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State of Florida

Public Service Commission

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-M-E-M-O-R-A-N-D-U-M-

DATE: January 11, 2012

TO: Office of Commission Clerk (Cole)

FROM: Division of Economic Regulation (L'Amoreaux, Wu, Cicchetti)
Office of the General Counsel (Brown)

MCB JSC ALM

RE: Docket No. 110207-EI – 2011 depreciation study by Florida Public Utilities Company.

AGENDA: 1/24/12 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brown

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

FILE NAME AND LOCATION: S:\PSC\ECR\WP\110207.RCM.DOC

Case Background

Rule 25-6.0436(8)(a), Florida Administrative Code (F.A.C.), requires investor-owned electric companies to file a comprehensive depreciation study at least once every four years. On June 20, 2011, Florida Public Utilities Company (FPUC or Company) filed its 2011 depreciation study in compliance with this rule. The Company's last depreciation review was filed June 21, 2007, with an effective date of January 1, 2008. Staff has completed its review of FPUC's depreciation study and presents its recommendations herein.

The Commission has jurisdiction pursuant to Sections 350.115 and 366.05, Florida Statutes (F.S.).

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Discussion of Issues

Issue 1: Should the current depreciation rates for Florida Public Utilities Company be changed?

Recommendation: Yes. A review of the Company's plans and activities indicates a need for a revision to the currently prescribed depreciation rates. (L'Amoreaux, Wu)

Staff Analysis: FPUC's last comprehensive depreciation study was filed on June 21, 2007. By Order No. PSC-08-0094-PAA-EI,[1] the Commission approved revised depreciation rates and components, effective January 1, 2008. The Company has filed this current study in accordance with Rule 25-6.0436, F.A.C., which requires electric companies to file a comprehensive depreciation study at least once every four years from the submission date of the previously filed study. A review of the Company's activity data indicates the need to revise the depreciation rates.

[1]Order No. PSC-08-0094-PAA-EI, issued February 14, 2008, in Docket No. 070382-EI, In re: 2007 depreciation study by Florida Public Utilities Company.

Issue 2: What should be the implementation date for revised depreciation rates?

Recommendation: Staff recommends approval of the Company's proposed January 1, 2012, date of implementation for revised depreciation rates. (L'Amoreaux, Wu)

Staff Analysis: Rule 25-6.0436(6)(b), F.A.C., requires that the data submitted in a depreciation study, including plant and reserve balances or company estimates, "shall be brought to the effective date of the proposed rates." The supporting data and calculations provided by FPUC match an implementation date of January 1, 2012.

Issue 3: What are the appropriate depreciation rates?

Recommendation: The recommended lives, net salvages, reserves, resultant depreciation rates, and recovery schedules are shown on Attachment A. The result is a decrease in annual depreciation expense of approximately $227,343, based on the estimated January 1, 2012, investment shown on Attachment B. (L'Amoreaux, Wu)

Staff Analysis: Staff's recommendations are the result of a comprehensive review of FPUC's depreciation study. Attachment A shows a comparison of the currently approved depreciation rate parameters and those staff is recommending, with which the Company agrees. Attachment B shows a comparison of the resulting expenses based on the January 1, 2012, investments. The Company provided raw data as well as aging of the account data and the life and salvage values. As a result of the review and analytical process, staff and FPUC agree on lives, net salvage amounts, and resulting depreciation rates for all accounts.

Depreciation Parameters

Attachment A, column D, shows the restated reserve dollars after staff's proposed reserve allocations. The rates shown in Attachment A, column L, and Attachment B, column H, are the Company's proposed rates as shown in their filing. These rates were not computed using the correct curve shapes as prescribed in Docket No. 070382-EI. Staff's rates have included curve shape, in addition to other parameters, to determine proposed rates for each account.

In the 2007 Staff Report in Docket No. 070382-EI, staff proposed changing many curve shapes for FPUC's accounts. In response to the report, FPUC concurred with staff making these changes. However, in FPUC's current depreciation study, the Company's changes were not consistent with the December 18, 2007 staff report. Staff informed FPUC of these errors and it plans to correct them. Staff has made these changes in determining depreciation rates on Attachments A and B to reflect the currently prescribed curve shapes for eleven accounts. These accounts are: 354, 355, 355.1, 364, 365, 368, 369, 370, 373, 392.2, and 396. In addition, staff is recommending changes to the curve shape for various accounts.

