



MESSER CAPARELLO & SELF, P.A.

Attorneys At Law
www.lawfla.com

September 19, 2007

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

BY HAND DELIVERY

Re: Docket No. 070382-EI - Depreciation study filing by
Florida Public Utilities Company

Dear Ms. Cole:

Enclosed for filing in this docket on behalf of Florida Public Utilities Company are the
original and 14 copies of the following:

- 1. Responses to letter dated July 2, 2007, regarding deficiencies in the initial
depreciation study filing; and
2. Attachments A, B, C and D containing account and calculation information.

Please indicate receipt of these documents by stamping the enclosed extra copy of this letter.

Sincerely,

Handwritten signature of Norman H. Horton, Jr.

Norman H. Horton, Jr.

- CMP
COM
CTR
ECR
GCL
OPC
RCA
SCR
SGA
SEC
OTH

NHH:dle
Enclosures

James V. Mesite, Jr. (w/o enc)
John Slemkewicz

RECEIVED-FPSC
07 SEP 19 PM 4:48
COMMISSION
CLERK

DOCUMENT NUMBER-DATE
08550 SEP 19 46
FPSC-COMMISSION CLERK

FLORIDA PUBLIC UTILITIES COMPANY

**Depreciation Study Filing – Docket Number 070382-EI
Responses to Deficiency Items Contained in John Slemkewicz letter of July 2, 2007**

1. Provide a comparison of current and proposed depreciation rates and components for each category of depreciable plant. Identify current rates as to the effective date and proposed rates as to the proposed effective date.

[FPUC Response] Exhibit B of the attachment contains a comparison of current and proposed depreciation rates and components. As indicated, the current rates became effective January 1, 2004. We propose that the depreciation rates resulting from this study become effective January 1, 2008.

2. Provide a comparison of annual depreciation expense resulting from current rates with those produced by the proposed rates for each category of depreciable plant. The plant balances may involve estimates. Data including plant and reserve balances or company planning involving estimates must be brought to the effective date of the proposed rates.

[FPUC Response] Exhibit C of the attachment contains a comparison of current and proposed expenses. Actual December 31, 2006 account balances have been estimated forward to January 1, 2008, using budgeted and historical information.

3. Provide a comparison of the accumulated book reserve to the prospective theoretical reserve based on proposed rate and components for each category of depreciable plant to which depreciation rates are to be applied.

[FPUC Response] Exhibit D of the attachment contains a comparison of the accumulated book reserve to the prospective theoretical reserve based on proposed rate and components

4. Provide a general narrative describing the service environment of the applicant company and the factors, e.g., growth, technology, physical conditions, leading to the present application for a revision in rates.

[FPUC Response] This depreciation is filed in conjunction with our filing of a rate case. We find it necessary to submit this depreciation filing due the escalating disparity between the cost of plant replacements as compared to the initial cost of the plant being replaced. These same factors are escalating the labor and material involved in cost of removal, and the cost of new plant additions.

DOCUMENT NUMBER-DATE

08550 SEP 19 06

FPSC-COMMISSION CLERK

5. Provide an explanation and justification for each study category of depreciable plant defining the specific factors that justify the life and salvage components and rates being proposed. Each explanation and justification must include substantiating factors utilized by the utility in the design of depreciation rates for the specific category, e.g., company planning, growth, technology, physical conditions, trends. The explanation and justification should discuss any proposed transfers of reserve between categories or accounts intended to correct deficient or surplus reserve balances. It should also state any statistical or mathematical methods of analysis or calculation used in design of the category rate.

[FPUC Response] Included in our initial filing are schedules for retirement, cost of removal, salvage, and asset ages. The data from these schedules was incorporated in the attached Exhibits. With few exceptions, the Current Asset Life and Net Salvage as established in our previous 2004 Staff Assisted Depreciation Study have remained unchanged. Asset Age is adjusted to reflect 1/1/2008 estimates. As employed in previous depreciation studies, the mathematical methods, techniques, and format of the attached exhibits utilize historical data and various curve models indicated on Exhibit A to develop the proposed rates. We do not propose any transfer of reserve balances at this time.

