

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

Docket No. 130001-EI  
Fuel and Purchased Power Cost Recovery Clause  
Direct Testimony of  
Curtis Young  
(2012 Final True-Up)  
on behalf of  
Florida Public Utilities Company

1 Q. Please state your name and business address.

2 A. Curtis Young, 1641 Worthington Road, Suite 220, West Palm Beach, Fl 33409.

3 Q. By whom are you employed?

4 A. I am employed by Florida Public Utilities Company.

5 Q. Could you give a brief description of your background and business experience?

6 A. I am the Senior Regulatory Analyst for Florida Public Utilities Company. I have  
7 performed various accounting and analytical functions including regulatory filings,  
8 revenue reporting, account analysis, recovery rate reconciliations and earnings  
9 surveillance. I'm also involved in the preparation of special reports and schedules  
10 used internally by division managers for decision making projects. Additionally, I  
11 coordinate the gathering of data for the FPSC audits.

12 Q. What is the purpose of your testimony?

13 A. The purpose of my testimony is to present the calculation of the final remaining true-  
14 up amounts for the period January 2012 through December 2012.

COM 15 5 Q. Have you included any exhibits to support your testimony?

AFD 6  
APA 16 1 A. Yes. Exhibit \_\_\_\_\_ (CDY-1 ) consists of Schedules A, B, M1, F1 and E1-B for the  
ECO 1  
ENG 17 1 Northwest Florida (Marianna) and Northeast Florida (Fernandina Beach) divisions.  
GCL 1  
IDM 18 \_\_\_\_\_  
TEL \_\_\_\_\_  
CLK 1-Ct Rep  
These schedules were prepared from the records of the company.

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FPSC-COMMISSION CLERK

1 Q. What has FPUC calculated as the final remaining true-up amounts for the period  
2 January 2012 through December 2012?

3 A. For Northwest Florida the final remaining true-up amount is an under recovery of  
4 \$1,121,875. For Northeast Florida the calculation is an over recovery of \$1,786,701.

5 Q. How were these amounts calculated?

6 A. They are the difference between the actual end of period true-up amounts for the  
7 January through December 2012 period and the total true-up amounts to be collected  
8 or refunded during the January - December 2013 period.

9 Q. What was the actual end of period true-up amount for January - December 2012?

10 A. For Northwest Florida it was \$2,599,479 under recovery and for Northeast Florida it  
11 was \$2,045,337 over recovery.

12 Q. What have you calculated to be the total true-up amount to be collected or refunded  
13 during the January – December 2013 period?

14 A. Using six months actual and six months estimated amounts, we calculated an under  
15 recovery for Northwest Florida of \$1,477,604 and an over recovery of \$258,636 for  
16 Northeast Florida.

17 Q. Did you include costs in addition to the costs specific to purchased fuel in the  
18 calculations of your true-up amounts?

19 A. Yes, included with our fuel and purchased power costs are charges for contracted  
20 consultants and legal services that are directly fuel-related and appropriate for  
21 recovery in the fuel clause for each respective division.

22 Q. Please explain how these costs were determined to be recoverable under the fuel  
23 clause?

1 A. Consistent with the Commission's policy set forth in Order No. 14546, issued in  
2 Docket No. 850001-EI-B, on July 8, 1985, the other costs included in the fuel clause  
3 are directly related to fuel, have not been recovered through base rates, and the fuel  
4 related costs are specific to a division rather than related to the consolidated entity.  
5 Specifically, as illustrated in item 10 of Order 14546, the costs the Company has  
6 included are fuel-related costs and were not anticipated or included in the cost levels  
7 used to establish the current base rates. To be clear, these costs are not tied to the  
8 Company's internal staff involvement in fuel and purchased power procurement and  
9 administration. Instead, these costs are associated with external contracts, which  
10 were unanticipated in the Company's last rate case, and which, consequently, tend to  
11 be more volatile depending upon the issue. Similar expenses paid to Christensen and  
12 Associates associated with the design for a Request for Proposals of Fuel costs, and  
13 the evaluation of those responses, were deemed appropriate for recovery by FPUC  
14 through the fuel clause in Order No. PSC-05-1252-FOF-EI, Item II E, issued in  
15 Docket No. 050001-EI. Additionally in Docket No. 120001-EI, the Commission  
16 determined that many of the costs associated with the legal and consulting work  
17 incurred by the Company as fuel related, particularly those costs related to the  
18 purchase power agreement review and analysis, were recoverable under the fuel  
19 clause. Likewise, the Company believes that the costs addressed herein are  
20 appropriate for recovery through the fuel clause.