Staff's limited changes to the depreciation life characteristics and the salvage parameters for the transmission, distribution and general plant accounts can be attributed mainly to lack of retirement activity. Changes to FPUC accounts are discussed below and reflected on Attachments A and B.

Account 350.1 – Land Rights

The Company proposes no change in average service life (ASL) for this account. Currently, FPUC has a 56-year ASL. Staff proposes an ASL of 65 years given the lack of retirement activity. In addition, other companies in the state are estimating longer ASLs for easements, ranging from 65 years to 75 years. Staff believes a 65-year ASL for this account will bring FPUC more in line with other companies in the state. FPUC has agreed to staff's proposed change.

Account 352 – Structures and Improvements

The Company proposes no change for this account. Currently, FPUC has a 50-year ASL. Staff proposes an ASL of 55 years given the lack of retirement activity. In addition, other companies in the state are estimating longer ASLs, ranging from 50 years to 75 years. Staff believes a 55-year ASL for this account will bring FPUC more in line with other companies in the state. FPUC has agreed to staff's proposed change.

Account 353 – Station Equipment

The Company proposes no change for this account. FPUC is the only Florida investor-owned utility that has a positive net salvage (NS) for this account. Currently, for this account, FPUC has a positive 10 percent NS. The industry average, excluding FPUC, is negative 4.0 percent. FPUC's response to staff's September 27, 2011 report on the depreciation study stated "It is possible that salvage can be realized upon retirement; however, the Company does not have sufficient historical or current data to support a change from the Current Net Salvage (NS) rate embedded in the current depreciation rate." Based on lack of data, staff agrees with the Company. However, staff will continue to monitor this account through the Company's annual status report of plant accounts to determine whether any changes should be made in the next depreciation study.

Account 354 – Towers and Fixtures

The Company proposes no change in ASL for this account. Currently, FPUC has a 50-year ASL. Staff proposes an ASL of 55 years given the lack of retirement activity. In addition, other companies in the state are estimating longer ASLs, ranging from 50 years to 65 years. Staff believes a 55-year ASL for this account will bring FPUC more in line with other companies in the state. FPUC has agreed to staff's proposed change.

In response to staff's initial review, the Company stated that $183 for the cost of removal recorded in the Company's depreciation filing, Schedule F, page 1 of 5, should have been booked to Account 355. FPUC noted in its response to the staff report that this error will be corrected upon finalization of the depreciation study. Staff notes that the correction has been made by staff in order to determine the correct parameters to this account.

Account 355 – Poles and Fixtures

The Company proposes a change in ASL from 35 years to 40 years for this account. Staff agrees with the Company, given the retirement rate for this account has averaged less than 1 percent over the past 5 years, making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating ASLs ranging from 37 years to 44 years. Staff believes a 40 year ASL for this account is appropriate and will bring FPUC more in line with other companies in the state.

Account 355.1 – Poles and Fixtures – Concrete

The Company proposes no change in ASL for this account. Currently, FPUC has a 40-year ASL. Staff proposes an ASL of 45 years given the lack of retirement activity. In addition, staff believes that if the ASL for Account 355 is increased to 40 years, then the ASL for concrete poles should also increase. Concrete poles generally have a longer life than that of wooden poles. FPUC has agreed to staff's proposed increase in ASL to this account.

Account 356 – Overhead Conductors and Devices

The Company proposes to change the current curve shape from an R1 curve to an S2 curve. Staff believes this change is appropriate for this account. However, staff proposes a change to ASL for this account. Currently, FPUC has a 40-year ASL. Staff proposes a 45-year ASL. The retirement rate has averaged less than 1 percent over the past 5 years making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating longer ASLs ranging from 40 years to 55 years, with FPUC being the lowest. Staff's proposed 45-year ASL represents a conservative increase to bring FPUC more in line with other companies in the state. FPUC has agreed with staff's proposed change.

Account 359 – Roads and Trails

The Company proposes no change to ASL for this account. Currently, FPUC has a 55-year ASL. Staff proposes an ASL of 65 years given the lack of retirement activity. In addition, other companies in the state are estimating ASLs ranging from 55 years to 90 years. Staff believes a 65-year ASL for this account will bring FPUC more in line with other companies in the state. FPUC has agreed to staff's proposed change.