6. Provide an explanation for unusual transactions not included in life or salvage studies, e.g., sales or extraordinary retirements, if any. Each transaction must be specifically enumerated and explained.

[FPUC Response] All transactional data has been included in the schedules previously submitted, and applied to the attached exhibits. There are no unusual transactions included in the study.

7. Provide calculations of depreciation rates using both the whole life method and the remaining life method. The use of these methods is required for all depreciable categories. FPUC may submit additional studies or methods for consideration by the Commission.

[FPUC Response] We have made every effort to provide a reliable and cost effective depreciation study. The methodology and presentation design used were those employed by the commission staff in all of our prior staff assisted depreciation studies over the past several years. We have applied current data and we feel the resulting proposed rates are fair and accurate.

**FLORIDA PUBLIC UTILITIES
2006 STUDY
COMPARISON OF RATES AND COMPONENTS**

Attachment B

ACCOUNT	CURRENT Effective 1/1/2004			COMPANY RECOMMENDED - Proposed Effective Date 1/1/2008			
	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 1/1/2008 RESERVE (%)	REMAINING LIFE RATE (%)
TRANSMISSION PLANT							
350.1 - Land Rights	21.0	0.0	2.1	12.5	0.0	60.47	3.2
352 - Structures and Improvements	25.0	0.0	2.1	27.8	0.0	48.33	1.9
353 - Station Equipment	24.0	10.0	2.5	22.7	10.0	27.84	2.7
354 - Towers and Fixtures	24.0	-20.0	1.8	16.5	-15.0	76.73	2.3
355 - Poles and Fixtures	27.0	-30.0	3.8	20.8	-30.0	39.18	4.4
356 - Overhead Conductors and Devices	31.0	-20.0	3.1	27.8	-10.0	33.92	2.7
359 - Roads and Trails	13.9	0.0	3.9	32.3	0.0	61.61	1.2
DISTRIBUTION PLANT							
360.1 - Land Rights	40.0	0.0	1.9	42.1	0.0	25.03	1.8
361 - Structures and Improvements	34.0	0.0	2.2	34.7	0.0	34.08	1.9
362 - Station Equipment	24.0	-10.0	3.6	30.6	-10.0	19.25	3.0
364 - Poles, Towers, and Fixtures	23.0	-40.0	4.2	20.7	-45.0	46.86	4.7
365 - Overhead Conductors & Devices	22.0	-30.0	4.4	15.7	-35.0	53.47	5.2
366 - Underground Conduit	41.0	0.0	2.0	40.5	0.0	19.47	2.0
367 - Underground Conductors & Devices	24.0	0.0	2.8	23.9	0.0	31.12	2.9
368 - Line Transformers	15.8	-20.0	4.2	13.6	-20.0	58.58	4.5
369 - Services	23.0	-30.0	3.9	20.9	-35.0	48.01	4.2
370 - Meters	15.4	-10.0	3.6	14.3	-5.0	52.07	3.7
371 - Installation on Customers' Premises	9.0	15.0	6.4	8.2	15.0	34.96	6.1
373 - Street Lighting & Signal Systems	14.6	-10.0	4.7	9.5	-10.0	41.83	7.2
GENERAL PLANT							
390 - Structures & Improvements	36.0	0.0	2.1	38.1	0.0	2.71	2.6
392.1 - Transportation-Cars	3.1	15.0	10.8	2.0	15.0	15.75	34.6
392.2 - Transportation-Light Trucks & Vans	3.9	10.0	13.0	4.1	20.0	16.45	15.5
392.3 - Transportation - Heavy Trucks	3.7	10.0	8.8	9.5	10.0	10.76	8.3
392.4 - Transportation - Trailers	20.0	5.0	3.4	17.7	0.0	8.05	5.2
396 - Power Operated Equipment	4.3	5.0	5.4	5.6	5.0	16.83	14.0

