



MESSER CAPARELLO & SELF, P.A.

Attorneys At Law
www.lawfla.com

December 11, 2007

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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

Re: Docket No. 070304-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company is an original and fifteen copies of the Supplemental Testimony of Robert J. Camfield in the above referenced docket.

Please acknowledge receipt of this letter by stamping the extra copy of this letter "filed" and returning the same to me.

Thank you for your assistance with this filing.

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SCR cc: Ms. Cheryl M. Martin Parties of Record
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Sincerely yours,

Norman H. Horton, Jr. (Signature)

DOCUMENT NUMBER-DATE
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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 070304-EI

SUPPLEMENTAL TESTIMONY

OF

ROBERT J. CAMFIELD

ON BEHALF OF

FLORIDA PUBLIC UTILITIES COMPANY

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Robert J. Camfield, and my business address is 4610 University
3 Avenue, Madison, Wisconsin 53705.

4

5 **Q. HAVE YOU PREPARED AND PREFILED DIRECT TESTIMONY IN**
6 **THIS DOCKET?**

7 A. Yes, that is correct.

8

9 **Q. WHAT IS THE PURPOSE OF THIS SUPPLEMENTAL TESTIMONY?**

10 A. This testimony covers an analysis step that was intended to be incorporated
11 within the analysis and exhibits that accompanied the original testimony.
12 Specifically, the logarithmic trend basis, used to assess historical growth for
13 discounted cash flow analysis, was inadvertently missing. Accordingly, this
14 supplemental testimony is necessary in order to complete the analysis, as stated.

15

16 **Q. WITH RESPECT TO THE LOGARITHMIC TREND BASED**
17 **ANALYSIS, YOU ARE CLARIFYING THAT YOU HAD NOT**

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1 **COMPLETED THAT ANALYSIS WHEN YOUR PREFILED**
2 **TESTIMONY WAS FILED?**

3 A. Yes, that is correct.

4

5 **Q. BUT YOU HAVE NOW COMPLETED THAT ANALYSIS?**

6 A. Yes, that is correct.

7

8 **Q. DOES YOUR ASSESSMENT USING THE LOGARITHMIC TREND-**
9 **BASED ANALYSIS RESULT IN ANY CHANGES TO YOUR**
10 **RECOMMENDATION?**

11 A. No, the recommendation does not change. More specifically, the incorporation
12 of the log trend growth estimates within the discounted cash flow (“DCF”)
13 analysis decreases the estimate of growth for the sample of comparable risk
14 electric companies from 4.19% to 4.04%, which causes the DCF estimate of the
15 cost of capital to decline from 9.63% to 9.48%. for the comparable risk sample
16 of gas utilities, the inclusion of log trend growth within the DCF cost of equity
17 capital increases estimates of growth from 5.19% to 5.65%, with corresponding
18 changes on the estimates of the equity cost rate—from 9.46% to 9.93%. On
19 balance, the discounted cash flow estimates of the cost of equity rise somewhat.
20 When viewed in the context of the other estimation methods for cost of capital,
21 including capital asset pricing model, historical realized returns, and risk
22 premium, the rate of return on common equity is left unchanged at 11.5%.

23

1 Q. DOES THIS CONCLUDE YOUR SUPPLEMENTAL TESTIMONY?

2 A. Yes, it does.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been served by electronic mail and U. S. Mail this 11th day of December, 2007 upon the following:

Katherine Fleming, Esq.
Martha Brown, Esq.
Office of General Counsel
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, FL 32399-0850
keflemin@psc.state.fl.us
mbrown@psc.state.fl.us

Patricia A. Christensen, Esq.
Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Room 812
Tallahassee, FL 32399-1400
CHRISTENSEN.PATTY@leg.state.fl.us


NORMAN H. HORTON, JR.