In staff's initial review, staff questioned an adjustment/transfer in 1994 in the amount of $4,827. It appeared as though the Company was treating the 1994 adjustment as having an original placement vintage of 1994 instead of 1962. In response to this question, FPUC concurred that this was an error. Staff has recalculated the age for this account to be 49.5 years in order to correct the original vintage of a 1994 adjustment/transfer to 1962.

Account 361 – Structures and Improvements

The Company proposes no change to ASL for this account. Currently, FPUC has a 50-year ASL. Staff proposes an ASL of 55 years given the lack of retirement activity. Staff believes that distribution structures should have life characteristics similar to transmission structures. In addition, other companies in the state are estimating ASLs ranging from 48 years to 75 years. Staff believes a 55-year ASL for this account will bring FPUC more in line with other companies in the state. FPUC has agreed to staff's proposed change.

The Company proposes no change to NS for this account. Currently, FPUC has a zero NS. The Company's zero NS is slightly higher than the industry average. Staff proposes a NS of negative five percent given the lack of retirements and to bring the Company more in line with the industry average. Staff believes that reliance on industry averages is necessary due to lack of retirements and additions.

Account 362 – Station Equipment

The Company proposes no change to ASL for this account. Currently, FPUC has a 38-year ASL. Staff proposes an ASL of 40 years given the retirement rate for this account has averaged less than 1 percent over the past 5 years making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating ASLs ranging from 38 years to 60 years, with FPUC being the lowest. In addition, it is staff's understanding that distribution station equipment should have similar life characteristics to transmission station equipment. FPUC has agreed to staff's proposed change.

Account 364 – Poles, Towers, and Fixtures

FPUC proposes a change in ASL from 35 years to 38 years for this account. The retirement rate for the account has averaged less than 1 percent over the past 5 years making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating ASLs ranging from 32 years to 39 years. Staff believes the Company's proposed 38 year ASL is in line with other companies in the state and agrees to the change.

Account 365 – Overhead Conductors & Devices

FPUC proposes a change in ASL from 34 years to 37 years for this account. The retirement rate for the account has averaged less than 1 percent over the past 5 years making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating ASLs ranging from 34 years to 41 years with FPUC being the lowest. Staff believes the Company's proposed 37 year ASL is in line with other companies in the state and agrees to the change.

Account 366 – Underground Conduit

The Company proposes no change to ASL for this account. Currently, FPUC has a 50-year ASL. Staff proposes an ASL of 60 years given the retirement rate for the account has averaged less than 1 percent over the past 5 years making results from statistical analyses meaningless for both life and salvage determinations. Reliance on industry averages is therefore necessary. Other companies in the state are estimating ASLs for underground conduit ranging from 50 years to 67 years with FPUC being the lowest. This will bring FPUC more in line with the life expectations of other companies in the state.

Account 368 – Line Transformers

Under Rule 25-6.0142(7), F.A.C., the addition and retirement of transformers should be accounted for as cradle-to-grave. The transformer is capitalized upon initial purchase and it is retired when it is disposed of because it can no longer perform. All change-out costs and refurbishment costs are expensed.

The Company did not propose any changes to the underlying parameters of this account. The Company's ASL and NS continue to be in the range of reasonableness compared to other companies and are acceptable to staff.

Account 369 – Services

The Company did not propose any changes to the underlying parameters of this account. The Company's ASL and NS continue to be in the range of reasonableness compared to other companies and are acceptable to staff.

Account 370 – Meters

Under Rule 25-6.0142(7), F.A.C., the addition and retirement of meters should be accounted for as cradle-to-grave. The meter is capitalized upon initial purchase and it is retired when it is disposed of because it can no longer perform metering functions. All costs of meter change-out and refurbishment are expensed.

The Company did not propose any changes to the underlying parameters of this account. The Company's ASL and NS continue to be in the range of reasonableness compared to other companies and are acceptable to staff.

Account 373 – Street Lighting & Signal Systems

The Company did not propose any changes to the underlying parameters of this account. The Company's ASL and NS continue to be in the range of reasonableness compared to other companies and are acceptable to staff.

