

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 030001-EI  
CONTINUING SURVEILLANCE AND REVIEW OF  
FUEL COST RECOVERY CLAUSES OF ELECTRIC UTILITIES

Direct Testimony of  
George M. Bachman  
On Behalf of  
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. George M. Bachman, 401 South Dixie Highway, West Palm Beach, FL  
3 33401.
- 4 Q. By whom are you employed?
- 5 A. I am employed by Florida Public Utilities Company.
- 6 Q. Have you previously testified in this Docket?
- 7 A. Yes.
- 8 Q. What is the purpose of your testimony at this time?
- 9 A. I will briefly describe the basis for the computations that were  
10 made in the preparation of the various Schedules that we have  
11 submitted in support of the January 2004 - December 2004 fuel cost  
12 recovery adjustments for our two electric divisions. In addition,  
13 I will advise the Commission of the projected differences between  
14 the revenues collected under the levelized fuel adjustment and the  
15 purchased power costs allowed in developing the levelized fuel  
16 adjustment for the period January 2003 - December 2003 and to  
17 establish a "true-up" amount to be collected or refunded during  
18 January 2004 - December 2004.
- 19 Q. Were the schedules filed by your Company completed under your  
20 direction?
- 21 A. Yes.
- 22 Q. Which of the Staff's set of schedules has your company completed  
23 and filed?
- 24 A. We have filed Schedules E1, E1A, E2, E7, and E10 for Marianna and

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1 E1, E1A, E2, E7, E8, and E10 for Fernandina Beach. They are  
2 included in Composite Prehearing Identification Number GMB-2.  
3 Schedule E1-B and E1-B1 for both Marianna and Fernandina Beach were  
4 filed last month in Composite Prehearing Identification Number GMB-  
5 1.

6 These schedules support the calculation of the levelized fuel  
7 adjustment factor for January 2004 - December 2004. Schedule E1-B  
8 shows the Calculation of Purchased Power Costs and Calculation of  
9 True-Up and Interest Provision for the period January 2003 -  
10 December 2003 based on 6 Months Actual and 6 Months Estimated data.

11 Q. In derivation of the projected cost factor for the January 2004 -  
12 December 2004, period, did you follow the same procedures that were  
13 used in the prior period filings?

14 A. Yes.

15 Q Why has the GSLD1 rate class for Fernandina Beach been excluded  
16 from these computations?

17 A. Demand and other purchased power costs are assigned to the GSLD1  
18 rate class directly based on their actual CP KW and their actual  
19 KWH consumption. That procedure for the GSLD1 class has been in  
20 use for several years and has not been changed herein. Costs to be  
21 recovered from all other classes are determined after deducting  
22 from total purchased power costs those costs directly assigned to  
23 GSLD1.

24 Q. How will the demand cost recovery factors for the other rate  
25 classes be used?

26 A. The demand cost recovery factors for each of the RS, GS, GSD, GSLD,  
27 GSLD1 and OL-SL rate classes will become one element of the total  
28 cost recovery factor for those classes. All other costs of  
29 purchased power will be recovered by the use of the levelized

1 factor that is the same for all those rate classes. Thus the total  
2 factor for each class will be the sum of the respective demand cost  
3 factor and the levelized factor for all other costs.

4 Q. Please address the calculation of the total true-up amount to be  
5 collected or refunded during the January 2004 - December 2004.

6 A. We have determined that at the end of December 2002 based on six  
7 months actual and six months estimated, we will have under-  
8 recovered \$343,777 in purchased power costs in our Marianna  
9 division. Based on estimated sales for the period January 2004 -  
10 December 2004, it will be necessary to add .11373¢ per KWH to  
11 collect this under-recovery.

12 In Fernandina Beach we will have over-recovered \$1,302,700 in  
13 purchased power costs. This amount will be refunded at .38363¢ per  
14 KWH during the January 2004 - December 2004 period (excludes GSLED  
15 customers). Page 3 and 10 of Composite Prehearing Identification  
16 Number GMB-2 provides a detail of the calculation of the true-up  
17 amounts.

18 Q. Looking back upon the January 2002 - December 2002 period, what  
19 were the actual End of Period - True-Up amounts for Marianna and  
20 Fernandina Beach, and their significance, if any?

21 A. The Marianna Division experienced an under-recovery of \$74,421 and  
22 Fernandina Beach Division over-recovered \$1,168,835. The amounts  
23 both represent fluctuations of less than 10% from the total fuel  
24 charges for the period and are not considered significant variances  
25 from projections.

26 Q. What are the final remaining true-up amounts for the period January  
27 2002 - December 2002 for both divisions?

28 A. In Marianna the final remaining true-up amount was an under-  
29 recovery of \$78,631. The final remaining true-up amount for

1                   Fernandina Beach was over-recovery of \$1,167,570.

2                   Q.    What are the estimated true-up amounts for the period of January

3                                2003 - December 2003?

4                   A.    In Marianna, there is an estimated under-recovery of \$265,146.

5                                Fernandina Beach has an estimated over-recovery of \$135,130.

6                   Q.    What will the total fuel adjustment factor, excluding demand cost

7                                recovery, be for both divisions for the period?

8                   A.    In Marianna the total fuel adjustment factor as shown on Line 33,

9                                Schedule E1, is 2.430¢ per KWH. In Fernandina Beach the total fuel

10                               adjustment factor for "other classes", as shown on Line 43,

11                               Schedule E1, amounts to 1.569¢ per KWH.

12                   Q.    Please advise what a residential customer using 1,000 KWH will pay

13                                for the period January 2003 - December 2003 including base rates,

14                                conservation cost recovery factors, and fuel adjustment factor and

15                                after application of a line loss multiplier.

16                   A.    In Marianna a residential customer using 1,000 KWH will pay \$63.36,

17                                an increase of 2.11 from the previous period. In Fernandina Beach

18                                a customer will pay \$49.88, a decrease of \$7.94 from the previous

19                                period.

20                   Q.    Does the company want to implement consolidated electric fuel rates

21                                for their Marianna and Fernandina Beach Division?

22                   A.    Yes, the company requests that the fuel rates be consolidated

23                                effective with the date of the revised consolidated base rates

24                                associated with our current rate proceeding filed with the PSC on

25                                August 14, 2003, Docket No. 030438-EI. The company expects these

26                                rates to be effective on or before June 1, 2004 and would like to

27                                coincide the implementation of consolidated fuel rates on the

28                                same effective date of the new base rates. The company feels

29                                this is appropriate based on the consolidation of electric

1 rates between the two divisions, which will match methodologies  
2 used by most electric utilities that have standard rates for  
3 all customers. At most other electric utilities, fuel rates  
4 are consolidated even though costs from production capacity or  
5 off-system purchases vary based on many factors. This fuel  
6 rate consolidation will allow FPUC to standardize fuel costs as  
7 is done by other utilities and will assist in stabilizing fuel  
8 rate charges to all customers in the future.

9 Q. Does this conclude your testimony?

10 A. Yes.