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ORIGINAL

Public Service Commission

July 2, 2007

Mr. John T. English
President and CEO
Florida Public Utilities Company
P.O. Box 3395
West Palm Beach, Florida 33402-3395

Re: Docket No. 070382-EI – 2007 Depreciation Study by Florida Public Utilities Company

Dear Mr. English:

We have reviewed the depreciation filing requirements submitted by Florida Public Utilities Company on June 21, 2007. After reviewing this information, we find the depreciation study is deficient. The specific deficiencies are identified below. The items are required by Rule 25-6.0436, Florida Administrative Code (F.A.C.):

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. (Rule 25-6.0436(6)(a), F.A.C.)
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. (Rule 25-6.0436(6)(b), F.A.C.)
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. (Rule 25-6.0436(6)(d), F.A.C.)
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 revision in rates. (Rule 25-6.0436(6)(e), F.A.C.)
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

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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. (Rule 25-6.0436(6)(f), F.A.C.)

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. (Rule 25-7.0436(6)(h), F.A.C.)
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. (Rule 25-6.0436(7)(a), F.A.C.)

A copy of the rule is attached. Your depreciation study will not be deemed filed until the deficiencies identified in this letter have been corrected.

Sincerely,



John Slemkewicz
Public Utilities Supervisor

JS/AEM

Attachment

cc: Division of Economic Regulation (Devlin, Willis, Bulecza-Banks, Marsh, Gardner)
Office of the General Counsel (Brown)
Office of Commission Clerk
Mehrdad Khojasteh, Assistant Controller, Florida Public Utilities Company