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MESSER CAPARELLO & SELF, P.A.

Attorneys At Law

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COMMISSION
CLERK

February 8, 2007

BY HAND DELIVERY

Ms. Blanca Bayo, Director
Commission Clerk and Administrative Services
Room 110, Easley Building
Florida Public Service Commission
2540 Shumard Oak Blvd.
Tallahassee, Florida 32399-0850

Dear Ms. Bayo:

070108-E1

Enclosed for filing on behalf of Florida Public Utilities Company are an original and 15 copies of the following documents:

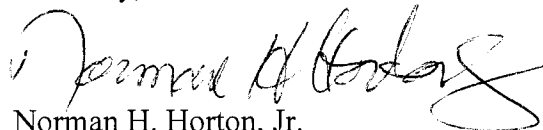
1. Petition for Approval of Agreement for Generation Services; 01334-07
2. Direct Testimony of George M. Bachman; 01339-07
3. Direct Testimony of Robert J. Camfield; 01340-07
4. Direct Testimony of Mark Cutshaw; 01341-07
5. Direct Testimony of Cheryl M. Martin; and 01342-07
6. Request for Confidential Classification. 01335-07

CONFIDENTIAL
01336-07
01337-07

Please indicate receipt of this document by stamping the enclosed extra copy of this letter.

Thank you for your assistance in this matter.

Sincerely,



Norman H. Horton, Jr.

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FPSC-BUREAU OF RECORDS

NHH:amb
Enclosures

cc: Mr. George M. Bachman
Mr. Robert J. Camfield
Mr. Mark Cutshaw
Ms. Cheryl M. Martin

DOCUMENT NUMBER - DATE

01334 FEB-8 8

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request for Approval of the Electric)
Fuel Supply Contract and Related Terms)
and Conditions between Gulf Power)
Company and Florida Public Utilities)
Company for their Northwest Division)
(Marianna) Beginning 2008)
_____)

Docket No. 070108-E1
Filed: February 8, 2007

PETITION FOR APPROVAL OF AGREEMENT FOR GENERATION SERVICES

Florida Public Utilities Company ("Company" or "FPUC"), through its undersigned attorney and pursuant to Chapter 366, Florida Statutes, hereby petitions the Commission for approval of the Agreement for Generation Services between FPUC and Gulf Power Company dated December 28, 2006, and find that the Agreement which is to become effective January 1, 2008, represents a reasonable and prudent action by the Company for purchased power for purposes of cost recovery through the fuel cost recovery clause. In support, the Company states:

1. Florida Public Utilities Company is a public utility providing electric service to customers and is subject to the regulation of the Florida Public Service Commission pursuant to Chapter 366, Florida Statutes.

The exact name of Petitioner and the address of its principal office is

Florida Public Utilities
P.O. Box 3395
West Palm Beach, FL 33420-3395

2. The names and addresses of the persons authorized to receive notices and communications with respect to this Petition:

DOCUMENT NUMBER-DATE

01334 FEB-8 5

FPSC-COMMISSION CLERK

Norman H. Horton, Jr.
Messer, Caparello & Self, P. A.
2618 Centennial Place
Tallahassee, FL 32308

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

3. FPUC provides electric utility service to customers located in the Fernandina Beach (Northeast Division) and in Jackson, Calhoun and Liberty Counties (Northwest Division). The Company does not generate any of the power it sells but purchases all of its power needs pursuant to contracts with JEA (Northeast) and Gulf Power Company (Northwest). Both original contracts expire December 31, 2007.

4. In order to meet its power needs beginning January 1, 2008, in 2005 the Company began an extensive process soliciting proposals for power supply in either or both divisions. In 2006, FPUC entered into an agreement with JEA for power for the Northeast Division beginning January 1, 2007. The Company presented testimony and exhibits supporting the prudence of the new purchased power agreement with JEA in the fuel adjustment docket, Docket No. 060001-EI, and the Commission determined the purchased power costs pursuant to this agreement to be prudent (see Order No. PSC-06-1057-FOF-EI). At that time, although proposals for the Northwest division had been received and reviewed, no agreement was in place. On December 28, 2006, FPUC and Gulf Power Company executed an Agreement for generation services as of January 1, 2008, for the Northwest Division and the purpose of this Petition is to seek approval of that Agreement for purposes of the fuel cost recovery calculations.