Account 390 – Structures and Improvements

The Company did not propose any changes to the underlying parameters of this account. Staff concurs with FPUC's proposed ASL of 50 years, R4 curve shape, and calculated age of 19.7 years. Using these input data, an average remaining life (ARL) of 31 years results.

Account 391.0 – Office Furniture and Equipment

This account is amortizable, and the Company appears to be complying with the vintage group concept established. No changes have been proposed, nor has staff identified any that are needed.

Account 391.1 – Office Furniture

This account is amortizable. No changes have been proposed, nor has staff identified any changes that are needed.

Account 391.2 – Office Machines

This account is amortizable, and the Company appears to be complying with the vintage group concept established. No changes have been proposed, nor has staff identified any changes that are needed.

Account 391.3 – Computer Equipment

This account is amortizable, and the Company appears to be complying with the vintage group concept established. Due to its acquisition by Chesapeake Utilities, some of FPUC's account numbers were changed to follow the new company account number structure. This prior 391.3 account was reclassified into 391.2, which is Computer Equipment and uses a 5-year amortization. Account 391.3 is now Furniture and Fixtures, with a 7-year amortization.

Account 391.4 – Software

This account is amortizable, and the Company appears to be complying with the vintage group concept established. No changes have been proposed, nor has staff identified any changes that are needed.

Account 392.1 – Transportation-Cars

The Company proposes to retain an S2 curve shape, ASL of 7 years, NS of 15 percent, resulting in an average asset age of 4.3 years and ARL of 2.7 years. Currently, this account contains only 1 asset, a 2002 Chevrolet Impala. Staff notes that FPUC's December 31, 2011 age calculation includes projecting a retirement in 2011 of $14,311, because the Company "projected retirements based on the average of the last four actual historical years, 2007-2010." (Page 5 of Schedule A, and No. 4a, page 11, of FPUC's response to staff's initial review) This projected retirement, however, resulted in a negative $617 reserve at the end of 2011. (Page 5 of Schedule F) Staff discussed this matter with FPUC on December 28, 2011, and the Company agreed to resolve the problem by reversing the projected 2011 retirement. Consequently, the 2011 ending balance of reserve has been revised to $14,488.

Staff has recalculated the average asset age to be 9.3 years. Per its response to staff's initial review, page 11, FPUC has no plans to retire this car in 2011, nor does it intend to close this account in the future, or to purchase a new car. Staff proposes: (1) Amortize the remaining investment in this account over 4 years; and (2) for any new assets acquired that would be booked to this account, use the current Commission-approved 7.0-year average service life, NS of 15 percent, and an S2 curve shape, yielding a whole life rate of 12.1 percent.

Account 392.2 – Transportation-Light Trucks and Vans

The Company did not propose any changes to this account. Staff concurs with FPUC's proposed ASL of 9 years, S4 curve shape, and calculated age of 6.2 years. Using these input data, an ARL of 2.9 years results. Staff believes it is appropriate for the Company to retain the currently prescribed NS of 12 percent, as it is in line with the current activity of this account.

Account 392.3 – Transportation-Heavy Trucks

The Company did not propose any changes to this account. The current curve shape is S5, and the average asset age is 6.1 years. Given that this account has experienced a 3.5 percent retirement rate and a 23.4 percent growth rate, staff believes that an S3 curve shape is a better fit. This results in a 7.0-year ARL. With respect to the NS, the Company proposes to retain the currently prescribed NS of 10 percent. Staff believes this is in line with the current activity of this account and therefore is acceptable.

Account 392.4 – Transportation-Trailers

The Company did not propose any changes to this account. This account has had no activity during the 2007-2010 period. Staff agrees that the Company should retain the currently prescribed 25-year ASL, an R4 curve and NS of 5 percent. Taken with the Company's calculated average age of 11.3 years, an ARL of 13.9 years results.

Account 396 – Power Operated Equipment

The Company proposes to retain a 20-year ASL and the S3 curve shape that underlie the currently prescribed average remaining life. This account has had 1 addition and 1 retirement during the 2007-2010 period. A review of the aged data shown in Schedule N, pages 75 and 76, indicates that 67 percent of the account's investment is over 24 years of age, and 24 percent is over 30 years of age. FPUC has confirmed that it has not budgeted for specific retirements and does not have any plans for retirements in 2011. As a result, staff believes an increase in the average service life is warranted. Staff recommends a 25-year ASL and an S6 curve to better match the account's activity. With a 19.5 year average age, an ARL of 5.5 years results. Staff also proposes a zero NS for this account. Given the age of the investments in this account, staff believes that little salvage, if any, will be realized when the associated equipment is retired.