1 Q. What were the costs outside of purchased fuel costs, included in the 2012 true up for  
2 Florida Public Utilities Company?

3 A. Florida Public Utilities engaged Gunster, Yoakley & Stewart, P.A. "Gunster",  
4 Christensen and Associates "Christensen" and Sterling Energy Services "Sterling" for  
5 assistance in the development and enactment of projects/programs designed to reduce  
6 their fuel rates to its customers. We had separate types of administrative costs  
7 included in our true up for the Northwest division and Northeast division.

8  
9 Northwest division:

10 The costs associated with the legal and consulting work on the PPA amendment are  
11 appropriate for recovery through the Fuel and Purchased Power cost recovery clause.  
12 FPUC purchases all of its power requirements for its Northwest Division from Gulf  
13 Power through the existing PPA. FPUC was able to negotiate changes in the PPA  
14 that, before its subsequent appeal, would have resulted in measurable fuel savings  
15 (approximately \$6 million), over the remaining term of the agreement, to the  
16 Northwest Division customers. These costs were not included in expenses during the  
17 last FPUC consolidated electric base rate proceeding and are not being recovered  
18 through base rates.

19 The costs associated with the legal and consulting work for the development of a  
20 restructured allocation schedule of the Company's Demand costs. FPUC has  
21 proposed that its current methodology for allocating its demand costs, adapted from  
22 the results of Gulf Power Company's Load Factor Research, is not the most  
23 appropriate approach given the differences in the demographics and consumption

1 habits between our customers and theirs. Since FPUC does not currently have the  
2 resources to conduct its own load factor research, Christensen was requested to  
3 research and develop a allocation basis that best served our customer base. FPUC  
4 proposes that these costs are directly related to fuel, not recovered in base rates and  
5 were incurred to more accurately allocate fuel cost between the customer classes.

6  
7 Northeast Division:

8 The legal and consulting costs associated with the development and negotiations of  
9 the renewable energy contract are appropriate for recovery through the Fuel and  
10 Purchased Power cost recovery clause. The Rayonier renewable energy contract was  
11 finalized in early 2012. This contract provides for the purchase of power at rates  
12 lower than the existing Purchase Power Agreement between FPUC and JEA. FPUC  
13 realized reduced fuel rates for the Northeast Division customers as a result of this  
14 agreement, beginning in mid-2012. These costs were not included in expenses during  
15 the last FPUC consolidated electric base rate proceeding and are not being recovered  
16 through base rates. Christensen and Sterling have also been performing due  
17 diligence in their occasional review and analysis of the terms of the current  
18 Purchased Power Agreements between FPUC and its power suppliers (JEA and  
19 Rock-Tenn) in the efforts of further discovering avenues towards negotiating cost  
20 reductions.

21 The costs associated with the legal and consulting work for the development of a  
22 restructured allocation schedule of the Company's Demand costs. FPUC has  
23 proposed that its current methodology for allocating its demand costs, adapted from

1 the results of FP&L's Load Factor Research, is not the most appropriate approach  
2 given the differences in the demographics and consumption habits between our  
3 customers and theirs. Since FPUC does not currently have the resources to conduct its  
4 own load factor research, Christensen was requested to research and develop a  
5 allocation basis that best served our customer base. FPUC proposes that these costs  
6 are directly related to fuel, not recovered in base rates and were incurred to more  
7 accurately allocate fuel cost between the customer classes.

8  
9  
10  
11 Q. Does this conclude your direct testimony?

12 A. Yes, it does.

FLORIDA PUBLIC UTILITIES  
 FINAL FUEL AND PURCHASED POWER OVER/(UNDER) RECOVERY  
 FOR THE PERIOD  
 JANUARY 2012 THROUGH DECEMBER 2012

NORTHWEST FLORIDA DIVISION

1 JURISDICTIONAL FUEL COSTS (INCL. ALL ADJUSTMENTS)	\$ 31,756,054
2 JURISDICTIONAL FUEL REVENUES APPLICABLE TO THE PERIOD	<u>28,881,063</u>
3 ACTUAL OVER/(UNDER) RECOVERED FUEL COSTS FOR THE PERIOD	(2,874,991)
4 ADJUSTMENTS (INCL. REVENUE REFUND TRUE-UP ADJUSTMENT)	1,567,788
5 INTEREST	(2,439)
6 TRUE-UP COLLECTED	(1,567,788)
7 PRIOR PERIOD TRUE-UP (ACTUAL ENDING 12/12)	<u>277,951</u>
8 ACTUAL OVER/(UNDER) RECOVERY FOR THE PERIOD (LINE 3 + LINE4 + LINE5 + LINE6 + LINE7)	(2,599,479)
9 PROJECTED UNDER-RECOVERY PER PROJECTION RE-FILED 10/31/12	<u>(1,477,604)</u>
10 FINAL FUEL OVER/(UNDER) RECOVERY (LINE 8 - LINE 9)	<u><u>(1,121,875)</u></u>

