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090001-EI

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To: Filings@psc.state.fl.us
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The Docket No. is 090001-EI Fuel and Purchased Power Cost Recovery Clause and Generating Performance Incentive Factor

This is being filed on behalf of Florida Public Utilities Company

Total Number of Pages is

Florida Public Utilities Company's Post-Hearing Statement

The document is also attached in MS Word format.

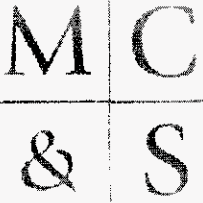
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November 12, 2009

BY ELECTRONIC FILING

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

Re: Docket No. 090001-E1

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company in this docket is an electronic version of Florida Public Utilities Company's Post-Hearing Statement.

Thank you for your assistance with this filing.

Sincerely,



Norman H. Horton, Jr.

NHH/amb

Enclosure

cc: Mr. Curtis D. Young

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and Purchased Power Cost)
Recovery Clause and Generating)
Performance Incentive Factor)
_____)

Docket No. 090001-EI
Filed: November 12, 2009

**POST-HEARING STATEMENT OF
FLORIDA PUBLIC UTILITIES COMPANY**

Comes now, Florida Public Utilities Company ("FPUC"), through undersigned counsel, and pursuant to Order No. PSC-09-0545-PHO-EG, submits this post-hearing statement. References to transcript of the proceeding are indicated by "Tr.", the appropriate page number of the Transcript, and the witness testifying in parentheses. References to exhibits are indicated by "Ex." followed by the exhibit number.

BASIC POSITION

FPUC has properly projected its costs and calculated its true-up amounts and purchased power cost recovery factors. Those amounts and factors should be approved by the Commission. The calculations presented by the Company are based on full recovery of underrecovered amounts and if the Commission adopts the option suggested by the Company, or a reasonable substitute for that option, then the true-up amounts and calculations should be adjusted.

ISSUES AND POSITIONS

ISSUE 3A: **Has FPUC pursued all reasonable avenues to protect its ratepayers from mid-course increases in fuel and demand charges from JEA in 2009?**

FPUC: * Yes. Upon notification of the increase, FPUC retained services of consultants to review the cost of service study utilized by JEA and presented comments and objections to the JEA Board. Although JEA approved the increases, the efforts of the Company resulted in some adjustments to the benefit of FPUC customers.*

FPUC purchases power for customers in the northeast Division from JEA pursuant to an Electric Service Agreement that was amended in 2006 and amended and restated in 2008 (Tr. 400, 406; Ex. 18; Bates 196; 201-231). In preparing projections for the 2008 fuel proceedings, FPUC for the first time under the new agreement had to inquire of JEA staff as to whether there would be any adjustments to the “fuel” charge from JEA and initial responses were that there would not (Tr. 403). However, by e-mail dated January 15, 2009, FPUC was notified by JEA that there would be an increase in the demand and energy charge, but not “fuel,” effective March 1, 2009. As a result of discussions with JEA the effective date was adjusted a couple of times with the eventual date being May 1, 2009 (Tr. 386). While the discussions were proceeding with JEA, FPUC deemed it prudent to file a Petition for mid-course correction and did so on February 12, 2009. It was during review and discussion of this petition that questions were raised as to whether the Company had taken all reasonable steps with respect to the increase from JEA. As reflected in the testimony and exhibits, FPUC did take all reasonable steps to protect its ratepayers.

Upon receipt of the notification from JEA, FPUC retained the services of Christensen Associates Energy Consulting (“CAEC”) to review the proposed increases and the cost of service study used by JEA. (Tr. 409, Ex. 18, Bates 197-198). The Company requested, and JEA provided, a significant amount of data and back-up information used by JEA to develop the rates (Ex. 21, Bates 255-711). The Company also conducted its own cost of service study and provided the results to JEA. (Ex. 23, Bates 1105). The Company did take issue with the study utilized by JEA and with some of the data utilized by JEA and as a result there were adjustments made to the FPUC specific input data that resulted in some changes. (Tr. 409). The Company presented the results of its report and position through a written and oral presentation to the JEA Board when they met to consider the

proposed increase. (Ex. 23, Bates 1100-1119). Despite the objections of FPUC, the JEA Board adopted the increases with the modification to the input data. (Tr. 386).