Account 397 – Communications Equipment

This account is amortizable and the Company appears to be complying with the vintage group concept established. No changes have been proposed, nor has staff identified any changes that are needed.

Account 397.3 – Communications Equipment Post 98

This account is amortizable. Staff notes that in its response to No. 8 of staff's initial review, pages 13 – 14, FPUC acknowledged that there appeared to be some confusion between the use of Accounts 397 and 397.3, and that it might be appropriate to combine these two accounts. Staff agrees and proposes to combine the two accounts for the purposes of depreciation accounting.

Account 398 – Miscellaneous Equipment

This account is amortizable and the Company appears to be complying with the vintage group concept established. No changes have been proposed, nor has staff identified any changes that are needed.

Issue 4: Should the Commission make any corrective reserve allocations between accounts?

Recommendation: Yes. Staff recommends the reserve allocations shown in Table 4-1. These allocations bring these accounts more in line with their theoretically correct reserve levels. (L'Amoreaux)

Staff Analysis: As part of its review of the Company's depreciation study, staff reviewed the reserve position in each account. When significant surpluses and deficits exist, corrective reserve transfers between accounts should be recovered as quickly as possible, unless such recovery prevents the Company from earning a fair and reasonable return on its investments. The effect of prior depreciation rates, average service lives, and net salvage projections results in surpluses and deficits that should be addressed. As staff reviews the Company's annual status report of plant accounts, it will continue to monitor the Company's reserve position. For this reason, staff recommends transferring these related reserve surpluses to help correct certain existing reserve deficiencies in the accounts shown on Table 4-1.

Table 4-1

RESERVE ALLOCATIONS

Accounts		1/1/2012 Reserve	Staff Calculated Theoretical Reserve	Staff Recommended Allocations	Restated Reserve
Transmission					
352	Structures & Improvements	$11,403	$10,403	($1,000)	$10,403
353	Station Equipment	$856,665	$1,054,485	$121,443	$978,108
354	Towers and Fixtures	$192,661	$175,795	($16,866)	$175,795
355.1	Poles and Fixtures - Concrete	$271,715	$226,790	($44,925)	$226,790
356	Overhead Conductors and Devices	$743,867	$685,215	($58,652)	$685,215
Distribution					
360.1	Land Rights	$26,757	$26,462	($294)	$26,462
361	Structures & Improvements	$37,547	$34,534	($3,013)	$34,534
366	Underground Conduit	$789,121	$735,163	($53,958)	$735,163
368	Line Transformers	$10,187,203	$10,637,447	$113,164	$10,300,367
373	Street Lighting & Signal Systems	$936,232	$880,333	($55,899)	$880,333
General					
390	Structures & Improvements	$621,592	$596,012	($25,581)	$596,012
392.2	Transportation - Light Trucks & Vans	$398,316	$475,755	$77,439	$475,755
392.3	Transportation - Heavy Trucks	$1,350,472	$1,227,595	($51,858)	$1,298,614

Issue 5: Should the current amortization of investment tax credits (ITCs) and flow back of excess deferred income taxes (EDITs) be revised to reflect the approved depreciation rates?

Recommendation: Yes. The current amortization of ITCs and the flowback of EDITs should be revised to match the actual recovery periods for the related property. The Company should file detailed calculations of the revised ITC amortization and flowback of EDITs at the same time it files its surveillance report covering the period ending December 31, 2011. (Cicchetti)

Staff Analysis: In earlier issues, staff has recommended approval of revised depreciation rates for the Company, to be effective January 1, 2012, which generally reflect changes to most accounts' remaining lives. Revising a utility's book depreciation lives generally results in a change in its rate of ITC amortization and flowback of EDITs in order to comply with the normalization requirements of the Internal Revenue Code (IRC or Code) set forth in sections 168(f)(2) and (i)(9), former IRC sections 167(l) and 46(f),[2] Federal Tax Regulations under the Code sections,[3] and section 203(e) of the Tax Reform Act of 1986 (the Act).[4]

Staff, the Internal Revenue Service (IRS), and independent outside auditors look at a company's books and records, and the orders and rules of the jurisdictional regulatory authorities to determine if the books and records are maintained in the appropriate manner. The books are also reviewed to determine if they are in compliance with the regulatory guidelines in regard to normalization. Therefore, staff recommends the current amortization of ITCs and the flowback of EDITs be revised to reflect the remaining useful lives that underlie staff's proposed depreciation rates.