FLORIDA PUBLIC UTILITIES  
 FINAL FUEL AND PURCHASED POWER OVER/(UNDER) RECOVERY  
 FOR THE PERIOD  
 JANUARY 2012 THROUGH DECEMBER 2012

NORTHEAST FLORIDA DIVISION

1 JURISDICTIONAL FUEL COSTS (NET OF GSLD1 / STAND BY FUEL COSTS)	\$ 29,786,712
2 JURISDICTIONAL FUEL REVENUES APPLICABLE TO THE PERIOD (NET OF GSLD1 /STANDBY FUEL REVENUES)	<u>28,319,913</u>
3 ACTUAL OVER/(UNDER) RECOVERED FUEL COSTS FOR THE PERIOD	(1,466,799)
4 ADJUSTMENTS (INCL. REVENUE REFUND TRUE-UP ADJUSTMENT)	3,149,022
5 INTEREST	2,522
6 TRUE-UP COLLECTED	(3,149,022)
7 PRIOR PERIOD TRUE-UP (ACTUAL ENDING 12/12)	<u>3,509,614</u>
8 ACTUAL OVER/(UNDER) RECOVERY FOR THE PERIOD (LINE 3 + LINE4 + LINES + LINE6 + LINE7)	2,045,337
9 PROJECTED UNDER-RECOVERY PER PROJECTION RE-FILED 10/31/12	<u>258,636</u>
10 FINAL FUEL OVER/(UNDER) RECOVERY (LINE 8 - LINE 9)	<u><u>1,786,701</u></u>



**FLORIDA PUBLIC UTILITIES COMPANY**  
**CALCULATION OF PURCHASED POWER COSTS AND CALCULATION OF TRUE-UP AND INTEREST PROVISION**  
**ESTIMATED FOR THE PERIOD: JANUARY 2012 - DECEMBER 2012**  
**BASED ON TWELVE MONTHS ACTUAL**

