

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building  
101 East Gaines Street  
Tallahassee, Florida 32399-0850

M E M O R A N D U M

September 12, 1991

TO : DIRECTOR, DIVISION OF RECORDS & REPORTING

FROM : DIVISION OF AUDITING & FINANCIAL ANALYSIS (SLEMKEWICZ, ROMIG, MERTA, REVELL, NEIL, BASS, HICKS) *JS*  
DIVISION OF ELECTRIC & GAS (SHINE) *RES*  
DIVISION OF LEGAL SERVICES (BIRCHFIELD) *MAB MP*

RE : DOCKET NO. 910076-EI, MINIMUM FILING REQUIREMENT REPORT OF FLORIDA PUBLIC UTILITIES COMPANY (MARIANNA ELECTRIC DIVISION) IN COMPLIANCE WITH SECTION 366.06(3), FLORIDA STATUTES

AGENDA: SEPTEMBER 24, 1991 - CONTROVERSIAL - PROPOSED AGENCY ACTION

CRITICAL DATES: NONE

CASE BACKGROUND

During its sunset review of the Public Service Commission, the Florida Legislature enacted Section 366.06(3)(a), Florida Statutes, which requires that each public electric utility with total annual sales in excess of 1 million megawatt-hours file a report every 4 years, or 4 years from its most recently completed rate case. All other public electric utilities are required to file on a 5 year basis. The report is to consist of, at a minimum, the modified minimum filing requirements then required by the Commission by rule, for rate proceedings pursuant to Section 366.06, Florida Statutes. Copies of the report are to be served on the Public Counsel and each party to the utility's most recent rate case concurrently with a filing with the Commission. Within 10 days of the receipt of the report, the Commission must make copies available to the public at no more than the actual costs of reproducing the report.

Section 366.06(3)(b), Florida Statutes, requires that the Commission implement this reporting procedure for all public utilities within 18 months of the effective date of the act, which is October 1, 1989. To accomplish this implementation, approximately one-third of the public utilities are required to file each 6 months after the effective date of the act. One

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criterion in determining the order of filing shall be the time interval since each utility's last rate case.

On February 27, 1991, the Commission issued Order No. 24171 requiring Florida Public Utilities Company - Marianna Electric Division (FPUC-M) to file the modified minimum filing requirements (MMFRs) with the Commission on or before April 1, 1991. FPUC-M filed its MMFRs on March 6, 1991.

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### DISCUSSION OF ISSUES

**ISSUE 1:** Based on the staff's review of the data filed by Florida Public Utilities Company - Marianna Electric Division (FPUC-M), does FPUC-M appear to have excess earnings for actual 1989 and actual 1990?

**RECOMMENDATION:** No, FPUC-M does not appear to have excess earnings for 1989 and 1990. Subsequent events, however, have had an effect on FPUC-M's 1991 earnings and those earnings need to be monitored through the Commission's continuing surveillance program.

**STAFF ANALYSIS:** Staff performed an analysis of the detailed information submitted by FPUC-M and determined that FPUC-M did not have any excessive earnings for either 1989 or 1990. An audit of the MMFRs was completed by the Division of Auditing and Financial Analysis on July 10, 1991. In addition, the staff has reviewed the 1990 data submitted in the monthly surveillance report for December 1990.

Except for one minor adjustment to depreciation expense, the MMFRs appear to be adjusted on a basis consistent with the utility's last rate case. Based on this data, FPUC-M's earnings are not excessive.

The currently approved return on equity (ROE) for FPUC-M is 12.35% - 13.35% - 14.35%. Per the MMFRs, the earned ROEs for 1989 and 1990 were 10.23% and 12.14%, respectively. These ROEs are below the floor of the authorized range. In addition, the ROE per the December 1990 surveillance report was 12.33%.

Based on the data contained in the MMFRs, it is the staff's opinion that FPUC-M's rates and earnings are not currently excessive. Subsequent events, however, have affected FPUC-M's 1991 earnings level.

