

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Florida Public Utilities Company)
for approval of an increase to base rates through a)
limited proceeding to recover costs associated with)
the mandatory storm preparedness initiatives.)
_____)

Docket No. 060638-EI
Date Filed: October 27, 2006

**AMENDED PETITION FOR RECOVERY OF COSTS OF IMPLEMENTING
STORM PREPAREDNESS INITIATIVES**

Florida Public Utilities Company (“Petitioner” or “Company”) hereby files this petition pursuant to Section 366.076, Florida Statutes, and requests the Commission to allow the Company to recover unanticipated expenditures related to the storm preparedness initiatives mandated by the Commission by Order No. PSC-06-0351-PAA-EI. As basis the Company would state:

1. The name and address of the principal business office of the Petitioner is:

Florida Public Utilities Company
401 South Dixie Highway
West Palm Beach, FL 33401

2. The name and address of the persons authorized to receive notices and communications with respect to this Petition are as follows:

Ms. Cheryl Martin
Controller
Florida Public Utilities Company
Post Office Box 3395
West Palm Beach, FL 33402-3395

Norman H. Horton, Jr.,
Messer, Caparello & Self, P. A.
2618 Centennial Place (32308)
Post Office Box 15579
Tallahassee, FL 32317

3. The Company is a public utility as defined in Section 366.02, Florida Statutes, and is engaged in business as an electric utility company providing distribution of electric service to over 30,000 customers in the Northwest (Jackson, Calhoun and Liberty Counties) and Northeast Division

(Nassau County). As a public utility, the Company is subject to the jurisdiction of the PSC pursuant to Chapter 366, Florida Statutes.

4. The Petitioner's present electric base rates have been in effect since April 15, 2004, as reflected by Order No. PSC-04-0369-AS-EI in Docket No. 030438-EI. In that docket, the Commission approved revised rates for the Company based on a test year ending December 31, 2004, common equity of 11.5 percent and an overall rate of return of 7.86 percent and reflect the cost of providing efficient, sufficient and adequate service to the public.

5. On April 25, 2006, the Commission issued Order No. PSC-06-0351-PAA-EI in Docket No. 060198-EI, requiring all investor-owned utilities to file plans and estimated implementation costs for ten (10) ongoing storm preparedness initiatives. On July 26, 2006, the Company filed the projected incremental cost of implementing the ten (10) storm preparedness initiatives for a period of ten years. On average, the incremental annual revenue requirement to the Company to fund the initiative is estimated to be approximately \$700,000.

6. While the Company recognizes the importance of the initiatives and the long-term benefit to its customers and all the citizens of the State, the implementation cost to the Company is significant. Florida Public Utilities Company is a relatively small distribution Company and is not able to absorb such significant incremental costs as would be required of it without putting the Company in severe financial stress. These costs were not known or anticipated at the time of the last rate case and are not reflected in the rates. The Company is already below its allowable rate of return as of June 2006, achieving an average return of 7.40% with a midpoint of 8.14%, and the mandated provisions, although beneficial, would only serve to compromise the Company's continued ability to

provide customers with sufficient, efficient service and maintain an appropriate return sufficient to ensure continued availability of capital.

7. In its response to the order on May 31, 2006, FPU outlined several options that could be utilized to facilitate the Company in funding and implementing the mandatory initiatives while at the same time be most cost-effective to the Company's customers. However, these were not specifically addressed.

8. Because of the significant unanticipated costs that would be requested the Company requests that pursuant to Section 366.076, Florida Statutes, the Commission approve a modification of the base rates by allowing an adjustment to the base rates or through a limited proceeding PAA, which would be in effect until the next rate proceeding. This base rate adjustment would cover the costs of the annual storm preparedness as well as amortization of the one-time expenditures and the annual rate of return on investment capital costs. The one-time expenditures could be amortized over five years and base rates adjusted for the annual portion of those costs. The effect of the proposed adjustment is shown in CMM-5 which is attached to this amended Petition.

9. If the Commission deems this method to be inappropriate three alternative methods are offered for consideration:

- a. A temporary storm cost recovery surcharge, which would be in effect for ten years or until the next rate base proceeding when the additional costs could be incorporated within base rates.
- b. Use the storm reserve funds to cover any incremental increase in annual recurring storm related or preparedness costs over existing levels from the last rate proceeding. One-time expenditures and the annual return on

capital costs related to storm preparedness could also be allowed recovery from our storm reserves. Once the reserve is depleted, a surcharge could be implemented to recover the remaining ongoing costs, if a rate proceeding was not completed in the interim, as well as fund any possible future storm damage costs.

- c. Allow temporary deferral in a special reserve of the storm related costs until the next rate proceeding. At that time, the Commission could allow the Company to recover these deferred costs plus interest on deferred amount over a five-year period, in addition to the future annual costs in our base rates.

10. In support of the proposal, Petitioner attached the following items to the original petition and would incorporate them as part of this amended petition as though fully set forth:

- a. Exhibit CMM-1 (Storm Cost Recovery Surcharge Calculation)
- b. Exhibit CMM-2 (Summary of Incremental Costs)
- c. Exhibit CMM-3 (Summary of Incremental Revenue Requirements)
- d. Exhibit CMM-4 (Consolidated Electric Revenue Deficiency)
- e. Testimony by Cheryl Martin
- f. Testimony by Mark Cutshaw

In addition to these attachments, the Company provides the following exhibit attached hereto:

- g. CMM-5 (Base rate increase by rate schedule)

These exhibits and schedules clearly demonstrate and support the need for the requested relief.

