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DIVISION OF ECONOMIC REGULATION
(850) 413-6900

Public Service Commission

October 26, 2007

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COMMISSION
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Norman H. Horton, Jr.
Messer Caparello & Self, P.A.
Post Office Box 15579
Tallahassee, Florida 32317

Re: Docket No. 070382-EI - Depreciation Study Filing by Florida Public Utilities Company

Dear Mr. Horton:

Enclosed is staff's initial review of the Florida Public Utilities Company depreciation study filed in the above-referenced docket. We would appreciate the Company's written response by November 9, 2007.

Should you have any questions, please contact Anne Marsh at (850) 413-6554.

Sincerely,

A handwritten signature in cursive script that reads "John Slemkewicz".

John Slemkewicz
Public Utilities Supervisor

JS/AEM:slc
Enclosure

cc: Office of the General Counsel (Brown)
Office of Commission Clerk
Office of Public Counsel
James V. Mesite, Jr.

DOCUMENT NUMBER - DATE
09788 OCT 26 2007
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1. Refer to Exhibit F, page 2 of 5. Under the reserve section, adjustments are shown for a number of accounts. The adjustments for accounts 353, 356, 392.2, and 392.3 appear to be reserve transfers in accordance with Commission Order No. PSC-03-1473-PAA-EI, page 12. However, accounts 365 and 368 contain numbers which differ from the amounts in the order. Please explain why there is a difference.
2. Refer to Exhibit F, page 4 of 5. Under the reserve section, please explain the large adjustments for accounts 392.2 and 396.
3. Refer to Exhibit F, page 4 of 5. Under the reserve section, please explain why account 362 shows amounts for salvage and cost of removal, but there are no retirements under the plant in service section.
4. Refer to Exhibit F, page 5 of 5. Under the reserve section, please explain why accounts 352, 353, 354, 355, and 356 show amounts for salvage and/or cost of removal, but there are no retirements under the plant in service section.
5. Account 362 shows that the plant in service more than doubled from beginning of year balance 2003 through projected year end balance 2007. Please explain this large increase.
6. Account 366 shows that the plant in service increased 77 percent from beginning of year balance 2003 through projected year end balance 2007. Please explain this large increase.
7. Account 367 shows that the plant in service increased 54 percent from beginning of year balance 2003 through projected year end balance 2007. Please explain this large increase.
8. In FPUC's September 19, 2007, letter regarding deficiencies in its initial depreciation filing, the response to question 5 states, "[w]e do not propose any transfer of reserve balances at this time." Does FPUC believe such transfers are not needed for purposes of this depreciation study? If so, please explain.
9. In FPUC's September 19, 2007, letter regarding deficiencies in its initial depreciation filing, the company provided spreadsheets with its proposed average service life. A change was proposed for each of the following categories. Please explain for each account the reason(s) for the proposed change.
 - a. Account 350.1 – Land Rights.
 - b. Account 352 - Structures and Improvements.
 - c. Account 353 – Station Equipment.
 - d. Account 361 – Structures and Improvements.
 - e. Account 364 – Poles, Towers, and Fixtures.

DOCUMENT NUMBER - DATE

09788 OCT 26 05

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- f. Account 392.1 – Transportation – Cars.
 - g. Account 392.2 – Transportation – Light Trucks and Vans.
 - h. Account 392.3 – Transportation – Heavy Trucks.
 - i. Account 396 – Power Operated Equipment.
10. In FPUC's September 19, 2007, letter regarding deficiencies in its initial depreciation filing, the company provided spreadsheets with its proposed net salvage. A change was proposed for each of the following categories. Please explain for each account the reason(s) for the proposed change.
- a. Account 354 – Towers and Fixtures.
 - b. Account 359 – Roads and Trails.
 - c. Account 364 – Poles, Towers, and Fixtures.
 - d. Account 365 – Overhead Conductors and Devices.
 - e. Account 369 – Services.
 - f. Account 370 – Meters
 - g. Account 392.2 – Transportation – Light Trucks and Vans.
 - h. Account 392.4 – Transportation – Trailers
11. In FPUC's September 19, 2007, letter regarding deficiencies in its initial depreciation filing, the company did not propose any changes to the depreciation curves. Staff notes that the curves used do not in all cases yield the remaining life used by the company. Please explain whether FPUC believes the curves should be changed for each of the following accounts.
- a. Account 354 – Towers and Fixtures.
 - b. Account 355 – Poles and Fixtures.
 - c. Account 361 – Structures and Improvements.
 - d. Account 364 – Poles and Fixtures.
 - e. Account 365 – Overhead Conductors and Devices.
 - f. Account 367 – Underground Conduit.

Norman H. Horton, Jr.

Page 4

October 26, 2007

- g. Account 368 – Line Transformers.
- h. Account 369 – Overhead Services.
- i. Account 370 – Meters.
- j. Account 371 – Installations on Customer Premises.
- k. Account 373 – Street Lighting and Signal.
- l. Account 392.1 – Cars.
- m. Account 396 – Power Operated Equipment.