

Dorothy Menasco

From: Keating, Beth [BKeating@gunster.com]
Sent: Thursday, November 17, 2011 3:33 PM
To: Filings@psc.state.fl.us
Cc: 'Geoffroy, Tom'; 'Christensen.Patty@leg.state.fl.us'; Keino Young; John Slemkewicz; Marshall Willis
Subject: Docket No. 110133-GU
Attachments: 20111117152353995.pdf

Attached for electronic filing in the referenced docket, please find a copy of FPUC/CHPK's Responses to Staff's Fourth Data Request.

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a. Person responsible for this electronic filing:

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b. Docket No. 110133-GU - **Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.**

c. On behalf of: Florida Public Utilities Company

d. There are a total pages: 6

e. Description: Responses to Staff's Fourth Data Request



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FPSC-COMMISSION CLERK



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November 17, 2011

BY ELECTRONIC FILING

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Docket No. 110133-GU: Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.

Dear Ms. Cole:

Attached for filing in the above-referenced Docket, please find Florida Public Utilities and the Florida Division of Chesapeake Utilities Corporation's Responses to Staff's Fourth Data Request, along with the referenced Attachment 1.

Thank you for your assistance with this filing. If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

Beth Keating
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cc:/ Docket Certificate List

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FPUC's Response to FPSC's Fourth Data Request, Docket No. 110133-GU - Petition for approval of acquisition adjustment and recovery of regulatory assets, and request for consolidation of regulatory filings and records of Florida Public Utilities Company and Florida Division of Chesapeake Utilities Corporation.

1. Per Note D of Exhibit MK-1, Page 3 of 3, the book value of the natural gas reporting unit net assets was prepared by FPU using the general ledger information and certain internal allocations of common assets. Please provide a detailed calculation of the \$55,859,889 net asset value shown on Exhibit MK-1, Page 1 of 3.

Company Response: Please see Attachment 1 which details the calculation of the \$55,859,889 net asset value shown on Exhibit MK-1, Page 1 of 3.

2. Per the December 2009 Earnings Surveillance Report (ESR), the per books year end amounts for net plant in service and total rate base were \$76,774,622 and \$74,869,776, respectively. Please explain why the calculated \$55,859,889 book value of the net assets is substantially lower than the reported December 2009 ESR per books amounts for net plant in service and total rate base.

Company Response: The December 2009 ESR total rate base per books excludes three liability accounts – Customer Deposits, Deferred Income Taxes and Tax Credits – which are included for the US GAAP calculation of Net Asset Value. These liability accounts are instead shown as components of the capital structure in ESR. In addition, the adjustment for the “Common Plant” allocated to non-utility plant, which is accounted for in the Net Asset Value calculation under US GAAP is shown in ESR as a line item under the “FPSC Adjustments” section, not in the per books amount.

The inclusion of Customer Deposits, Deferred Income Taxes and Tax Credits and the adjustment for the “Common Plant” allocated to non-utility plant would reduce the December 2009 ESR total rate base per books by \$16,432,207, leaving an adjusted total rate base (a value comparable to Net Asset Value) for the December 31, 2009 ESR of \$58,437,569. The difference in the two numbers (\$58,437,569 of the adjusted total rate base as of December 31, 2009 and \$55,859,889 of Net Asset Value as of October 31, 2009) is due to the actual natural gas business unit activity (Income Statement and Balance Sheet) from October 31, 2009 to December 31, 2009. The following table further illustrates the different presentation between ESR total rate base per book and Net Asset Value.

DOCUMENT NUMBER-DATE
08452 NOV 17 =
FPSC-COMMISSION CLERK

Per the December 31, 2009 ESR:

Net plant in service - per books	\$ 76,774,622	(A)
Construction work in progress - per books	880,767	(A)
Net utility plant - per books	<u>77,655,389</u>	(A)
Working capital - per books	(2,785,613)	(A)
Total rate base - per books	<u>74,869,776</u>	(A)
Adjustments to ESR total rate base per books:		
Customer deposit	(7,409,035)	(B)
Deferred income taxes	(7,693,916)	(B)
Tax credits	(97,797)	(B)
Non-utility plant	(1,231,459)	(C)
Total adjustments	<u>(16,432,207)</u>	
Adjusted Total Rate Base (a value comparable to Net Asset Value)	<u>\$ 58,437,569</u>	