**FLORIDA PUBLIC UTILITIES
2006 STUDY
COMPARISON OF EXPENSES**

Attachment C

ACCOUNT	01/01/2008 INVESTMENT	01/01/2008 RESERVE	CURRENT		COMPANY RECOMMENDED		
			RATE	EXPENSES	RATE	EXPENSES	CHANGE EXPENSES
TRANSMISSION PLANT							
350.1 - Land Rights	56,519	34,176	2.1	1,187	3.2	1,809	622
352 - Structures and Improvements	22,006	10,635	2.1	462	1.9	418	(44)
353 - Station Equipment	2,441,033	679,568	2.5	61,026	2.7	65,908	4,882
354 - Towers and Fixtures	224,665	172,391	1.8	4,044	2.3	5,167	1,123
355 - Poles and Fixtures	2,362,224	925,492	3.8	89,765	4.4	103,938	14,173
356 - Overhead Conductors and Devices	1,876,726	636,537	3.1	58,179	2.7	50,672	(7,507)
359 - Roads and Trails	6,788	4,182	3.9	265	1.2	81	(184)
TOTAL TRANSMISSION PLANT	6,989,961	2,462,981		214,928		227,993	13,065
DISTRIBUTION PLANT							
360.1 - Land Rights	21,388	5,354	1.9	406	1.8	385	(21)
361 - Structures and Improvements	96,042	32,732	2.2	2,113	1.9	1,825	(288)
362 - Station Equipment	7,022,411	1,351,623	3.6	252,807	3.0	210,672	(42,135)
364 - Poles, Towers, and Fixtures	9,443,518	4,425,551	4.2	396,628	4.7	443,845	47,217
365 - Overhead Conductors & Devices	10,015,814	5,355,315	4.4	440,696	5.2	520,822	80,126
366 - Underground Conduit	3,082,087	600,071	2.0	61,642	2.0	61,642	-
367 - Underground Conductors & Devices	5,447,595	1,695,449	2.8	152,533	2.9	157,980	5,447
368 - Line Transformers	13,478,851	7,895,356	4.2	566,112	4.5	606,548	40,436
369 - Services	8,497,751	4,079,420	3.9	331,412	4.2	356,906	25,494
370 - Meters	3,464,801	1,804,198	3.6	124,733	3.7	128,198	3,465
371 - Installation on Customers' Premises	2,150,529	751,868	6.4	137,634	6.1	131,182	(6,452)
373 - Street Lighting & Signal Systems	1,225,918	512,777	4.7	57,618	7.2	88,266	30,648
TOTAL DISTRIBUTION PLANT	63,946,705	28,509,715		2,524,334		2,708,271	183,937
GENERAL PLANT							
390 - Structures & Improvements	2,118,099	57,390	2.1	44,480	2.6	55,071	10,591
392.1 - Transportation-Cars	116,021	18,279	10.8	12,530	34.6	40,143	27,613
392.2 - Transportation-Light Trucks & Vans	531,259	87,386	13.0	69,064	15.5	82,345	13,281
392.3 - Transportation - Heavy Trucks	2,092,050	225,196	8.8	184,100	8.3	173,640	(10,460)
392.4 - Transpiration - Vans	102,902	8,281	3.4	3,499	5.2	5,351	1,852
396 - Power Operated Equipment	110,530	18,602	5.4	5,969	14.0	15,474	9,505
TOTAL GENERAL PROPERTY	5,070,861	415,134		319,642		372,024	52,382
TOTAL RATES	76,007,527	31,387,830		2,843,976		3,080,295	249,384

