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March 19, 2007

**BY ELECTRONIC FILING**

Ms. Blanca Bayó, Director  
Commission Clerk and Administrative Services  
Room 110, Easley Building  
Florida Public Service Commission  
2540 Shumard Oak Blvd.  
Tallahassee, Florida 32399-0850

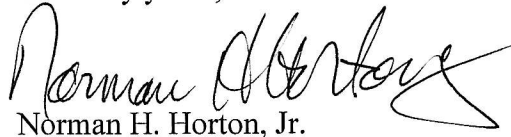
Re: Docket No. 060638-EI

Dear Ms. Bayó:

Attached for filing in the referenced docket are the responses of Florida Public Utilities Company to the Staff Data Request dated March 13, 2007.

Should you have any questions regarding this submission, you may contact Mr. Mark Cutshaw at (904)277-1957.

Sincerely yours,



Norman H. Horton, Jr.

NHH/amb

Enclosure

cc: Mr. Chuck Stein  
Mr. George Bachman  
Ms. Cheryl Martin  
Mr. Mark Cutshaw  
Mr. Don Myers

**RESPONSE OF FLORIDA PUBLIC UTILITIES COMPANY**

**Docket Number 060638-EI - Petition for approval of storm cost recovery surcharge to recover costs associated with mandatory storm preparedness initiatives, by Florida Public Utilities Company.**

1. Please refer to FPUC's response to No. 7 of Citizens' Second Set of Interrogatories.

1(a) Regarding the budgeted amounts of pole inspection costs, on page 3 of Mr. Cutshaw's direct testimony filed in this docket, Mr. Cutshaw states:

For 2007, \$109,917 is budgeted for pole inspections and \$10,455 is budgeted for joint use audits that will be done in conjunction with the pole inspections. Due to an anticipated completion of this filing by July 1, 2007, this amount represents one half of the total annual requirement necessary to complete the eight-year pole inspection cycle. After approval and beginning in 2008, the full requirement of inspections will begin with costs shown in this filing.

1(b) Does FPUC intend to phase in the implementation of the eight-year pole inspection cycle and three-year vegetation trim cycle with the completion in 2008 or later?

**Response: FPUC intends to begin implementation of the eight year pole inspection cycle and three-year vegetation trim cycle after the additional revenues are approved with the work beginning in 2007. This will continue and the first full year of compliance being 2008.**

2. Please provide the 2007 budgeted amount for each of the initiatives documented in exhibit CMM-2 attached as part of FPUC's petition filed in this docket.

**Response: The incremental budget cost for the following initiatives have been included in the 2007. As previously mentioned, FPUC intends to begin work on the initiatives in July 2007 and have budgeted for one half the total annual requirements for these initiatives.**

	<u>Budget for 2007</u>	<u>Future Annual Budget</u>
Vegetation Management	\$176,130	\$352,260
Joint Use Attachments	\$10,455	\$20,909
Pole Inspection Cost	\$109,917	\$219,833
Transmission Inspection	\$9,270	\$18,540
Depreciation		\$38,000
Return on Capital		\$12,297
Maintenance of Capital		\$4,000
Post Storm Data Collection		\$10,000
Utility Coordination		\$9,991
<u>Collaborative Research</u>	<u>\$12,875</u>	<u>\$25,750</u>
<b>Total Budgeted</b>	<b>\$318,647</b>	<b>\$711,580</b>

Amounts for depreciation, return on capital and maintenance of capital were not specifically identified in the budget but were projected at \$54,297 for 2007. The capital related assets (GIS mapping system for Northeast Florida) will be in service during 2007.

3. Please refer to exhibit MCC-2 of Mr. Cutshaw's direct testimony. Page 2 of the exhibit provided the reason for the estimated additional \$342,000 per year to achieve the three-year trim cycle based on the need of three additional tree trimming crews. It also provided an alternative with the estimated additional \$228,000 per year to achieve the three-year trim cycle for feeders and five-year trim cycle for laterals in the NW operation, apparently based on the need of two additional tree trimming crews. Please provide the labor, O&M, or other costs that support the \$114,000 for each additional tree trimming crew per year.