Former section 46(f)(6) of the Code states that "the amortization of ITC should be determined by the period of time actually used in computing depreciation expense for ratemaking purposes and on the regulated books of the utility."[5] Since staff is recommending changes to the Company's remaining lives, it is also important to change the amortization of ITCs to avoid violation of the provisions of the former IRC section 46 and its underlying Treasury Regulations. The consequence of an ITC normalization violation is a repayment of unamortized ITC balances to the IRS.

Section 203(e) of the 1986 Act prohibits rapid flow-back of depreciation-related (protected) EDITs to the utility's customers. Further, Rule 25-14.013, F.A.C., Accounting for Deferred Income Taxes Under SFAS 109, generally prohibits EDITs from being written off any faster than allowed under the Act. The Act, ASC 740,[6] and Rule 25-14.013, F.A.C, regulate the flowback of EDITs. Therefore, staff recommends that the flowback of EDITs be adjusted to comply with the Act, ASC 740, and Rule 25-14.013, F.A.C.

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[2] 26 USC §§168(f)(2) and (i)(9); 26 USC §167(l); 26 USC §46(f).
[3] Treas. Reg. §1.168; Treas. Reg. §1.167; Treas. Reg. §1.46.
[4] Tax Reform Act of 1986, 1986-3 (Vol.1) C.B. 63, P.L. 99-514 (100 Stat. 2146) October 22, 1986.
[5] 26 USC §46(f)(6).
[6] FASB ASC 740 (Topic 740 of the Financial Accounting Standards Board Accounting Standards Codification). Cross Reference: Accounting for Income Taxes, Statement of Financial Accounting Standards No. 109 (Financial Accounting Standards Board, 1992).

Issue 6: Should this docket be closed?

Recommendation: Yes. If no person whose substantial interests are affected by the Commission's Proposed Agency Action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order. (Brown)

Staff Analysis: If no person whose substantial interests are affected files a timely request for a hearing within 21 days, no further action will be required and this docket should be closed upon the issuance of a consummating order.