In November 1990, the division manager died and was not replaced until May 1991. In addition, the CEO / Chairman of the Board passed away in February 1991. He was not replaced until September 1991. The cumulative effect of these events reached a maximum reduction in O&M expenses of \$52,621 annually in August 1991. For a utility the size of FPUC-M, there is a possibility that this reduction could cause it to have excessive earnings for 1991. Based on the surveillance report for June 1991, FPUC-M's earned ROE was 14.56% which is 21 basis points above the authorized ceiling of 14.35%. This represents approximately \$5,000 in annual revenues. Per the July 1991 surveillance report, the earned ROE was 14.30% which is slightly below the ceiling.

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With the hiring of replacement personnel, the O&M expenses should return to a normal level by the end of 1991 and maintain the ROE within the authorized range. The staff will closely monitor FPUC-M's earnings level through the surveillance program and take appropriate action if the earnings level is above the authorized ceiling.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. This docket should be closed if no objections are filed within the protest period.

**STAFF ANALYSIS:** If no objections are received during the 20 day protest period, this docket should be automatically closed.

(AFA\FPUCMMFR.JS)

FLORIDA PUBLIC UTILITIES COMPANY  
MARIANNA ELECTRIC DIVISION  
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ATTACHMENT 1

11-Sep-91

	(1)	(2)	(3)	(4)	(5)
	<u>PER MMFR FILING</u>		<u>PER MONTHLY SURVEILLANCE REPORTS</u>		
	<u>1989</u>	<u>1990</u>	<u>1990</u>	<u>6/91</u>	<u>7/91</u>
PLANT IN SERVICE	\$13,529,594	\$14,449,174	\$14,443,132	\$14,834,959	\$14,894,124
ACCUMULATED DEPRECIATION	(4,523,511)	(5,033,871)	(5,031,182)	(5,266,594)	(5,308,044)
NET PLANT IN SERVICE	9,006,083	9,415,303	9,411,950	9,568,365	9,586,080
CONSTRUCTION WORK IN PROGRESS	6,491	6,040	6,040	26,396	32,565
PROPERTY HELD FOR FUTURE USE	0	0	0	0	0
NET UTILITY PLANT	9,012,574	9,421,343	9,417,990	9,594,761	9,618,645
WORKING CAPITAL	188,929	(307,843)	12,298	(162,625)	(177,320)
TOTAL RATE BASE	\$9,201,503	\$9,113,500	\$9,430,288	\$9,432,136	\$9,441,325
OPERATING REVENUES	\$3,352,234	\$3,483,662	\$3,483,662	\$3,592,487	\$3,580,447
OPERATING EXPENSES:					
OPERATIONS & MAINTENANCE	1,673,963	1,708,371	1,708,371	1,724,364	1,716,331
DEPRECIATION & AMORTIZATION	533,637	572,214	571,729	587,137	593,800
TAXES OTHER THAN INCOME	234,144	276,333	276,333	315,788	320,254
INCOME TAXES-CURRENTLY PAYABLE	(88,930)	16,204	(3,532)	50,659	66,113
DEFERRED INCOME TAXES - NET	273,340	167,409	167,107	96,050	72,871
INVESTMENT TAX CREDIT - NET	(22,490)	(12,439)	(12,439)	(10,191)	(12,162)
(GAIN)/LOSS ON SALE	0	0	0	0	0
TOTAL OPERATING EXPENSES	2,603,664	2,728,092	2,707,569	2,763,807	2,757,007
NET OPERATING INCOME	\$748,570	\$755,570	\$776,093	\$828,680	\$823,440
ACHIEVED RATE OF RETURN	8.14%	8.29%	8.23%	8.79%	8.72%
ACHIEVED RETURN ON EQUITY	10.23%	12.14%	12.33%	14.56%	14.30%