



Florida Public Service Commission

SPECIAL REPORT

OCTOBER 2005 NO. 10

Fuel and Purchased Power Cost Recovery Clause with Generating Performance Incentive Factor

DOCKET NO. 050001-EI

Petition for Approval of Application of Temporary Fuel Clause Additive Charge to Mitigate Effects of New Fuel Contracts Effective January 1, 2008 by Florida Public Utilities Company

DOCKET NO. 050317-EI

In May 2005, Florida Public Utilities Company (FPUC or the company) filed a petition with the Florida Public Service Commission (PSC or Commission) requesting the application of a temporary fuel clause additive charge to mitigate the effects of new purchased power contracts that will be effective January 1, 2008. FPUC serves customers in two separate geographic areas; the Northeast or Fernandina Beach division with 15,100 customers and the Northwest or Marianna area with 15,000 customers.

Because FPUC does not generate its own power, it buys power from other utilities. Currently, the cost of these purchased power contracts is substantially below current market prices. These contracts will expire in December 2007. FPUC anticipates that the new contracts which will take effect in January 2008 will reflect market prices at that time.

FPUC seeks to mitigate these higher prices by collecting an additional charge from its customers in 2006 and 2007 and then crediting these amounts back to its customers in 2008, 2009 and 2010. This will smooth out the dramatic increase in electric bills that would otherwise take effect in January 2008.

In both divisions, the initial impact to a residential customer bill of 1,000 kWh per month is expected to be \$2.54, commencing in January 2006. Additional increases of approximately \$2.77 every six months thereafter through 2007 are proposed. These amounts would be returned with interest to FPUC's customers

during the 2008-2010 period. In addition, FPUC is proposing at this time to consolidate its fuel factors for its two electric divisions into a single factor commencing in 2006. If approved, that proposal would have a separate rate impact on each division's fuel charge.

The staff of the PSC has scheduled two customer meetings in the utility's service area to provide customers an opportunity to comment and ask questions regarding the company's proposed fuel surcharge.

PSC staff is scheduled to present an oral recommendation to the Commission at the November 7-9, 2005 hearing. The Commissioners are expected to vote on this matter at that time.

Customer Meetings

Wednesday, October 5, 2005

6:00 p.m. (EDT)

Peck Center Auditorium

516 South 10th Street

Fernandina Beach, Florida

Thursday, October 6, 2005

6:00 p.m. (CDT)

Jackson County Administration Building

County Commission Meeting Room

2864 Madison Street

Marianna, Florida

P S C C O M M I S S I O N E R S



COMMISSIONER

Lisa Polak Edgar



COMMISSIONER

J. Terry Deason



CHAIRMAN

Braulio L. Baez



COMMISSIONER

Rudolph "Rudy" Bradley

VACANT

Braulio L. Baez was appointed to the Florida Public Service Commission by Governor Jeb Bush on August 23, 2000, to complete a term ending January 2002. He was then reappointed by the Governor to a four-year term ending January 2006. Prior to his appointment, Chairman Baez was an attorney in Miami, Florida, with a statewide practice representing municipal and county governments in telecommunications, cable franchising and other regulatory matters. He was Executive Assistant to Commissioner Joe Garcia from 1994 to 1998. A native of South Florida, Chairman Baez received his undergraduate degree from Florida International University in 1988, and his Juris Doctorate degree from Nova University, Shepard Broad Law Center, in 1993. Chairman Baez is a member of the National Association of Regulatory Utility Commissioners Committees on Electricity and International Relations, and has served as President of the Southeastern Association of Regulatory Utility Commissioners. He was named to the State Regulatory Advisory Council to the FCC Federal Advisory Committee on Diversity in the Digital Age. He is a member of Leadership Florida Class XXII, the Florida Bar, and is a past Director of the Hispanic Bar Association, 2nd Judicial District.

J. Terry Deason was first appointed to the Commission by the Florida Public Service Commission Nominating Council in January 1991 for a term ending in January 1995. He was subsequently reappointed by the late Governor Lawton Chiles for a term ending in January 1999. Commissioner Deason was then reappointed by Governor Jeb Bush to a term ending in January 2003, and to his current term which ends in January 2007. Commissioner Deason has served as Chairman of the Commission on two occasions, from January 1993 to January 1995, and from July 2000 to January 2001. Commissioner Deason is an active member of the National Association of Regulatory Utility Commissioners (NARUC). He currently serves on NARUC's Board of Directors, Committee on Telecommunications, and the Federal/State Joint Conference on Accounting. Commissioner Deason also serves on the executive committee for the Nuclear Waste Strategy Coalition. Prior to his appointment, he served as Chief Regulatory Analyst in the Office of Public Counsel. In that capacity, he was responsible for the coordination of accounting and financial analysis used by the Public Counsel in cases before the Public Service Commission, presented testimony as an expert witness, and consulted with the Public Counsel on technical issues and ratemaking policies concerning regulated utilities in the State of Florida. From 1981 to 1987, Commissioner Deason served as Executive Assistant to PSC Commissioner Gerald L. Gunter, during which time he reviewed and analyzed staff recommendations and advised the Commissioner on those recommendations and other pertinent policy determinations. From 1977 to 1981, he served as a Legislative Analyst with the Office of Public Counsel. He attended the U.S. Military Academy at West Point, and in 1975 received his bachelor of science degree in accounting, summa cum laude, from Florida State University. He also received his master of accounting degree from FSU in 1989.