**FLORIDA PUBLIC UTILITIES
2006 STUDY**

Attachment D

**DATA ENTRY SHEET
THEORETICAL RESERVE CALCULATIONS - USING PROPOSED RATES**

ACCOUNT	01/01/2008 INVESTMENT	01/01/2008 RESERVE	THEORETICAL RESERVE (%)	THEORETICAL RESERVE	IMBALANCE	WLR (%)	ARL (YEARS)	NET SALV (%)
TRANSMISSION PLANT								
350.1 - Land Rights	56,519	34,176	77.5	43,802	(9,626)	1.8	12.5	0.0
352 - Structures and Improvements	22,006	10,635	44.4	9,771	864	2.0	27.8	0.0
353 - Station Equipment	2,441,033	679,568	35.5	867,055	(187,487)	2.4	22.7	10.0
354 - Towers and Fixtures	224,665	172,391	77.1	173,104	(713)	2.3	16.5	(15.0)
355 - Poles and Fixtures	2,362,224	925,492	53.0	1,252,924	(327,432)	3.7	20.8	(30.0)
356 - Overhead Conductors and Devices	1,876,726	636,537	32.2	603,555	32,982	2.8	27.8	(10.0)
359 - Roads and Trails	6,788	4,182	41.9	2,841	1,341	1.8	32.3	0.0
Total Transmission Assets	6,989,961	2,462,981		2,953,052	(490,071)			
DISTRIBUTION PLANT								
360.1 - Land Rights	21,388	5,354	24.2	5,180	174	1.8	42.1	0.0
361 - Structures and Improvements	96,042	32,732	30.6	29,389	3,343	2.0	34.7	0.0
362 - Station Equipment	7,022,411	1,351,623	21.3	1,492,965	(141,342)	2.9	30.6	(10.0)
364 - Poles, Towers, and Fixtures	9,443,518	4,425,551	60.1	5,678,387	(1,252,836)	4.1	20.7	(45.0)
365 - Overhead Conductors & Devices	10,015,814	5,355,315	72.2	7,231,418	(1,876,103)	4.0	15.7	(35.0)
366 - Underground Conduit	3,082,087	600,071	19.0	585,597	14,474	2.0	40.5	0.0
367 - Underground Conductors & Devices	5,447,595	1,695,449	30.7	1,671,867	23,582	2.9	23.9	0.0
368 - Line Transformers	13,478,851	7,895,356	64.2	8,658,814	(763,458)	4.1	13.6	(20.0)
369 - Services	8,497,751	4,079,420	51.4	4,367,844	(288,424)	4.0	20.9	(35.0)
370 - Meters	3,464,801	1,804,198	55.0	1,903,908	(99,710)	3.5	14.3	(5.0)
371 - Installation on Customers' Premises	2,150,529	751,868	41.5	893,330	(141,462)	5.3	8.2	15.0
373 - Street Lighting & Signal Systems	1,225,918	512,777	62.5	766,199	(253,422)	5.0	9.5	(10.0)
Total Distribution Assets	63,946,705	28,509,715		33,284,898	(4,775,183)			
GENERAL PLANT								
390 - Structures & Improvements	2,118,099	57,390	23.8	504,108	(446,718)	2.0	38.1	0.0
392.1 - Transportation-Cars	116,021	18,279	63.8	74,021	(55,742)	10.6	2.0	15.0
392.2 - Transportation-Light Trucks & Vans	531,259	87,386	47.2	250,754	(163,368)	8.0	4.1	20.0
392.3 - Transportation - Heavy Trucks	2,092,050	225,196	33.0	690,377	(465,181)	6.0	9.5	10.0
392.4 - Transpiration - Vans	102,902	8,281	29.2	30,047	(21,766)	4.0	17.7	0.0
396 - Power Operated Equipment	110,530	18,602	73.7	81,483	(62,881)	3.8	5.6	5.0
Total General Plant Assets	5,070,861	415,134		1,630,790	(1,215,656)			
GRAND TOTAL	76,007,527	31,387,830		37,868,740	(6,480,910)			