In addition to having the consultant's review and numerous discussions with JEA staff, the Company did review other possible courses of action both administrative and judicial. The Company sought assistance on any recourse to the Federal Energy Regulatory Commission ("FERC") and while such recourse might be available if cost of service methodology deviates from generally accepted practices, the study and methodology used by JEA is one which is generally accepted, although not necessarily used by IOUs. (Tr. 408, Ex. 19, Bates 236). As to other remedies, there was sufficient question as to the success of any challenge that the Company did not consider such actions to be in the best interests of its customers (Ex. 22, Bates 720-721).

It is clear that FPUC took all reasonable avenues to protect its rate payers and in fact the actions taken by the Company did produce some reductions to the eventual increase. There was a thorough review of the cost of service study, there were reports and presentations and consideration of other options. There were questions raised by the Company and Commission, with respect to the increases but ultimately the determination was made that there was not sufficient expectation on prevailing on further challenges to the proposed increases to warrant further expenses. (Ex. 22, Bates 720-721). Of some impact though is that the process has been better defined and as one Commissioner noted, customers won't see wild swings in variations in their rates (Tr. 434).

ISSUE 3B: Should the Commission approve FPU's proposal to use a portion of storm hardening revenues to mitigate increases to customers in the Northwest Division?

FPUC: *FPUC should be permitted to recover costs associated with the purchased power agreement but to mitigate the increase in the Northwest Division. The proposal to apply a portion of storm hardening revenue to the underrecovered fuel costs in the Northwest Division would reduce the total bill and should be considered. The option, if approved, would be for one (1) year with further evaluation.*

Although the Company seeks recovery of the underrecovery in the Northwest Division as primary position and has submitted schedules and factors to support that recovery (Tr. 415, 435), as a way to mitigate some of the increase the Company has proposed an optional calculation for consideration by the Commission. (Tr. 387). The option suggested by FPUC would be to defer collection of the underrecovery but use \$295,500 from revenues associated with storm hardening activities in the Northwest Division as a partial recovery of the fuel costs. (Tr. 414). This would result in some storm hardening activities being reduced and the existing plan would be amended accordingly (Tr. 418, 430).

The option submitted by the Company was presented in recognition of the increases experienced by the Northwest Division customers over the past couple of years (Tr. 419). As an historical observation, the Company recognized several years ago with the expiration of the prior contracts and implementation of the new ones there would be significant increases in both divisions. (Tr. 397) In order to mitigate these increases the Company proposed a step plan in Docket No. 050001-EI which was rejected by Order PSC-05-1252-FOF-EI. The Company is not unaware of the increases customers have experienced. As Mr. Cutshaw acknowledged, since January 2007, costs for the Northwest Division will have gone up significantly (Tr. 419) and if the Commission approves the factors for full recovery of the actual and projected fuel expenditures, a customer using 1000 kW will

receive a bill for \$155.52 in 2010 compared to \$136.59 for 2009 (Tr. 384, 411). With approval of the option presented by the Company, the bill for 2010 would be \$149.95 (Tr. 434). Either amount is large, but the projections reflect recovery of fuel costs incurred by the Company for the provision of service to the customers of the Company which this proceeding is meant to recover. As noted in the testimony and exhibits, the projected factors resulted from an underrecovery in the revenue generated from the 2009 projections as well as increases for 2010 associated with environmental component increases for 2010 (Tr. 412). Again, as with the Northeast Division, the fuel recovery clause for FPUC is comprised of not just "fuel" but other components as well (Tr. 411, 412; Ex. 22, Bates 717-718).