Rudolph "Rudy" Bradley was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 8, 2002. Commissioner Bradley serves on the National Association of Regulatory Utility Commissioners' Committees on Consumer Affairs, Water, and International Relations. He is also a member of the Energy Market Access Partnership Board which is a joint project between the Department of Energy and the National Association of Regulatory Utility Commissioners. Prior to his appointment to the Commission, Commissioner Bradley served as a member of the Florida Legislature for seven years representing District 55 which includes Pinellas, Manatee and Hillsborough Counties. As a member of the Legislature, he served as the Vice Chairman of the Utilities and Telecommunications Committee and as the Chairman of the Select Committee on Energy Restructuring. Commissioner Bradley also served as the Chairman of the Business Development and International Trade Committee and Chairman of the Economic Development Council. As a legislator, Commissioner Bradley maintained a special interest in improving Florida's educational system and expanding business opportunities for all citizens. Commissioner Bradley earned his Bachelor of Science Degree from the University of Tampa and his Masters Degree from the University of Michigan. He served as an educator in Pinellas County for several years and he developed several private enterprises involving real estate and livestock.

Lisa Polak Edgar was appointed to the Florida Public Service Commission by Governor Jeb Bush for a four year term beginning January 2005. Commissioner Edgard served as Deputy Secretary for Planning and Management for the Florida Department of Environmental Protection (DEP) from August 1999 through January 2005. Ms. Edgard's responsibilities included oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, and coordination between the state and federal government on environmental issues, including oil and gas drilling on the Outer Continental Shelf. Prior to serving at DEP, Commissioner Edgard served as chief analyst on Environmental Policy for the Executive Office of the Governor. There Commissioner Edgard helped develop state policy on issues regarding the environment and natural resources, energy, transportation, and economic and community development. She served as liaison with state and federal agencies, Congressional delegation and staff, Cabinet offices, and the Florida Legislature. During her career in public service, Commissioner Edgard has also served as a senior cabinet aide in the Department of Agriculture and Consumer Services, as staff counsel and legislative analyst for the Florida Senate Committees on Reapportionment and Regulated Industries, completed the Harvard Kennedy School of Government program for Senior Executives in State and Local Government, and co-taught a special topics graduate course on the Everglades at Florida A&M University. Commissioner Edgard served as the State of Florida representative to the Minerals Management Service Advisory Board's Outer Continental Shelf (OCS) Policy Committee from 1993-2003, serving on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. She was appointed in 2004 to represent the State of Florida on the re-established Department of the Interior Outer Continental Shelf Policy Committee. Commissioner Edgard graduated cum laude from Florida State University in 1985 with a Bachelor's degree in political science and minor in English. She studied in London during her undergraduate education and in Yugoslavia during law school. She received a juris doctorate from the Florida State University College of Law in 1988 and is a member of the Florida Bar.

Consumer Statements at PSC Meetings

The Commissioners are interested in what consumers have to say about the fuel and purchased power cost recovery clause with generating performance incentive factor, and the petition for approval of application of temporary fuel clause additive charge to mitigate effects of new fuel contracts effective January 1, 2008 by Florida Public Utilities Company. The main purpose of these meetings is to receive comments from the public.

Anyone may make a statement, and speaking is an effective way to let the Commissioners know how you feel about the case under review. At the beginning of the meetings, procedures will be set up to establish an order for comments. PSC staff will have sign-up sheets that will be used to call consumers to speak. PSC staff will also be available to coordinate consumer comments and assist members of the public.

Any person who wishes to comment or provide information to the PSC staff regarding this matter may do so at the meetings, orally or in writing. Written comments also may be mailed to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or faxed to 1-800-511-0809. Correspondence will be placed in the file of this docket (Docket No. 050001-EI or 050317-EI). For your convenience, a comment form is attached to this Special Report.

Any person who wishes to obtain a copy of the recommendation or the order may do so by writing to: Florida Public Service Commission, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, or by going on-line at www.floridapsc.com.

PSC Staff and Reference Numbers

For technical questions, contact:

Todd Bohrmann (850) 413-6445
Bill McNulty (850) 413-6443

For legal questions, contact:

Adrienne Vining (850) 413-6183

For general questions, contact:

Dick Durbin (850) 413-6121
Or call toll-free 1-800-342-3552
(1-800-511-0809 to fax)
E-mail: contact@psc.state.fl.us
Internet Home Page: www.floridapsc.com

Florida Public Service Commission

2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

The Public Service Commission provides a staff of information specialists who are available to answer questions from Florida consumers.

To reach a consumer representative, please call the Public Service Commission during business hours at **1-800-342-3552**, or send a fax to 1-800-511-0809. See the PSC's Internet home page at www.floridapsc.com.

STAMP

Florida Public Service Commission
Division of the Commission Clerk and Administrative Services
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Fold Here

Tape

Fold Here