BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: 2011 depreciation study by Florida Public Utilities Company.	DOCKET NO. 110207-EI ORDER NO. PSC-12-0065-PAA-EI ISSUED: February 13, 2012

The following Commissioners participated in the disposition of this matter:

RONALD A. BRISÉ, Chairman
LISA POLAK EDGAR
ART GRAHAM
EDUARDO E. BALBIS
JULIE I. BROWN

NOTICE OF PROPOSED AGENCY ACTION ORDER REVISING DEPRECIATION RATES

BY THE COMMISSION:

NOTICE is hereby given by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are substantially affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code (F.A.C.).

BACKGROUND

Rule 25-6.0436(8)(a), 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, and approved by Order No. PSC-08-0094-PAA-EI,[1] with an effective date of January 1, 2008.

We have completed our review of FPUC's new depreciation study, and we approve revisions to the currently prescribed depreciation rates as set out below, with an effective date of January 1, 2012. 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 the implementation date of January 1, 2012.

We have jurisdiction pursuant to Sections 350.115 and 366.05, Florida Statutes (F.S.).

[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.

REVISED DEPRECIATION RATES

The revised lives, net salvages, reserves, resultant depreciation rates, and recovery schedules are shown on Attachment A to this Order. Attachment A is a comparison of the previously approved depreciation rate parameters and those we have approved in this proceeding. 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, which is a comparison of the resulting expenses. 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, we 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 the reserve allocations we have approved. 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. The revised rates we have approved for each account include curve shape, in addition to other parameters.

In its December 18, 2007 report in Docket No. 070382-EI, our staff proposed changing many curve shapes for FPUC's accounts. In response to the report, FPUC concurred with the changes, but in FPUC's current depreciation study, the Company's changes were not consistent with the staff report. We have 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.

The limited changes to the depreciation life characteristics and the salvage parameters for the transmission, distribution and general plant accounts that we have made can be attributed mainly to lack of retirement activity.

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. We approve an ASL of 65 years given the lack of retirement activity. Other companies in the state are estimating longer ASLs for easements, ranging from 65 years to 75 years. We find that a 65-year ASL for this account will bring FPUC more in line with other companies in the state.

Account 352 – Structures and Improvements

The Company proposes no change for this account. Currently, FPUC has a 50-year ASL. We approve an ASL of 55 years, given the lack of retirement activity. Other companies in the state are estimating longer ASLs, ranging from 50 years to 75 years. We find that a 55-year ASL for this account will bring FPUC more in line with other companies in the state.

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, which at present is a positive 10 percent. The industry average, excluding FPUC, is negative 4.0 percent. In its response to our staff's September 27, 2011 report on the depreciation study, FPUC 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." We agree with the Company that there is insufficient data at this time to make changes to this account. We will continue to monitor the 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. We approve an ASL of 55 years given the lack of retirement activity. Other companies in the state are estimating longer ASLs, ranging from 50 years to 65 years. We find that a 55-year ASL for this account will bring FPUC more in line with other companies in the state.

In response to our 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. We note that the correction has been made 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. We agree, given that 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. Other companies in the state are estimating ASLs ranging from 37 years to 44 years. We find that 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. We approve an ASL of 45 years, given the lack of retirement activity. We increased the ASL for Account 355 above to 40 years, and we shall increase the ASL for concrete poles as well. Since concrete poles generally have a longer life than that of wooden poles, an ASL of 45 years is appropriate.

Account 356 – Overhead Conductors and Devices

The Company proposes to change the current curve shape from an R1 curve to an S2 curve. We find that this change is appropriate for this account, and we also find that a change to ASL is appropriate. Currently, FPUC has a 40-year ASL. We approve 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. The 45-year ASL represents a conservative increase to bring FPUC more in line with other companies in the state.

Account 359 – Roads and Trails

The Company proposes no change to ASL for this account. Currently, FPUC has a 55-year ASL. We approve an ASL of 65 years, given the lack of retirement activity. Other companies in the state are estimating ASLs ranging from 55 years to 90 years. A 65-year ASL for this account will bring FPUC more in line with other companies in the state.

We note that the Company made an adjustment or transfer in 1994 in the amount of $4,827. The Company apparently was treating the 1994 adjustment as having an original placement vintage of 1994 instead of 1962. FPUC acknowledged that this was an error, and we have recalculated the age for this account to be 49.5 years.

Account 361 – Structures and Improvements

The Company proposes no change to ASL for this account. Currently, FPUC has a 50-year ASL. We approve an ASL of 55 years, given the lack of retirement activity. We find 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. A 55-year ASL for this account will bring FPUC more in line with other companies in the state.

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. Therefore we approve a NS of negative five percent, given the lack of retirements and in order to bring the Company more in line with the industry average. Our reliance on industry averages is necessary in this circumstance 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. We approve 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, we find that distribution station equipment should have similar life characteristics to transmission station equipment.

<u>Account 364 – Poles, Towers, and Fixtures</u>

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. We find that the Company's proposed 38 year ASL is in line with other companies in the state and we approve it.

<u>Account 365 – Overhead Conductors & Devices</u>

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. We find that the Company's proposed 37 year ASL is in line with other companies in the state and we approve it.

<u>Account 366 – Underground Conduit</u>

The Company proposes no change to ASL for this account. Currently, FPUC has a 50-year ASL. We approve 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. A 60-year ASL will bring FPUC more in line with the life expectations of other companies in the state.

<u>Account 368 – Line Transformers</u>

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 we approve them.

