



Writer's E-Mail Address: bkeating@gunster.com

August 8, 2014

BY E-PORTAL FILING

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

Re: Docket No. 140025-EI -Application for rate increase by Florida Public Utilities Company.

Dear Ms. Stauffer:

Attached for electronic filing on behalf of Florida Public Utilities Company/Electric Division (FPU) in the above-referenced docket, please find a Notice of Service of Revised Rebuttal Exhibit CMM-9 and corrected pages to the Rebuttal Testimonies of Jeffry M. Householder and Cheryl M. Martin, witnesses on behalf of Florida Public Utilities Company in this proceeding. Also attached to the referenced Notice and included for filing are the Revised Exhibit CMM-9 and the identified corrected testimony pages.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

Cc:/Service List (Docket 140025-EI)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Application for Rate Increase by Florida
Public Utilities Company.

DOCKET NO. 140025-EI

DATED: August 8, 2014

**NOTICE OF SERVICE OF CORRECTED REBUTTAL EXHIBIT CMM-9 AND
CORRESPONDING TESTIMONY PAGES IN THE REBUTTAL TESTIMONY OF
WITNESS MARTIN AND THE REBUTTAL TESTIMONY OF WITNESS
HOUSEHOLDER**

NOTICE IS HEREBY GIVEN that Florida Public Utilities Company (“Company”), by and through its undersigned counsel, hereby serves and provides notice of filing corrected Rebuttal Exhibit CMM-9 to the Rebuttal Testimony of Witness Cheryl M. Martin. The original was filed with the Company’s Rebuttal Testimony of Cheryl Martin on August 5, 2014. Errors in that Exhibit have since been identified, and it differs from the actual, final June 2014 surveillance report filed with the Commission. As such, to correct this known error, the Company is submitting a Revised Exhibit CMM-9. As a result of corrections to this Exhibit, the Company also submits the following revised pages from the Rebuttal Testimonies of Witnesses Martin and Householder. The corrections are as follows:

- Rebuttal Testimony of Jeffrey M. Householder, page 6, line 15 – change referenced June 2014 ROE from 3.60% to 4.07%.
- Rebuttal Testimony of Cheryl Martin, page 5, line 8 – change referenced June 2014 ROR from 3.34% to 3.56%
- Rebuttal Testimony of Cheryl Martin, page 5, line 12 – change referenced \$4,010,097 to \$3,760,129

We apologize for any inconvenience this error may have caused.

WHEREFORE, Florida Public Utilities Company asks that the Commission accept Revised Exhibit CMM-9 and the revised pages of rebuttal testimony referenced above for filing in this docket.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Beth Keating", is written over a horizontal line.

Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706
*Attorneys for Florida Public Utilities
Company*

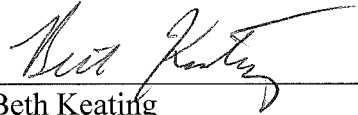
CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 8th day of August, 2014:

Patricia A. Christensen, Esquire
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400

Suzanne Brownless, Esquire
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

By: _____



Beth Keating
Gunster, Yoakley & Stewart, P.A.
215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

	(1) ACTUAL PER BOOKS	(2) FPSC ADJUSTMENTS	(3) FPSC ADJUSTED	(4) PRO FORMA ADJUSTMENTS	(5) PRO FORMA ADJUSTED
I. AVERAGE RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$ 1,904,752	\$85,613	\$1,990,365	\$0	\$1,990,365
AVERAGE RATE BASE	\$56,786,778	(\$802,652)	\$55,984,127	\$0	\$55,984,127
AVERAGE RATE OF RETURN	3.35%		3.56%		3.56%
II. YEAR-END RATE OF RETURN (JURISDICTIONAL)					
NET OPERATING INCOME	\$1,904,752	\$57,836	\$1,962,588	\$0	\$1,962,588
YEAR-END RATE BASE	\$62,092,336	(\$2,697,711)	\$59,394,624	\$0	\$59,394,624
YEAR-END RATE OF RETURN	3.07%		3.30%		3.30%

III. REQUIRED RATES OF RETURN		IV. FINANCIAL INTEGRITY INDICATORS	
AVERAGE CAPITAL STRUCTURE (FPSC ADJUSTED BASIS)		A. TIE WITH AFUDC	3.86
LOW	6.24%	B. TIE WITHOUT AFUDC	3.86
MIDPOINT	6.69%	C. AFUDC TO NET INCOME	0.00
HIGH	7.14%	D. INTERNALLY GENERATED FUNDS	70.76
		E. LTD TO TOTAL INVESTOR FUNDS	24.50
		F. STD TO TOTAL INVESTOR FUNDS	17.75
		G. RETURN ON COMMON EQUITY	4.07

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Cheryl M. Martin
 Director - Regulatory Affairs

Signature

Date

FULL REVENUE REQUIREMENTS INCREASE REQUESTED

FLORIDA PUBLIC SERVICE COMMISSION

EXPLANATION:

Provide the calculation of the requested full revenue requirements increase.