**Response:** FPUC currently uses contractors to perform all vegetation management activities associated with the normal tree trimming activities. The current cost for a two man tree trimming crew in the Northeast Florida Division assuming 2000 working hours per year is \$115,940 per year. A similar cost for the Northwest Florida Division is \$128,500. This amount is above the Northeast Florida Division amount and is due to the longer term, more experienced employees used by the contractor. The 2000 hour per year work time assumes two weeks during the year that the crew is not functioning due to holidays or vacations but does not take into consideration any overtime work. The amount included for 2007 budgeting amount for a two man tree trimming crew was budgeted at \$117,420 which is in line with the average cost.

The cost included for the total crew are for two tree trimming personnel, bucket truck, brush chipper, power saws (2) and sprayer cost.

4. In FPUC's last rate case (DN 030438-EI), FPUC requested and was granted an additional \$160,000 to add 2.5 tree trimming crews for its 2004 test year, for a total of six tree trimming crews. Please provide the labor, O&M, or other costs that support the \$64,000 for each additional tree trimming crew per year in that case.

**Response:** During the last rate case, issue #82 related to the additional tree trimming crews necessary to improve reliability. The request granted a total of five (5) tree trimming crews rather than the amount shown above. The actual text of the company response was as follows and indicates that the request was to add 1.5 tree trimming crews for a total cost of \$160,000. This cost is in line with the amounts included and described in item #3 above.

**“The additional \$160,000 for tree-trimming activities identified in MFR Schedule C-59 (C-19) item N is appropriate. FPU is currently utilizing 2.5 tree trimming crews in the Northwest Florida Division and 1 tree trimming crew in the Northeast Florida Division. The 2.5 tree trimming crews in Northwest Florida requires that 2 crews be utilized for 6 months and 3 tree trimming crews be used for 6 months. FPU plans to add 1.5 tree-trimming crews in the Northwest Florida Division in order to have 4 crews in Northwest Florida and 1 crew in Northeast Florida. The will allow both divisions to complete tree trimming activities at an acceptable level. The Northwest Florida Division used three (3)-tree trimming crews at the end of 2003 in order to complete the yearly complement of 2.5 tree-trimming crews. This makeup will allow FPU to provide a four (4) year trim cycle on overhead distribution lines and improve overall system reliability.”**

5. What is the total number of tree trimming crews that FPUC currently has?

**Response:** During the last rate proceeding, FPUC was granted five (5) two man tree trimming crews. Four (4) crews were scheduled to work in the Northwest Florida Division and one (1) working in the Northeast Florida Division. When the storm hardening filing was submitted, there were a total of five (5) crews. Due to reliability issues, the division of crews at that time was three (3) in the Northwest Florida Division and two (2) in the Northeast Florida Division.

Beginning in 2007, the Northeast Florida Division reduced to one (1) two man tree trimming crew and the Northwest Florida Division remained at three (3) crews. This temporary reduction was necessary due to significant expenses associated with a transmission substation. With approval of the additional revenues, a total of three (3) additional crews will be added. This will result in two (2) crews in Northeast Florida and five (5) crews in Northwest Florida. The eighth (8) crew will be added at the beginning of 2008 in Northwest Florida

6. What is the total number of tree trimming crews that FPUC will have if it adds the requested three additional tree trimming crews?

**Response:** As stated in the storm hardening filing, FPUC will begin using a total of eight (8) two man tree trimming crews. Due to this filing and the significant substation expenses in 2007, this will begin in January 2008. There will be six (6) tree trimming crews in the Northwest Florida Division and two (2) in the Northeast Florida Division in order to maintain the three year trim cycle. After approval of this filing, a total of seven (7) tree trimming crews will be utilized for the remainder of 2007.

7. Are all of the three additional tree trimming crews that are needed to achieve a three-year trim cycle incremental to the six tree trimming crews that were included in Docket No. 030438-EI?

**Response:** As was indicated in question #4 above, FPUC was approved to have five (5) tree trimming crews in the last rate case. Based on this information, the additional three tree trimming crews are incremental cost above that approved during the last rate case.