<u>Account 369 – Services</u>

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 we approve them.

Account 370 – Meters

Under Rule 25-6.0142(7), F.A.C., the addition and retirement of meters shall 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 we approve them.

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 we approve them.

Account 390 – Structures and Improvements

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

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, and we find that none are needed.

Account 391.1 – Office Furniture

This account is amortizable. No changes have been proposed, and we find that none 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, and we find that none 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. Thus the prior Account 391.3 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, and we find that none are needed.

Account 392.1 – Transportation-Cars

The Company proposes to retain an S2 curve shape, ASL of 7 years, and 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. We note 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." This projected retirement, however, resulted in a negative $617 reserve at the end of 2011. The Company has agreed to resolve the problem by reversing the projected 2011 retirement. Consequently, the 2011 ending balance of reserve has been revised to $14,488. We approve the revision.

We have recalculated the average asset age to be 9.3 years. FPUC asserts that it 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. We find that: (1) The remaining investment in this account shall be amortized over 4 years; and (2) for any new assets acquired that would be booked to this account, The Company shall use the 7.0-year average service life, NS of 15 percent, and an S2 curve shape, that we have approved, which yields 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. We approve an ASL of 9 years, a S4 curve shape, and a calculated age of 6.2 years. Using these input data, the account will have an ARL of 2.9 years. We find that 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, we find 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. This is in line with the current activity of this account and therefore we approve it.

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. We find that the Company shall 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 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. Under these circumstances, we find that an increase in the average service life is warranted. We approve 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. We also approve a zero NS for this account. Given the age of the investments in this account, we believe 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, and we find that none are needed.

Account 397.3 – Communications Equipment Post 98

This account is amortizable. FPUC has 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. We agree and we approve the combination of 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, and we find that none are needed.

Reserve Allocations

As part of our review of the Company's depreciation study, we examined 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. We will continue to monitor the Company's reserve position through its annual status report of plant accounts. We approve the transfer of the related reserve surpluses to help correct certain existing reserve deficiencies in the accounts, as shown on Table 1.

RESERVE ALLOCATIONS

Table 1

Accounts		1/1/2012 Reserve	Calculated Theoretical Reserve	Commission Approved 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

Amortization of Investment Tax Credits and Flow Back of Excess Deferred Income Taxes

As described above, we have approved 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 usually results in a change in its rate of Investment Tax Credit (ITC) amortization and flowback of Excess Deferred Income Taxes (EDITs) in order to comply with the normalization requirements of the Internal Revenue Code,[2] Federal Tax Regulations,[3] and section 203(e) of the Tax Reform Act of 1986.[4]

We, as well as the Internal Revenue Service (IRS), and independent outside auditors, review 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. We also review a company's books and records to determine if they are in compliance with regulatory guidelines regarding normalization. Our review indicates that the current amortization of ITCs and the flowback of EDITs must be revised to reflect the remaining useful lives that underlie the changes to the Company's depreciation rates that we have approved herein.

26 USC §46(f)(6) states that: "the amortization of ITCs 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 we have approved changes to the Company's remaining lives, it is also important to change the amortization of ITCs to avoid violation of the Internal Revenue Code and 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 Tax Reform 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 writing off EDITs any faster than allowed under the Act. We therefore find that the flowback of EDITs shall be adjusted to comply with the applicable laws and regulations.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that the remaining lives, net salvages, and resulting depreciation rates set forth in Attachment A to this Order are approved, effective January 1, 2012. It is further

ORDERED that the corrective reserve transfers set forth in Attachment B to this Order are approved. It is further

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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).

ORDERED that Florida Public Utilities Company shall revise its current amortization of Investment Tax Credits and the flowback of Excess Deferred Income Taxes to reflect the changes approved in this Order. It is further

ORDERED that the provisions of this Order, issued as proposed agency action, shall become final and effective upon the issuance of a Consummating Order unless an appropriate petition, in the form provided by Rule 28-106.201, Florida Administrative Code, is received by the Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on the date set forth in the "Notice of Further Proceedings" attached hereto. It is further

ORDERED that in the event this Order becomes final, this docket shall be closed.

By ORDER of the Florida Public Service Commission this 13th day of February, 2012.

Ann Cole

ANN COLE
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399
(850) 413-6770
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Copies furnished: A copy of this document is provided to the parties of record at the time of issuance and, if applicable, interested persons.

MCB

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.569(1), Florida Statutes, to notify parties of any administrative hearing that is available under Section 120.57, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing will be granted or result in the relief sought.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

The action proposed herein is preliminary in nature. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Office of Commission Clerk, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on March 5, 2012.

In the absence of such a petition, this order shall become final and effective upon the issuance of a Consummating Order.

Any objection or protest filed in this/these docket(s) before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

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				Commission Approved			
ACCOUNT	INVESTMENT	RESTATED RESERVE	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	REMAINING LIFE RATE (%)	AVERAGE REMAINING LIFE (YRS.)	NET SALVAGE (%)	ESTIMATED 1/1/2011 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	$6,768	$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	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

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			COMMISSION APPROVED		
ACCOUNT	01/01/2011 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	2.4	$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 - Transpiration - 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 PROPERTY	$5,661,677	$2,620,289		$210,290		$279,297	$69,007		$315,852	$105,562
TOTAL RATES	$87,429,582	$43,776,502		$3,559,185		$3,488,993	($70,192)		$3,331,842	($227,343)

[1] Column D reflects reserves after corrective measures.