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# Public Service Commission

February 24, 2009

Jack English  
Florida Public Utilities Company  
P.O. Box 3395  
West Palm Beach, FL 33402-3395

## STAFF'S FIRST DATA REQUEST

**Re: Docket No. 080366-GU, Petition for rate increase by Florida Public Utilities Company**

Dear Mr. English:

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

1. Please refer to page 231, lines 21-25 and continuing on page 232, lines 1-2 of witnesses Cox and Camfield's direct testimony. Is it the witnesses' testimony that unless the Commission approves an authorized return on equity (ROE) of 11.75% in this proceeding, the Commission no longer offers a supportive regulatory environment?
2. Please refer to page 172, lines 4-11 of witnesses Cox and Camfield's direct testimony. Please provide specific examples of the "restructuring" that has occurred in FPUC's service territory.
3. With respect to witnesses Cox and Camfield's direct testimony on page 184, lines 20-24 and continuing on page 185, lines 1-2, would FPUC agree that one of the purposes of this proceeding is to set an authorized return on equity for the provision of regulated electric service in Florida? If no, why not?
4. With respect to witnesses Cox and Camfield's direct testimony on page 190, lines 11-14, has FPUC or its witnesses made any analysis of the authorized returns on equity over the past three years for other transmission and distribution only utilities?
5. Please provide the calculation of the pre-tax interest coverage ratio of 1.81 for 2007 listed on Exhibit DC-RC-22.
6. Holding all other components of FPUC's projected 2009 13-month average capital structure constant, what is the pre-tax interest coverage ratio for FPUC assuming the following authorized returns on equity:

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- a. 11.5%
- b. 11.0%
- c. 10.5%
- d. 10.0%
- e. 9.5%

Please show all calculations. For purposes of this response, the cost rate for ITCs can vary with the respective return on equity (ROE).

- 7. With respect to witnesses Cox and Camfield's direct testimony on page 186, lines 6-9, what is the range of pre-tax interest coverage ratios FPUC believes is necessary to "maintain a favorable credit standing with markets"?
- 8. With respect to witnesses Cox and Camfield's direct testimony on page 232, lines 13-16, is \$240,000 the annual revenue requirement difference between using a projected year-end capital structure versus a projected 13-month average capital structure? If not, what is the difference in annual revenue requirement between these two capital structures?
- 9. With respect to witnesses Cox and Camfield's direct testimony on page 207, lines 22-24, what is the basis for the witnesses' use of 12.6% expected market return in their CAPM analysis?
- 10. With respect to witnesses Cox and Camfield's discussion on pages 214-217 of their direct testimony related to a "small size premia," please provide a list of all state regulatory commission decisions that have specifically acknowledged and incorporated this adjustment in their determination of the authorized return on equity. For purposes of this response, please provide the name of the utility and cite the order number.
- 11. With respect to Exhibit DC-RC-14, was the small size premia for FPUC determined based on the use of earned returns?
- 12. With respect to Exhibit DC-RC-3, what efforts has FPUC made to refinance the long-term debt issued in 1988 and 1992?
- 13. What prevents FPUC from refinancing the long-term debt issued in 1988 and 1992 with debt at lower, current market rates?
- 14. With respect to witnesses Cox and Camfield's direct testimony on page 163, lines 16-22, what is the current projection of the Federal Funds rate?
- 15. With respect to witnesses Cox and Camfield's direct testimony on page 200, lines 6-10, has FPUC done an analysis of the authorized returns of other utilities of similar market size to FPUC?

16. With respect to witnesses Cox and Camfield's direct testimony on page 217, lines 13-18, please show the derivation of the 25 basis point and 33 basis point adjustments for Samples 1 and 2, respectively, associated with the 6% adjustment for issuance costs.
17. With respect to Exhibit DC-RC-13, what is the source of the 11.31% and 12.84% expected market returns?
18. With respect to Exhibit DC-RC-17, what is the authorized return on equity for each company on this schedule? For purposes of this response, please list the return on equity (ROE) and the date set.
19. With respect to Exhibit DC-RC-18, what is the authorized return on equity for each company on this schedule? For purposes of this response, please list the return on equity (ROE) and the date set.
20. For the following series of questions please refer to Exhibit DC-RC-17 attached to the direct testimony of witnesses Cox and Camfield.
  - a. For each company listed on Exhibit DC-RC-17, please provide the relative percentage of each proxy companies' revenues that are generated from regulated utility operations. If a proxy company has more than one regulated utility, please provide the information for each utility and on a total company basis. Please provide the information for 2007.
  - b. Please identify the regulated natural gas distribution companies associated with each of the proxy companies listed on Exhibit DC-RC-17.
  - c. For each regulated natural gas distribution company identified in Interrogatory No. 20B, please provide the equity ratio as of the end of 2007. For purposes of this response, equity ratio is defined as common equity divided by the sum of common equity, preferred stock, long-term debt, and short-term debt.
  - d. Please identify the current authorized return on equity (ROE) for each regulated natural gas distribution company identified in response to Interrogatory No. 20B. For purposes of this response, please provide the authorized ROE, the Commission order number, and the date the order was issued.
21. For the following series of questions please refer to Exhibit DC-RC-18 attached to the direct testimony of witnesses Cox and Camfield.
  - a. For each company listed on Exhibit DC-RC-18, please provide the relative percentage of each proxy companies' revenues that are generated from regulated utility operations. If a proxy company has more than one regulated utility, please