Schedule M1

**NORTHWEST FLORIDA DIVISION**

	ACTUAL JANUARY 2012	ACTUAL FEBRUARY 2012	ACTUAL MARCH 2012	ACTUAL APRIL 2012	ACTUAL MAY 2012	ACTUAL JUNE 2012	ACTUAL JULY 2012	ACTUAL AUGUST 2012	ACTUAL SEPTEMBER 2012	ACTUAL OCTOBER 2012	ACTUAL NOVEMBER 2012	ACTUAL DECEMBER 2012	Totals
Total System Sales - KWH	24,570,022	20,870,527	21,438,280	20,821,645	21,734,442	25,872,164	28,729,777	30,307,066	30,867,225	27,192,471	24,509,759	23,125,039	300,038,407
Total System Purchases - KWH	25,334,508	22,472,613	23,062,445	22,576,393	27,942,808	28,825,730	32,608,586	30,857,455	27,296,395	24,266,224	23,178,568	25,693,660	314,104,385
System Billing Demand - KW	97,944	97,944	97,944	97,944	97,944	97,944	97,944	97,944	97,944	97,944	97,944	97,944	1,176,328
Peak Billing Demand-KW	60,722	69,442	68,004	68,567	68,834	69,278	69,197	68,806	68,666	68,545	68,346	68,284	706,691
<b>Purchased Power Rates:</b>													
Energy/Environmental - \$/KWH	0.06078	0.06078	0.06078	0.06078	0.06078	0.06078	0.05328	0.05328	0.05328	0.05328	0.05328	0.05328	
Demand and Non-Fuel:													
Capacity Charge - \$/KWH	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	9.00000	
Transmission and Interconnection - \$/KWH	2.43707	2.43707	2.43707	2.43707	2.43707	2.43707	2.35199	2.35199	2.35199	2.35199	2.35199	2.35199	
Distribution Charge	39,736	39,736	39,736	39,736	39,736	39,736	39,736	39,736	39,736	39,736	39,736	39,736	476,832
<b>Purchased Power Costs:</b>													
Base Fuel Costs	1,590,936	1,402,346	1,438,529	1,406,823	1,743,700	1,798,797	1,783,783	1,687,972	1,493,120	1,327,417	1,267,920	1,405,501	18,338,824
Subtotal Fuel Costs	1,590,936	1,402,346	1,438,529	1,406,823	1,743,700	1,798,797	1,783,783	1,687,972	1,493,120	1,327,417	1,267,920	1,405,501	18,338,824
<b>Demand and Non-Fuel Costs:</b>													
Capacity Charge	881,496	881,496	881,496	881,496	1,637,541	881,496	881,496	881,496	881,496	881,496	881,496	881,496	11,333,997
Transmission and Interconnection	147,984	144,864	141,360	142,732	142,895	144,465	(37,062)	138,311	138,452	137,897	137,229	137,063	1,518,010
Distribution Facilities Charge (incl. FERC VI chrg)	41,636	41,649	38,702	41,476	41,636	41,645	41,912	42,198	42,066	41,797	41,396	41,322	485,835
Motor Reading and Processing Charge	775	775	775	775	775	775	775	775	775	775	775	775	9,300
Subtotal Demand & Non-Fuel Costs	1,071,891	1,068,784	1,060,333	1,066,479	1,823,047	1,068,581	887,121	1,062,780	1,062,789	1,061,765	1,060,896	1,060,676	13,355,142
Total System Purchased Power Costs	2,662,827	2,471,130	2,498,862	2,473,302	3,566,747	2,867,378	2,670,884	2,750,752	2,555,909	2,389,182	2,328,816	2,466,177	31,693,966
Special Costs	375	12,039	(1,987)	9,751	14,908	9,630	8,513	11,587	(11,240)	8,674	1,661	(1,641)	62,088
Total Costs and Charges	2,663,202	2,483,169	2,496,875	2,483,053	3,581,655	2,877,008	2,679,397	2,762,339	2,544,669	2,397,856	2,330,477	2,464,536	31,756,054
<b>Sales Revenue - Fuel Adjustment Revenues:</b>													
Residential<	779,890	728,109	698,104	630,001	647,485	732,728	768,712	781,155	782,859	723,818	685,269	706,291	6,884,221
Residential>	379,913	211,676	171,516	128,238	168,079	333,926	448,345	494,013	504,068	326,140	197,849	245,169	3,607,831
Commercial, Small	232,599	199,047	199,209	203,666	203,288	244,543	265,631	281,698	289,588	275,033	221,725	201,048	2,818,871
Commercial, Large	616,059	536,445	585,789	571,303	590,144	711,955	733,912	749,118	798,256	759,580	637,219	546,745	7,836,505
Industrial	439,728	385,851	425,072	437,153	426,166	432,030	520,961	583,670	573,156	491,446	567,248	475,028	5,747,507
Outside Lighting Private	25,289	25,599	25,339	24,971	24,462	24,417	24,312	24,728	24,514	25,349	25,263	29,994	304,197
Street Lighting-Public	7,593	7,891	8,402	8,218	8,098	8,098	8,019	7,942	7,942	7,942	8,021	7,983	96,149
Unbilled Fuel Revenues	(337,484)	98,625	(13,487)	22,007	299,752	12,448	228,798	(157,172)	(152,717)	(232,884)	(85,825)	129,503	(192,418)
Total Fuel Revenues	2,143,607	2,191,203	2,099,943	2,025,557	2,367,472	2,500,145	2,996,588	2,765,152	2,827,666	2,375,204	2,246,769	2,341,757	28,881,063