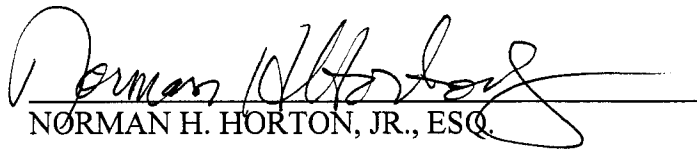
11. The relief sought by Petitioner is revision of its base rates to reflect the additional costs incurred by Petitioner to implement the storm hardening initiatives directed by the Commission. The Commission has the jurisdiction to grant this relief pursuant to Section 366.076, Florida Statutes, which permits the Commission upon petition, to conduct a limited proceeding to act upon any matter within its jurisdiction including adjustment of rates. Using this process is beneficial to the Commission, customers and Company because it avoids the necessity of general rate case which is costly to customers but it affords the Commission with an opportunity to review the request. Moreover, approval of the request by the Commission is an appropriate action to take in view of the mandated costs relative to the size of the Company. The requested adjustment will enable the Company to implement the storm preparedness initiatives while maintaining service to customers and the financial status of the Company.

12. Finally the Company also requests that the implementation of the storm hardening initiatives be delayed as to Petitioner pending disposition of this petition and recovery of the costs associated with the initiatives.

WHEREFORE, Florida Public Utilities Company respectfully requests that the Commission authorize and approve an adjustment to its rates by a mechanism as set forth above to allow Florida Public Utilities Company to recover the unanticipated expenditures related to the FPSC mandated Storm Preparedness Initiatives.

Dated this 27th day of October, 2006.

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Attorneys for Florida Public Utilities Company

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED ELECTRIC
LIMITED PROCEEDING RATE INCREASE
PROJECTED 2007**

2007 PROJECTED REVENUE INCREASE

713,517

RATE SCHEDULE	BILLS #	KILOWATTS KWH	CUSTOMER CHARGE \$	ENERGY CHARGE \$	TOTAL CUST. & ENERGY CHG REVENUE \$
RESIDENTIAL	284,313	347,319,500	2,843,100	4,768,600	7,611,700
COMMERCIAL SMALL	41,797	59,716,180	585,760	879,600	1,465,360
COMMERCIAL	8,546	179,861,720	373,840	1,946,500	2,320,340
COMMERCIAL - LARGE	240	88,952,800	18,000	595,600	613,600
INDUSTRIAL	N/A	N/A	N/A	N/A	N/A
OUTDOOR LIGHTS	36,533	5,044,500	640,725	127,560	768,285
PUBLIC STREETS & HWY	228	1,892,700	174,000	34,560	208,560
TOTAL	371,657	682,787,400	4,635,425	8,352,420	12,987,845

713,517
8,352,420

Energy Charge Base Rate Increase

8.5426%

**FLORIDA PUBLIC UTILITIES COMPANY
CONSOLIDATED ELECTRIC DIVISION
LIMITED PROCEEDING PROPOSED RATE INCREASE**

Proposed Energy Charge Base Rate Increase

8.5426%

Description	Tariff	Present	
		Non-Demand Energy Charge	Demand Energy Charge
		per KWh	per KW
Residential	RS	\$0.01373	
General Service Non Demand	GS	\$0.01473	
Non-Profit Sports Field	GS	\$0.03244	
General Service Demand	GSD	\$0.00232	\$2.48
General Service Large Demand	GSLD	\$0.00086	\$2.89
General Service Large Demand 1	GSLD1		\$1.12

Proposed	
Non-Demand Energy Charge	Demand Energy Charge
per KWh	per KW
\$0.01490	
\$0.01599	
\$0.03521	
\$0.00252	\$2.69
\$0.00093	\$3.14
	\$1.12

OUTDOOR AND STREET LIGHT RATES

Fixture Description	KWh per Mth Est	Tariff	Present
			Energy Charge
			per Light
Cobra Head	72	OL, SL1-2	\$2.16
Cobra Head	154	OL, SL1-2	\$4.62
Cobra Head	41	OL2, SL3	\$1.23
Cobra Head	81	OL2, SL3	\$2.43
Cobra Head	101	OL2, SL3	\$3.03
Cobra Head	162	OL2, SL3	\$4.86
American Revolution	41	OL2, SL3	\$1.23
American Revolution	61	OL2, SL3	\$1.83
Acorn	61	OL2, SL3	\$1.83
Flood	101	OL2, SL3	\$3.03
Flood	162	OL2, SL3	\$4.86
Flood	405	OL2, SL3	\$12.15
SP2 Spectra	41	OL2, SL3	\$1.23
ALN 440	61	OL2, SL3	\$1.83
SP2 Spectra	41	OL2, SL3	\$1.23
ALN 440	71	OL2, SL3	\$2.13
Shoebox	71	OL2, SL3	\$2.13
Shoebox	101	OL2, SL3	\$3.03
Vertical Shoebox	405	OL2, SL3	\$12.15
Flood	162	OL2, SL3	\$4.86
Flood	405	OL2, SL3	\$12.15


Proposed
Energy Charge
per Light
\$2.34
\$5.01
\$1.34
\$2.64
\$3.29
\$5.28
\$1.34
\$1.99
\$1.99
\$3.29
\$5.28
\$13.19
\$1.34
\$1.99
\$1.34
\$2.31
\$2.31
\$3.29
\$13.19
\$5.28
\$13.19

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been served by U. S. Mail this 27th day of October, 2006 upon the following:

Rosanne Gervasi, Esq.
Division of Legal Services
Florida Public Service Commission
2540 Shumard Oak Blvd., Room 370
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c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400


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