis (how the Company reports total assets and total capital to the SEC) to a jurisdictional basis (regulated operations only) for 2003, 2004, and 2005. For purposes of this response, capital structure refers to investor sources of capital, i.e., common equity, preferred stock, long-term debt, and short-term debt. By reconciliation, staff wants the Company to show how the assets and capital associated with non-regulated investments such as Flo-Gas are removed from the balance sheet.

23. Please explain the increase in the Company's common equity balance from \$30,662,403 (31.6% of investor capital) in actual 2003 to \$56,448,772 (52.1% of investor capital) in projected 2005. For purposes of this response, show how the balance of common equity is expected to change from year to year and explain in detail the Company's basis for forecasting this level of projected growth.

24. What are FPUC's budgeted capital expenditures for 2004 and 2005? For purposes of this response, itemize which portion of the total capital expenditure budget for each year is for regulated operations (separately stating electric and natural gas) and the portion devoted to non-regulated operations.

25. Please provide copies of all materials, including analyses, spreadsheets, studies, reports, and workpapers, relied upon by FPUC and witnesses Bachman and Camfield in the determination of the cost of capital, including the cost of debt, the cost of equity, and the capital structure, used in FPUC's filings in this proceeding and/or in the preparation of witnesses Bachman and Camfield's testimony in this proceeding. This response should include all materials relied upon to determine and support the projected capital structure ratios and the cost rates for the individual capital components for 2004 and 2005.

26. Provide schedule G-3 (D-1) for the 2005 projected test year showing FPUC's investment in Flo-Gas removed specifically from common equity.

27. From January 1, 2002 forward, provide copies of all analyses, workpapers, memos, minutes of Board of Directors meetings, and e-mail messages where the topic was cost of capital, capital structure, common equity, short-term debt, long-term debt, and the cost rate for any of these capital components.

28. From January 1, 2002 forward, provide copies of all reports, analyses, and presentations by or for investment banking firms, commercial banks, stock analysts, and rating agencies regarding FPUC.

29. Provide copies of all spreadsheets, analyses, and workpapers FPUC relied upon in determining that its proposed 2004 overall cost of capital is the least cost option available to fund its regulated operations.
30. Provide copies of any reports, analyses, prospectus, and/or registration statement to support FPUC's assumption that it will issue \$11-12 million of common equity in 2004.
31. Please refer to the capital structure for the projected test year, Schedule G-3 (D-1), and to the 5.98% cost rate for short-term debt. Please provide the calculation of this rate and complete copies of all supporting documentation. This should include the benchmark rate, like LIBOR, upon which the cost rate for short-term debt is based, any basis points added to that rate, any fees associated with the loan and how the fees are assessed, and the maximum amount of the loan.
32. Please refer to Schedule G-2 (C-5), page 7 of 7, and to the 1.36% inflation rate for 2003, the 3.26% inflation rate for 2004, and the 1.88% inflation rate for 2005. How were these rates selected and why are these rates appropriate? Please include the source for these rates and complete copies of all supporting documentation.
33. Please refer to Schedule G-1 (B-2), page 2 of 2, which shows the calculation of rate base for the projected test year. Please also refer to Schedule G-3 (D-1), which shows the capital structure for the projected test year. Please explain how each rate base adjustment was treated in reconciling rate base and capital structure. This should include a breakdown of the total rate base adjustments of \$6,230,696, and whether each adjustment was reconciled to the capital structure with a specific or pro rata adjustment. Please provide a justification for how the adjustments were treated.
34. In its 2003 Securities and Exchange Commission Form 10-K, FPUC reports a negative balance for Treasury Stock of \$4,396,000. In Order No. PSC-95-0518-FOF-GU, issued April 26, 1995, FPUC removed Treasury Stock from common equity at the consolidated level before investor capital was allocated to the gas division. Please explain how FPUC treated Treasury Stock in developing the proposed balance sheet (Schedule G-1(B-1) 2005) and capital structure (Scheduled G-1(D-1)) for the projected test year.

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Please provide the original and four copies of this requested information to me by the close of business on July 8, 2004. If you have any questions, or if you need any assistance please call me at (850) 413-6234, or Sam Merta at (850) 413-6427.

Sincerely,



Ralph R. Jaeger
Senior Attorney

RRJ:jb

cc: Division of Economic Regulation (Willis, Baxter, Colson, Draper, Gardner, Haff, Hewitt, Kenny, Kummer, Lester, Maurey, Merta, Rendell, Revell, Springer, Stallcup, Wheeler, Vandiver, Welch, Winters)
Division of Regulatory Compliance and Consumer Assistance (Witman, Fletcher, Hicks)
Division of the Commission Clerk and Administrative Services

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