During the hearing the Company was asked if, rather than the proposal offered, they had considered deferring recovery of one-half (1/2) of the calculated underrecovery until the next fuel recovery proceeding. (Tr. 428). That was not an option presented by the Company but it is one which could be implemented if determined by the Commission to be reasonable. During cross-examination, Mr. Cutshaw acknowledged that the option proposed by the Company would have some issues. There would be some advantages to the action proposed by Staff rather than the option suggested by FPUC. Ultimately though, FPUC should be permitted to fully recover the fuel costs associated with providing power to FPUC customers. As noted by the City Manager of Marianna, the company provides good service (Testimony recorded in Docket 090003-GU; transcript not yet available) and in order to continue to do so they must be allowed to recover the prudently incurred fuel expenses.

As a final comment, FPUC has initiated contact with Gulf Power, the provider of the purchased power for the Northwest Division, for the purpose of exploring adjustments to the existing

purchased power agreement but to date there have been no revisions (Tr. 413, 414). Notwithstanding these efforts, the Company should be allowed to recover the costs associated with the purchase of power as they have been properly calculated and reasonably incurred for the provision of service to customers. No party took a position that the projections and resultant recovery factors are incorrect or imprudent thus no adjustments are necessary and the Company is entitled to recover these expenses.

ISSUE 8: **What are the appropriate fuel adjustment true-up amounts for the period January 2008 through December 2008?**

FPUC: *The appropriate true-up amounts for the period January 2008 through December 2008 are:

Northwest Division: \$591,984 (overrecovery)
Northeast Division: \$1,659,809 (overrecovery)*

The amounts shown have been properly calculated and should be accepted. There is no evidence in the record that any changes are necessary.

ISSUE 9: **What are the appropriate fuel adjustment true-up amounts for the period January 2009 through December 2009?**

FPUC: *The appropriate true-up amounts for the period January 2009 through December 2009 are:

Northwest Division: \$2,317,304 (underrecovery)
Northeast Division: \$2,485,067 (underrecovery)*

The amounts shown have been properly calculated and should be accepted. There is no evidence in the record that any changes are necessary.

ISSUE 10: What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2010 to December 2010?

FPUC: *The appropriate true-up amounts for the period January 2010 through December 2010 are:

Northwest Division: \$1,725,320 (underrecovery)

Northeast Division: \$825,258 (underrecovery)*

The amounts shown have been properly calculated and should be accepted. There is no evidence in the record that any changes are necessary.

ISSUE 12: What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2010 through December 2010?

FPUC: *The appropriate projected net fuel and purchased power cost recovery amounts for the period January 2010 through December 2010 are:

Northwest Division: \$26,064,444

Northeast Division: \$22,114,719*

The amounts shown have been properly calculated and should be accepted. There is no evidence in the record that any changes are necessary.

ISSUE 13: What are the appropriate levelized fuel cost recovery factors for the period January 2010 through December 2010?

FPUC: *The appropriate levelized fuel cost recovery factors for the period January 2010 through December 2010 are:

Northwest Division: 8.197¢/kwh

Northeast Division: 6.572¢/kwh*

The amounts shown have been properly calculated and should be accepted. There is no evidence in the record that any changes are necessary.

ISSUE 15: What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FPUC: * The appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses are:

Northwest Division:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.12293
GS	\$.12158
GSD	\$.11708
GSLD	\$.11285
OL, OL1	\$.09937
SL1, SL2 and SL3	\$.10018
Step Rate for RS	
RS with less than 1,000 kWh/month	\$.11927
RS with more than 1,000 kWh/month	\$.12927

Northeast Division:

<u>Rate Schedule</u>	<u>Adjustment</u>
RS	\$.09955
GS	\$.09735
GSD	\$.09266
GSLD	\$.09341
OL	\$.07050
SL	\$.07112
Step Rate for RS	
RS with less than 1,000 kWh/month	\$.09615
RS with more than 1,000 kWh/month	\$.10615*

The amounts shown have been property calculated and should be accepted. There is no evidence in the record that any changes are necessary.

DATED this 12th day of November, 2009.

Respectfully submitted,
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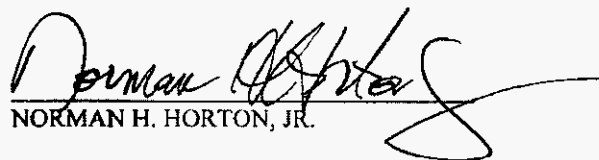
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