5. The process which culminated with the Agreement for the Northwest Division began in 2005, when the Company released a formal Request for Proposals and solicited responses from any interested party for purchased power. The Company received and considered several proposals

as well as alternative sources before selecting the proposal from Gulf Power for the Northwest Division. The process was the same as was described by Mr. Robert Camfield and Mr. George Bachman in testimony before the Commission during the hearings in Docket No. 060001-EI and in testimony filed with this Petition.

6. As a result of the analysis and review, FPUC concluded that the selection of Gulf Power as the supplier of purchased power for the Northwest Division would be the most prudent and reasonable selection and would best enable to the Company to meet its objective of supplying power to its customers at favorable terms and conditions over a long term. On December 28, 2006, the parties executed an agreement for a term of ten (10) years commencing January 1, 2008. (The executed Agreement contains proprietary confidential business information as defined in Section 366.093(3), Florida Statutes and is being provided separate from this Petition along with a Request for Confidential Treatment. A redacted version is attached to the Petition as Exhibit "A".)

7. The Agreement with Gulf Power is beneficial to and in the best interests of the Company and its customers. In addition to continuing a relationship with a provider with a proven level of service, the new agreement incorporates revisions to policies and procedures which will expand and improve on the services received under the current agreement and overall will be beneficial to the Company and its customers. The Agreement contains a rate structure which is fair to customers of both parties and incorporates terms addressing several contingency events. Overall, the Agreement is a reasonable and prudent Agreement for both parties.

8. As anticipated, the Agreement will result in an increase in the fuel capacity charges borne by customers. Since 1997, when the current agreement was implemented, the retail customers of FPUC in the Northwest Division have enjoyed relatively favorable fuel capacity costs because of

the terms of that agreement. Prices in the new agreement are based on market more so than the expiring agreement, consequently customers in the Northwest Division will see an increase in the cost of fuel when this agreement becomes effective. However, each of the proposals for purchased power received by FPUC would have resulted in an increase to customers. The potential impact on customers is discussed in testimony and schedules filed by Ms. Cheryl Martin.

9. FPUC has recognized for several years that the execution of new agreements in 2008 would have an impact on customers. In 2005, the Company submitted a proposal (Docket Nos. 050317-EI and 050001-EI) to alleviate the anticipated increase but that was not approved. However, partly as a result of that docket, and the associated notices and customer meetings conducted by the Commission, customers were made aware of the probable increase they would experience with the new agreement. The Company has continued to reach out to consumers and inform them of the expected increases and has a plan for continued consumer education as is addressed in testimony filed by Mr. Mark Cutshaw.

10. The Agreement with Gulf Power represents the most prudent arrangement for continued purchased power for FPUC customers and approval of that Agreement would be appropriate. FPUC is requesting approval of the Agreement at this time pursuant to the terms of the Contract and because it is the most efficient action to take. Review and approval now would enable both FPUC and Gulf to approach the annual fuel adjustment proceedings with certainty as to the purchased power costs to be utilized in that proceeding. The issues, as to FPUC, would thus be those traditionally addressed in that proceeding, essentially the proper calculation of the fuel adjustment clause. FPUC is not requesting approval of that factor at this time but would submit the calculated

factor in due course in the fuel proceedings. Approval of the contract at this time would also be a more efficient use of Staff time.

11. Approval of this contract outside of the fuel and purchased power cost recovery docket would be consistent with prior actions of the Commission to approve purchased power related Agreements. See for example, Order No. PSC-05-0272-PAA-EI issued March 14, 2005, in Docket No. 041393-EI.


12. The contract with Gulf Power Company requires that FPUC receive approval of the contract by no later than July 1, 2007, thus FPUC requests that the Commission docket and consider this petition and issue its order prior to that date.

WHEREFORE, for the reasons cited, FPUC requests that the Commission

1. Review and approve the Agreement executed December 28, 2006 between FPUC and Gulf Power Company as a prudent and reasonable agreement for purchased power, and;
2. Issue an order approving the contract not later than July 1, 2007.

Dated this 8th day of February, 2007.

Respectfully submitted,
MESSER, CAPARELLO & SELF, P. A.
2618 Centennial Place
Tallahassee, FL 32308
(850) 222-0720



NORMAN H. HORTON, JR., ESQ.

Attorneys for Florida Public Utilities Company

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that true and correct copies of the foregoing have been served by U. S. Mail this 8th day of February, 2007 upon the following:

Office of the Public Counsel
c/o The Florida Legislature
111 West Madison St., Rm 812
Tallahassee, FL 32399-1400


NORMAN H. HORTON, JR.