(A) Included in ESR, Schedule 3

(B) Included in ESR, Schedule 4 (year-end)

(C) Included in ESR, Schedule 3 (under the FPSC adjustments section)

The Company's calculation of Net Asset Value of \$55,859,889 as of October 31, 2009 was prepared in accordance with US GAAP and included all assets and liabilities, except for debt, related to the natural gas business. Therefore, the \$55,859,889 Net Asset Value for the natural gas business included Customer Deposits, Deferred Income Taxes and Tax Credit and properly accounted for the "Common Plant" allocated to non-utility plant. The simplest calculation of Net Asset Value is the sum of Total Equity, Long Term Debt and Short Term Debt.

It is important to note that the different presentation between ESR total rate base per book and Net Asset Value does not change the calculation of the purchase premium. The purchase price for the natural gas business used in the calculation of the purchase premium in accordance with US GAAP was based on the fair value of the Total Invested Capital ("TIC"), which properly included customer deposits, deferred income taxes and tax credits and already adjusted for the "Common Plant" allocated to non-utility plant. If the Company had excluded these items in TIC, the fair value would have increased by the same \$16,432,207, and therefore, the purchase premium for the natural gas business would still have remained at \$34,679,747, unchanged from the amount as shown on Exhibit MK-1, Page 1 of 3.

3. Is the \$55,859,889 net asset value based on a regulatory methodology, such as using straight-line depreciation, or on some other basis?

Company Response: With the exception of the different presentation discussed in the Company's response to question 2, the net asset value is based on the same regulatory methodology as the ESR.

Florida Public Utilities Company
 Natural Gas October 31, 2009 Detail Balance Sheet

Attachment 1

	Detail Amount	Net Amount
Net Utility Plant:		
Utility Plant	\$ 117,400,493	
Non-utility plant adjustment	<u>(1,568,385)</u>	
Plant in Service		115,832,108
Accumulated Depreciation	(35,362,166)	
Customer Advances for Construction	(2,328,305)	
Accrued Asset Removal Costs	<u>(5,071,638)</u>	
Total Accumulated Depreciation		<u>(42,762,109)</u>
Net Utility Plant		<u>\$ 73,069,999</u>

Working Capital:

Assets

Cash	3,035,920	
Special Deposits	3,518,821	
Accounts Receivable	3,053,102	
Notes Receivable	3,211,934	
Allowance for Bad Debt	(107,210)	
Unbilled Revenue	1,734,031	
Other Investment	8,263	
Other Assets	544,716	
Goodwill	552,803	
Intangible Assets	1,900,000	
Other Work In Progress	638,610	
Misc Deferred Debits	2,871,806	
Regulatory Asset Environmental	6,700,418	
Regulatory Asset Retirement	4,868,279	
Accumulated Deferred Income Taxes	4,094,173	
Net Assets		<u>\$ 36,625,666</u>

Liabilities

Accounts Payable	3,786,190	
Payable to Associated Company	2,891,404	
Customer Deposits	7,442,551	
Taxes Accrued	1,262,598	
Interest Accrued	471,379	
Other Taxes Accrued	261,791	
Vacation Pay Liability	702,156	
Rate Refund Pending	165,729	
Other Current Liabilities	25,300	
Over recoveries of Fuel and Conservation	3,207,196	
Environmental Insurance Proceeds	5,611,007	
Environmental Liabilities	6,802,982	
Storm Damage Reserve	791,204	
Medical and Pension Reserve	7,113,340	
Investment Tax Credit	104,466	
Current Portion of Deferred Income Taxes	637,539	
Accumulated Deferred Income Tax Liability	10,851,041	
Accumulated Deferred Income Tax Liability	1,707,903	
Net Liabilities		<u>\$ 53,835,776</u>
Net Working Capital		<u>\$ (17,210,110)</u>
Total Net Plant and Working Capital		<u>\$ 55,859,889</u>

CERTIFICATE OF SERVICE

I HEREBY ATTEST that a true and correct copy of the foregoing has been served upon the following by Electronic Mail this 17th Day of November, 2011:

Patricia Christensen Office of the Public Counsel c/o The Florida Legislature 111 West Madison St., Rm. 812 Tallahassee, FL 32399-1400	Keino Young, Esquire Office of the General Counsel Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850
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