

FLORIDA PUBLIC SERVICE COMMISSION

VOTE SHEET

SEPTEMBER 20, 2005

RE: **Docket No. 041441-GU** - Petition for approval of storm cost recovery clause to recover storm damage costs in excess of existing storm damage reserve, by Florida Public Utilities Company.

Issue 1: What is the appropriate methodology to be used for booking costs to the storm damage reserve in this docket?

Recommendation: The appropriate methodology to be used for booking costs to the storm damage reserve is a direct incremental cost with net book value adjustment approach methodology.

DEFERRED

COMMISSIONERS ASSIGNED: All Commissioners

COMMISSIONERS' SIGNATURES

MAJORITY

DISSENTING

REMARKS/DISSENTING COMMENTS:

DOCUMENT NUMBER-DATE

08884 SEP 20 05

FPSC-COMMISSION CLFRK

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Issue 2: Has FPUC quantified the appropriate amount of managerial and non-managerial employee payroll expense that should be charged to the storm damage reserve? If not, what adjustments should be made?

Recommendation: No. FPUC's managerial and non-managerial employee payroll expense should be reduced by \$11,341 to eliminate certain overtime pay that was incorrectly charged to the storm damage reserve.

Issue 3: Is it appropriate for FPUC to charge the storm damage reserve with the bonuses awarded to its directors?

Recommendation: No. The \$10,257 in directors' bonuses should be excluded from FPUC's storm damage reserve.

Issue 4: Has FPUC properly quantified the costs of company-owned vehicles that should be charged to the storm damage reserve? If not, what adjustments should be made?

Recommendation: No. The costs of company-owned vehicles charged to the storm damage reserve should be reduced by \$2,590 to eliminate depreciation expense and insurance that are recovered in base rates.

Issue 5: Is it appropriate for FPUC to charge its storm damage reserve for estimated post-storm costs for customer notices and advertising, legal fees, travel, administrative fees and miscellaneous?

Recommendation: No. These post-storm costs are not related to actual storm restoration activities and should not be charged to the storm damage reserve. Therefore, the amount charged to the storm damage reserve should be reduced by \$29,500 to remove these costs.

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Issue 6: Of the costs that FPUC has charged to the storm damage reserve, should any portion be booked as capital costs associated with the replacement and retirement of plant items affected by the 2004 storms?

Recommendation: Yes. FPUC should charge the normal costs of replacements to rate base as plant in service. Therefore, the amount charged to the storm damage reserve should be reduced by \$31,967 to remove the items that should be capitalized as plant in service.

Issue 7: Taking into account any adjustments identified in the preceding issues, what is the appropriate amount of storm restoration costs to be charged against the storm damage reserve?

Recommendation: Based on staff's adjustments recommended in the previous issues, the appropriate amount of storm restoration costs to be charged against the storm damage reserve is \$533,345.

Issue 8: What amount, if any, should FPUC be allowed to include for recovery in this docket for the purposes of building a storm damage reserve balance for future storms?

Recommendation: The Commission should not allow the recovery of any of the requested \$300,000 for the replenishment of the storm damage reserve. Instead, the Commission should order that the remaining \$117,773 of 2002 excess earnings, as determined in Docket No. 050224-GU, be credited to the storm damage reserve (Account 228.1). The \$117,773 should not be netted against the existing storm reserve deficit, but should be used to offset future storm restoration costs.

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Issue 9: What is the appropriate amount of storm restoration costs to be recovered from the customers?

Recommendation: The appropriate amount of storm restoration costs to be recovered from the customers is \$474,275, plus any interest as determined in Issue 11.

Issue 10: If recovery is allowed, what is the appropriate account treatment for recording the unamortized balance of the storm restoration costs subject to future recovery?

Recommendation: The appropriate account treatment for the unamortized balance of the storm restoration costs subject to future recovery is to record the costs as a regulatory asset in a subaccount of Account 182.1, Extraordinary Property Losses.

Issue 11: Should FPUC be authorized to accrue and collect interest on the amount of storm restoration costs permitted to be recovered from customers? If so, how should interest be calculated?

Recommendation: Yes. Staff recommends that FPUC be allowed to charge interest at the applicable 30-day commercial paper rate on the net-of-tax unamortized balance of storm damage restoration costs permitted to be recovered from customers. The total amount to be recovered with interest and revenue taxes is \$489,598.

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Issue 12: What mechanism should be used to collect the amount of the storm-related costs authorized for recovery?

Recommendation: Recovery of storm-related costs should be recovered through a temporary surcharge based on various rate classes and consumption. FPUC should be required to include a statement on the customers' bills that identifies the per therm charge approved by the Commission as a result of its 2004 storm-related costs.

Issue 13: What is the appropriate recovery period?

Recommendation: Based on staff's adjustments in Issue 11, the adjusted storm-related costs of \$489,598 including interest and taxes should be recovered over a two and a half year period (30 months) in equal amounts of approximately \$195,839 per year. Within 60 days following expiration of the Commission-approved recovery period, FPUC should file with the Commission for approval of the final over-or-under-recovery of the 2004 storm damage costs, along with a proposed method to true up any over-or-under-recovery. However, if FPUC recovers the \$489,598 in costs earlier than two and one half years, FPUC would notify the Commission that the costs have been recovered and that it would no longer be assessing the surcharge.

Issue 14: If the Commission approves recovery of any storm-related costs, how should they be allocated to the rate classes?

Recommendation: Recovery of storm-related costs should be allocated to the various rate classes in the same way as the allocation of an interim rate increase. This is consistent with past Commission practice in the allocation of surcharges. FPUC should immediately file a revised tariff using staff-recommended allocation factors as shown in Attachment A of staff's September 8, 2005 memorandum.

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Issue 15: If the Commission approves a mechanism for the recovery of storm-related costs from the ratepayers, on what date should it become effective?

Recommendation: Recovery of storm-related costs should become effective with all meter readings on and after thirty (30) days from the date of the issuance of the Proposed Agency Action Order in this matter if there is no protest. This will allow FPUC time to provide notice to its customers. If the Proposed Agency Action is protested, FPUC should be allowed to charge the surcharge on an interim basis subject to refund with interest.

Issue 16: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the Order, a Consummating Order should be issued. However, the docket should remain open to address the true-up of the actual storm restoration costs. The docket should be closed administratively once staff has verified that the true-up is complete.