FLORIDA PUBLIC UTILITIES
2011 DEPRECIATION STUDY
COMPARISON OF CURRENT AND PROPOSED DEPRECIATION COMPONENTS

Attachment A

	C	D	E	F	G	I	J	K	L	N	O	P	Q
			CURRENT EFFECTIVE 1/1/2008			COMPANY PROPOSED - Proposed Effective Date 1/1/2012				STAFF PROPOSED			
ACCOUNT	INVESTMENT	RESTATED RESERVE	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 1/1/2012 RESERVE (%)	REMAINING LIFE RATE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	RESERVE (%)	REMAINING LIFE RATE (%)
TRANSMISSION PLANT													
350.1 - Land Rights	$41,471	$17,633	23.0	0	1.8	16.0	0	42.52	3.7	25	0	42.52	2.3
352 - Structures and Improvements	$22,007	$10,403	28.0	0	2.0	23.8	0	51.82	2.1	29	0	47.27	1.8
353 - Station Equipment	$2,756,824	$978,108	25.0	10	2.5	23.1	10	31.07	2.6	23	10	35.48	2.4
354 - Towers and Fixtures	$224,802	$175,795	16.5	(15)	2.3	12.5	(15)	85.78	2.5	17.6	(15)	78.20	2.1
355 - Poles and Fixtures	$1,603,401	$1,016,922	21.0	(30)	4.2	18.7	(30)	63.41	3.7	19.3	(30)	63.42	3.4
355.1 - Poles and Fixtures - Concrete	$1,570,082	$226,790	40.0	(30)	3.3	35.1	(30)	17.31	3.1	40	(30)	14.44	2.9
356 - Overhead Conductors and Devices	$2,002,251	$685,215	28.0	(10)	2.8	25.1	(10)	37.15	3.0	31	(10)	37.15	2.4
359 - Roads and Trails	$6,788	$5,195	10.0	0	3.8	28.3	0	76.53	1.0	15.5	0	76.53	1.5
DISTRIBUTION PLANT													
360.1 - Land Rights	$56,996	$26,462	42.0	0	1.8	29.5	0	46.95	1.9	30	0	46.43	1.8
361 - Structures and Improvements	$211,042	$34,534	35.0	0	2.0	40.9	0	17.79	1.6	46	(5)	16.36	1.9
362 - Station Equipment	$7,552,943	$2,004,552	31.0	(10)	2.9	27.9	(10)	26.54	3.0	30	(10)	26.54	2.8
364 - Poles, Towers, and Fixtures	$11,473,520	$5,909,445	21.0	(45)	4.7	23.0	(45)	51.51	4.1	23	(45)	51.51	4.1
365 - Overhead Conductors & Devices	$11,240,266	$7,263,294	15.7	(35)	5.2	17.2	(35)	64.62	4.2	17.2	(35)	64.62	4.1
366 - Underground Conduit	$4,009,979	$789,121	41.0	0	2.0	39.3	0	19.68	2.1	49	0	19.68	1.6
367 - Underground Conductors & Devices	$6,205,266	$2,125,636	24.0	0	2.9	22.2	0	34.26	3.0	23	0	34.26	2.9
368 - Line Transformers	$15,121,861	$10,300,367	13.6	(20)	4.6	12.0	(20)	67.37	4.6	12.0	(20)	68.12	4.3
369 - Services	$9,916,136	$5,502,595	21.0	(35)	4.2	19.2	(35)	55.49	4.3	20	(35)	55.49	4.0
370 - Meters	$3,734,975	$2,091,626	14.3	(5)	3.7	13.2	(5)	56.00	3.8	13.2	(5)	56.00	3.7
371 - Installation on Customers' Premises	$2,673,273	$1,166,144	8.3	15	6.1	6.9	15	43.62	6.4	7.2	15	43.62	5.7
373 - Street Lighting & Signal Systems	$1,344,020	$880,333	9.5	(10)	5.7	7.2	(10)	69.66	6.2	8.9	(10)	65.50	5.0
GENERAL PLANT													
390 - Structures & Improvements	$1,568,452	$596,012	38.0	0	2.0	30.3	0	39.63	2.0	31	0	38.00	2.0
392.1 - Transportation-Cars	$6,719	$14,488	0.9	15	12.1	2.7	15	-9.19	10.4		15		12.1[1]
392.2 - Transportation-Light Trucks & Vans	$797,651	$475,755	3.1	12	4.9	2.8	12	49.94	9.6	2.9	12	59.64	9.8
392.3 - Transportation - Heavy Trucks	$2,955,322	$1,298,614	7.5	10	4.2	6.9	10	45.70	5.5	7.0	10	43.94	6.6
392.4 - Transporation - Trailers	$111,011	$47,378	17.7	5	3.8	13.7	5	42.68	4.1	13.9	5	42.68	3.8
396 - Power Operated Equipment	$222,523	$188,042	0.6	5	4.8	0.5	5	84.50	1.6	5.5	0	84.50	2.8

[1] Denotes whole life rate.