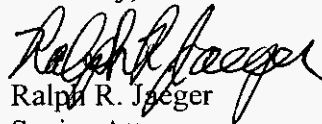
- provide the information for each utility and on a total company basis. Please provide the information for 2007.
- b. Please identify the regulated electric utilities associated with each of the proxy companies listed on Exhibit DC-RC-18.
  - c. For each regulated electric utility identified in Interrogatory No. 21B, please provide the equity ratio as of 2007. For purposes of this response, equity ratio is defined as common equity divided by the sum of common equity, preferred stock, long-term debt, and short-term debt.
  - d. Please identify the current authorized return on equity (ROE) for each regulated electric utility identified in response to Interrogatory No. 21B. For purposes of this response, please provide the authorized ROE, the Commission order number, and the date the order was issued.
22. Please refer to page 199, line 16, and continuing to page 205, line 10 of witnesses Camfield and Cox's direct testimony and the Selection Screens contained in Exhibits DC-RC 17 through DC-RC-20. Please identify all companies reviewed for each of the samples that were either included or excluded from each exhibit due to all the exceptions. In each case, please explain why each exception was exercised.
  23. Please 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 2006, 2007, and 2008. 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.
  24. What are FPUC's budgeted capital expenditures for 2008 and 2009? For purposes of this response, please itemize which portion of the total capital expenditure budget for each year is for regulated operations (separately stating electronic and natural gas) and the portion devoted to non-regulated operations.
  25. Please provide schedule G-3 (D-1) for the 2009 projected test year showing FPUC's investment in Flo-Gas removed specifically from common equity.
  26. Please refer to the capital structure for the projected test year, Schedule G-3 (D-1), and to the 4.71% 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.

27. Please provide copies of all materials, including analyses, spreadsheets, studies, reports, and workpapers, relied upon by FPUC and their respective witnesses 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 Cox 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 2008 and 2009.
28. From January 1, 2008 forward, please 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.
29. From January 1, 2008 forward, please provide copies of all reports, analyses, and presentations by or for investment banking firms, commercial banks, stock analysts, and rating agencies regarding FPUC.
30. Please provide copies of all spreadsheets, analyses, and workpapers that FPUC relied upon in determining that its proposed 2009 overall cost of capital is the least cost option available to fund its regulated operations.
31. Please provide a copy of all reports, analyses, or other compilations of returns on equity (ROEs) for natural gas utilities.
32. If FPUC did complete an analysis in its response to staff's Interrogatory No. 15, please provide the analysis of the authorized returns of other utilities of similar market size to FPUC.
33. With respect to witnesses Cox and Camfield's direct testimony on page 187, lines 3-6, please provide copies of all reports, analyses, and correspondence relating to any discussions with investment banks, commercial banks, and stock analysts regarding the financial condition and soundness of the Company.
34. With respect to witnesses Cox and Camfield's direct testimony on page 187, lines 3-6, please provide copies of all reports, analyses, and correspondence relating to any discussions with investment banks, commercial banks, and stock analysts regarding the importance of FPUC maintaining a particular pre-tax interest coverage ratio.
35. With respect to witnesses Cox and Camfield's direct testimony on page 186, lines 6-9, please provide all documents that support the Company's position regarding the range of pre-tax interest coverage ratios necessary to "maintain its favorable credit standing with markets."

36. Please provide a list of all testimonies that witness Camfield in particular and Christensen Associates Energy Consulting, LLC in general have included a "small size premia" in its recommended return on equity.
37. With respect to Exhibit DC-RC-14, please provide the results of the multi-stage DCF analysis.
38. Please provide copies of all reports, analyses, or studies that witnesses Cox and Camfield relied upon to support a forward-looking equity risk premium of 7.89%.
39. Please provide a copy of the most recent Moody's Investor Services report for FPUC.
40. Please provide a copy of the work papers (not already included in MFRs) in support of the 2008 & 2009 Commission and Company adjustments to Net Operating Income and Rate Base.
41. Please provide a copy of the work papers (not already included in MFRs) in support of the 2010 revenue requirement for the recovery of an extraordinary capital expenditure.
42. Please provide a copy of the work papers (not already included in MFRs) in support of the allocations used in the 2009 test year at all corporate levels to the consolidated natural gas division.
43. Please provide the year-end 2008 customer count by the following rate codes: RS, GS, GSTS, LV, LVTS, IS, ITS, and GLS.
44. Please provide the year-end 2008 number of employees, with part-time and temporary shown separately.

Please file the original and five copies of the requested information by Tuesday, March 24, 2009, with Ms. Ann Cole, Commission Clerk, Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida, 32399-0850, and reference this docket. Please feel free to call me at (850) 413-6234 if you have any questions.

Sincerely,

  
Ralph R. Jaeger  
Senior Attorney

RRJ/tfw

cc: Office of Commission Clerk  
Office of Public Counsel  
Division of Economic Regulation (Preston)