Type of Data Shown:
Year Ended 06/30/2014

COMPANY: FLORIDA PUBLIC UTILITIES
Consolidated Electric Division

DOCKET NO.: 140025-EI

Witness: Cheryl Martin

Line No	Description	Source	Amount
1.	Jurisdictional Adjusted Rate Base		\$ 59,394,624
2.	Rate of Return on Rate Base Requested		<u>7.18%</u>
3.	Jurisdictional Net Operating Income Requested	Line 1 x Line 2	\$ 4,264,534
4.	Jurisdictional Adjusted Net Operating Income		<u>\$ 1,962,588</u>
5.	Net Operating Income Deficiency (Excess)	Line 3 - Line 4	\$ 2,301,946
6.	Earned Rate of Return	Line 4/Line 1	<u>3.30%</u>
7.	Net Operating Income Multiplier		<u>1.6335</u>
8.	Revenue Increase (Decrease) Requested	Line 5 x Line 7	<u>\$ 3,760,129</u>

Rebuttal Testimony of Jeffrey M. Householder

1 The Company's commitments to physical system improvements and expenses that
2 strengthen our service capabilities in the face of a weak economy have steadily
3 reduced returns. **In fact, the Company has under-earned every year since the**
4 **2008 rate case.** So, while FPUC's customers have not suffered, FPUC's investors
5 have suffered.

6 Year 2014 will be the sixth year that the Company will have earned below the level
7 the Commission last determined was fair for FPUC. So, for six years, while
8 customers have enjoyed increased reliability and benefitted from the Company
9 continuing to add investment to serve them, the investors who have provided the
10 equity funds necessary to improve customer reliability and service have increasingly
11 earned lower and lower returns. All those returns are unfair under the Commission's
12 last rate determination. This failure to achieve a return that is fair to investors cannot
13 continue. Eventually, it will affect our ability to serve customers.

14

15 At the end of June 2014, FPU's average return on equity had dropped to 4.07%. The
16 forecast return on equity without rate relief by the end of the projected test year is
17 negative (-) 1.46%. If anything, the OPC recommended base rate increases would
18 only marginally improve that result, but they would fall far short of a fair and
19 reasonable return level. It is past time for our investors to be treated as fairly as our
20 customers. If they are not, then they will decline to continue financing or charge us

1 **financial viability of the Company in a manner that will ensure it is able to**
2 **provide service to its customers?**

3 A. No, not at all. To the contrary, based on our most recent earnings surveillance
4 report at June 30, 2014, the Company is clearly in need of rate relief and is
5 earning well below the allowable rate of return, see Exhibit CMM-9, Surveillance
6 Report June 30, 2014 and Revenue Deficiency at June 30, 2014. As of June 30,
7 2014, the Florida Public Utilities Company Electric Operations is earning an
8 Average Rate of Return of 3.56%. The midpoint allowable rate of return is
9 6.69%. Using the net operating income multiplier and allowable ROR in our
10 MFR filing (Schedule A-1), as updated for the rate base and NOI from our actual
11 year-end Surveillance Report, the revenue deficiency at June 30, 2014, is
12 \$3,760,129. This indicates that the Company continues to earn a return well
13 below its allowable rate of return. For the projected test year ending September
14 30, 2015, the Company will be even further below its allowable rate of return as it
15 continues to decline.

16
17 2. eCIS Project in CWIP

18 **Q. Does the Company agree with the conclusion of OPC witness Ramas, as**
19 **discussed on Pages 5 and 6 of her testimony, that the Company has failed to**
20 **demonstrate that the appropriate eCIS project estimate is \$13.6 million, not**
21 **the \$8.5 million that was a prior estimate?**

22 A. No. As also explained in the Company's responses to the OPC's
23 Interrogatories Nos. 94 and 96, the eCIS project team revised its estimates of the
24 total project costs, to include any costs beyond 2014. The newest, most accurate