FLORIDA PUBLIC UTILITIES
2011 DEPRECIATION STUDY
COMPARISON OF CURRENT AND PROPOSED ANNUAL DEPRECIATION EXPENSES

Attachment B

	C	D	E	F	H	I	J	L	M	N
	CURRENT				COMPANY PROPOSED			STAFF PROPOSED		
ACCOUNT	01/01/2012 INVESTMENT	RESTATED RESERVE[1]	RATE	EXPENSES	RATE	EXPENSES	CHANGE EXPENSES	RATE	EXPENSES	CHANGE EXPENSES
TRANSMISSION PLANT										
350.1 - Land Rights	$41,471	$17,633	1.8	$746	3.7	$1,534	$788	2.3	$954	$208
352 - Structures and Improvements	$22,007	$10,403	2.0	$440	2.1	$462	$22	1.8	$396	($44)
353 - Station Equipment	$2,756,824	$978,108	2.5	$68,921	2.6	$71,677	$2,756	2.4	$66,164	($2,757)
354 - Towers and Fixtures	$224,802	$175,795	2.3	$5,170	2.5	$5,620	$450	2.1	$4,721	($449)
355 - Poles and Fixtures	$1,603,401	$1,016,922	4.2	$67,343	3.7	$59,326	($8,017)	3.4	$54,516	($12,827)
355.1 - Poles and Fixtures - Concrete	$1,570,082	$226,790	3.3	$51,813	3.1	$48,673	($3,140)	2.9	$45,532	($6,281)
356 - Overhead Conductors and Devices	$2,002,251	$685,215	2.8	$56,063	3.0	$60,068	$4,005	2.35	$47,053	($9,010)
359 - Roads and Trails	$6,788	$5,195	3.8	$258	1.0	$68	($190)	1.5	$102	($156)
TOTAL TRANSMISSION PLANT	$8,227,626	$3,116,061		$250,754		$247,428	($3,326)		$219,437	($31,317)
DISTRIBUTION PLANT										
360.1 - Land Rights	$56,996	$26,462	1.8	$1,026	1.9	$1,083	$57	1.8	$1,026	($0)
361 - Structures and Improvements	$211,042	$34,534	2.0	$4,221	1.6	$3,377	($844)	1.9	$4,010	($211)
362 - Station Equipment	$7,552,943	$2,004,552	2.9	$219,035	3.0	$226,588	$7,553	2.8	$211,482	($7,553)
364 - Poles, Towers, and Fixtures	$11,473,520	$5,909,445	4.7	$539,255	4.1	$470,414	($68,841)	4.1	$470,414	($68,841)
365 - Overhead Conductors & Devices	$11,240,266	$7,263,294	5.2	$584,494	4.2	$472,091	($112,403)	4.1	$460,851	($123,643)
366 - Underground Conduit	$4,009,979	$735,163	2.0	$80,200	2.1	$84,210	$4,010	1.6	$64,160	($16,040)
367 - Underground Conductors & Devices	$6,205,266	$2,125,636	2.9	$179,953	3.0	$186,158	$6,205	2.9	$179,953	($0)
368 - Line Transformers	$15,121,861	$10,300,367	4.6	$695,606	4.6	$695,606	$0	4.3	$650,240	($45,366)
369 - Services	$9,916,136	$5,502,595	4.2	$416,478	4.3	$426,394	$9,916	4.0	$396,645	($19,833)
370 - Meters	$3,734,975	$2,091,626	3.7	$138,194	3.8	$141,929	$3,735	3.7	$138,194	$0
371 - Installation on Customers' Premises	$2,673,273	$1,166,144	6.1	$163,070	6.4	$171,089	$8,019	5.7	$152,377	($10,693)
373 - Street Lighting & Signal Systems	$1,344,020	$880,333	5.7	$76,609	6.2	$83,329	$6,720	5.0	$67,201	($9,408)
TOTAL DISTRIBUTION PLANT	$73,540,279	$38,040,151		$3,098,141		$2,962,268	($135,873)		$2,796,553	($301,588)
GENERAL PLANT										
390 - Structures & Improvements	$1,568,452	$596,012	2.0	$31,369	2.0	$31,369	$0	2.0	$31,369	$0
392.1 - Transportation-Cars	$6,719	$14,488	12.1	$813	10.4	$699	($114)	12.1	$813	($0)
392.2 - Transportation-Light Trucks & Vans	$797,651	$475,755	4.9	$39,085	9.6	$76,575	$37,490	9.8	$78,170	$39,085
392.3 - Transportation - Heavy Trucks	$2,955,322	$1,298,614	4.2	$124,124	5.5	$162,543	$38,419	6.6	$195,051	$70,927
392.4 - Transportation - Trailers	$111,011	$47,378	3.8	$4,218	4.1	$4,551	$333	3.8	$4,218	$0
396 - Power Operated Equipment	$222,523	$188,042	4.8	$10,681	1.6	$3,560	($7,121)	2.8	$6,231	($4,450)
TOTAL GENERAL PLANT	$5,661,677	$2,620,289		$210,290		$279,297	$69,007		$315,852	$105,562
TOTAL	$87,429,582	$43,776,501		$3,559,185		$3,488,993	($70,192)		$3,331,842	($227,343)

[1] Column D refelcts reserves after corrective measures.