Non-Fuel Revenues	930,406	842,146	843,308	805,160	829,311	837,210	1,010,586	1,044,212	1,055,681	964,708	892,413	862,148	11,037,289
Total Sales Revenue	3,074,013	3,033,349	2,943,251	2,830,717	3,196,783	3,437,355	4,007,174	3,809,364	3,883,347	3,339,912	3,139,182	3,223,905	39,918,352
<b>KWH Sales:</b>													
Residential<	7,571,044	7,068,654	6,853,197	6,308,580	6,574,583	7,440,088	7,805,486	7,934,228	7,949,174	7,347,719	6,958,260	7,172,162	86,883,155
Residential>	3,364,093	1,874,589	1,530,566	1,181,586	1,551,177	3,060,852	4,135,795	4,567,052	4,649,542	2,999,755	1,825,744	2,262,284	33,013,016
Commercial, Small	2,258,787	1,932,949	1,955,831	2,046,353	2,064,621	2,483,452	2,686,583	2,860,771	2,941,143	2,793,440	2,261,711	2,041,712	28,327,353
Commercial, Large	6,305,451	5,488,146	6,095,240	6,089,594	6,377,443	7,634,371	7,888,968	8,034,731	8,524,715	8,146,984	6,832,766	5,864,633	83,243,042
Industrial	4,660,008	4,089,048	4,579,376	4,785,066	4,741,224	4,806,484	5,795,844	6,493,500	6,376,532	5,467,476	6,199,552	5,284,804	63,278,884
Outside Lighting-Private	316,557	319,375	318,508	324,418	319,338	320,879	322,102	322,765	322,110	333,088	336,675	394,918	3,950,731
Street Lighting-Public	94,082	97,768	105,562	108,058	108,058	108,058	105,019	104,009	104,009	104,009	105,051	104,546	1,242,227
Total KWH Sales	24,570,022	20,870,527	21,438,280	20,821,645	21,734,442	25,872,164	28,729,777	30,307,066	30,867,225	27,192,471	24,509,759	23,125,039	300,038,407
<b>True-up Calculation:</b>													to Date
Fuel Revenues	2,143,607	2,191,203	2,099,943	2,025,557	2,367,472	2,500,145	2,996,588	2,765,152	2,827,666	2,375,204	2,246,769	2,341,757	28,881,063
True-up Provision for the Period - collect/(refund)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(1,567,788)
Gross Receipts Tax Refund	0	0	0	0	0	0	0	0	0	0	0	0	0
Fuel Revenue	2,274,256	2,321,852	2,230,592	2,156,206	2,498,121	2,630,794	3,127,237	2,895,801	2,958,315	2,505,863	2,377,418	2,472,406	30,448,851
Total Purchased Power Costs	2,653,202	2,483,169	2,496,895	2,485,053	3,581,653	2,877,008	2,679,397	2,762,339	2,544,669	2,397,856	2,330,477	2,464,536	31,756,054
True-up Provision for the Period	(378,946)	(161,317)	(266,303)	(328,847)	(1,083,532)	(246,214)	447,840	133,462	413,646	107,997	46,941	8,070	(1,307,203)
Interest Provision for the Period	1	(33)	(72)	(115)	(207)	(314)	(340)	(300)	(261)	(269)	(285)	(244)	(2,439)
True-up and Interest Provision													
Beginning of Period	277,951	(231,643)	(523,642)	(920,666)	(1,380,277)	(2,594,665)	(2,971,842)	(2,654,991)	(2,652,478)	(2,369,742)	(2,392,663)	(2,476,656)	277,951
True-up Collected or (Refunded)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(130,649)	(1,567,788)
End of Period, Not True-up	(231,643)	(523,642)	(920,666)	(1,380,277)	(2,594,665)	(2,971,842)	(2,654,991)	(2,652,478)	(2,369,742)	(2,392,663)	(2,476,656)	(2,599,479)	(2,599,479)
<b>10% Rule - Interest Provision:</b>													-3.20%
Beginning True-up Amount	277,951	(231,643)	(523,642)	(920,666)	(1,380,277)	(2,594,665)	(2,971,842)	(2,654,991)	(2,652,478)	(2,369,742)	(2,392,663)	(2,476,656)	
Ending True-up Amount Before Interest	(231,644)	(523,609)	(920,594)	(1,380,162)	(2,594,458)	(2,971,528)	(2,654,651)	(2,652,178)	(2,369,481)	(2,392,394)	(2,476,371)	(2,599,235)	
Total Beginning and Ending True-up	46,307	(755,252)	(1,444,235)	(2,300,828)	(3,974,734)	(5,566,192)	(5,626,422)	(5,307,168)	(5,021,958)	(4,762,136)	(4,869,034)	(5,075,892)	
Average True-up Amount	23,153	(377,626)	(722,118)	(1,150,414)	(1,987,367)	(2,783,096)	(2,813,246)	(2,653,584)	(2,510,979)	(2,381,068)	(2,434,517)	(2,537,946)	
Average Annual Interest Rate	0.0850%	0.1060%	0.1200%	0.1260%	0.1260%	0.1350%	0.1450%	0.1350%	0.1350%	0.1350%	0.1350%	0.1150%	
Monthly Average Interest Rate	0.0054%	0.0088%	0.0100%	0.0100%	0.0104%	0.0113%	0.0121%	0.0113%	0.0104%	0.0113%	0.0117%	0.0096%	
Interest Provision	1	(33)	(72)	(115)	(207)	(314)	(340)	(300)	(261)	(269)	(285)	(244)	

Exhibit No.  
DOCKET NO. 130001-EI  
Florida Public Utilities Company  
(CDY - 1)  
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