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BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 070001-EI
CONTINUING SURVEILLANCE AND REVIEW OF
FUEL COST RECOVERY CLAUSES OF ELECTRIC UTILITIES

Direct Testimony of
Mehrdad Khojasteh
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Mehrdad Khojasteh, 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 2008 - December 2008 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 2007 - December 2007 and to
- 17 establish a "true-up" amount to be collected or refunded during
- 18 January 2008 - December 2008.
- 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

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1 (Northwest division) and E1, E1A, E2, E7, E8, and E10 for
2 Fernandina Beach (Northeast division). They are included in
3 Composite Prehearing Identification Number MK-1.

4 Q. Were there any other schedules completed and filed that are
5 pertinent to this docket?

6 A. Yes, Schedule E-1, A-2, M-1 (Marianna only) and F-1 (Fernandina Beach
7 only) for both Marianna (Northwest) and Fernandina Beach
8 (Northeast) were filed last month in Composite Prehearing
9 Identification Number CMM-4 as part of FPUC's computation for its
10 2007 midcourse correction. These schedules support the calculation
11 of the levelized fuel adjustment factor for January 2008 - December
12 2008. Schedules M-1 and F-1 show the Calculation of Purchased
13 Power Costs and Calculation of True-Up and Interest Provision for
14 the period January 2007 - December 2007 based on 6 Months Actual
15 and 6 Months Estimated data.

16 Q. What was the purpose of filing for the midcourse adjustment and how
17 is it relevant to the data presented in this testimony?

18 A. The under recovery for the Northeast Division, year-to-date June
19 30, 2007 is \$803,546 and for the Northwest Division is \$652,398.
20 The under recovery is due in part to less demand for power than was
21 projected in Docket 060001-EI, a situation which is expected to
22 continue, and a significant under estimate of purchases. FPUC does
23 not expect the under recovery to improve or reduce before year end.
24 In August 2007, the Commission approved a midcourse to collect this
25 underrecovery.

26 Q. In derivation of the projected cost factor for the January 2008 -
27 December 2008 period, did you follow the same procedures that were
28 used in the prior period filings?

29 A. Yes.

1 Q. Have there been any changes to the fuel contracts used to purchase
2 electricity.

3 A. Yes, we will have a new contract in our Marianna (Northwest
4 division) for the purchase of fuel beginning January 1, 2008

5 Q. Do the projections for fuel in the Marianna (Northwest division)
6 reflect the anticipated prices of this new fuel contract?

7 A. Yes, the projections for Marianna (Northwest division) have
8 utilized anticipated fuel costs in our fuel factors from our
9 anticipated new fuel contract. The Commission received and approved
10 this contract on June 6, 2007.

11 Q. Why has the GSLD1 rate class for Fernandina Beach (Northeast
12 division) been excluded from these computations?

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

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

22 A. The demand cost recovery factors for each of the RS, GS, GSD, GSLD,
23 GSLD1 and OL-SL rate classes will become one element of the total
24 cost recovery factor for those classes. All other costs of
25 purchased power will be recovered by the use of the levelized
26 factor that is the same for all those rate classes. Thus the total
27 factor for each class will be the sum of the respective demand cost
28 factor and the levelized factor for all other costs.

29 Q. Please address the calculation of the total true-up amount to be

1 collected or refunded during the January 2008 - December 2008.

2 A. We have determined that at the end of December 2007 based on six
3 months actual and six months estimated and inclusive of the
4 midcourse adjusted rates that will be effective on October 1, 2007,
5 we will have under-recovered \$3,856 in purchased power costs in our
6 Marianna (Northwest division). Based on estimated sales for the
7 period January 2008 - December 2008, it will be necessary to add
8 .00109¢ per KWH to collect this under-recovery.

9 In Fernandina Beach (Northeast division) we will have under-
10 recovered \$5,040 in purchased power costs. This amount will be
11 collected at .00147¢ per KWH during the January 2008 - December
12 2008 period (excludes GSLD1 customers). Page 3 and 10 of Composite
13 Prehearing Identification Number MK-1 provides a detail of the
14 calculation of the true-up amounts.

15 Q. What are the final remaining true-up amounts for the period January
16 2006 - December 2006 for both divisions?

17 A. In Marianna (Northwest division) the final remaining true-up amount
18 was an over-recovery of \$74,131. The final remaining true-up amount
19 for Fernandina Beach (Northeast division) was an over-recovery of
20 \$272,928.

21 Q. What are the estimated true-up amounts for the period of January
22 2007 - December 2007?

23 A. In Marianna (Northwest division), there is an estimated under-
24 recovery of \$77,987. Fernandina Beach (Northeast division) has an
25 estimated under-recovery of \$277,968.

26 Q. What will the total fuel adjustment factor, excluding demand cost
27 recovery, be for both divisions for the period?

28 A. In Marianna (Northwest division) the total fuel adjustment factor
29 as shown on Line 33, Schedule E1, is [REDACTED] per KWH. In Fernandina

1 Beach (Northwest division) the total fuel adjustment factor for
2 "other classes", as shown on Line 43, Schedule E1, amounts to
3 4.591¢ per KWH.

4 Q. Has FPUC taken any other steps to temper the effect of the
5 anticipated increased fuel costs on its residential customers?

6 A. Yes, we are implementing a step-rate billing process where those
7 residential customers whose consumption for any given month is
8 1,000 KWH or less will be billed at a reduced rate. We believe that
9 this approach will help soften the impact of the increased costs on
10 our customers as well as induce energy conservation.

11 Q. Please advise what a residential customer using 1,000 KWH will pay
12 for the period January 2008 - December 2008 including base rates,
13 conservation cost recovery factors, and fuel adjustment factor and
14 after application of a line loss multiplier.

15 A. In Marianna (Northwest division) a residential customer using 1,000
16 KWH will pay \$103.01, an increase of \$23.20 from the previous
17 period. In Fernandina Beach (Northeast division) a customer will
18 pay \$92.93, an increase of \$2.80 from the previous period.

19 Q. Does this conclude your testimony?

20 A. Yes.