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April 28, 2014

**BY HAND DELIVERY**

Ms. Carlotta Stauffer  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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COMMISSION  
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**Re: Docket No. 140025-EI -Application for rate increase by Florida Public Utilities Company.**

Dear Ms. Stauffer :

Enclosed for filing on behalf of Florida Public Utilities Company/Electric Division (FPU) in the above-referenced docket, please find the original and (7) copies of the Company's Request for Confidential Classification and Motion for Protective Order for certain information in Exhibit MC/DS-9, as well as in the testimony of witnesses Martin, Householder, and Cutshaw/Shelley. Also enclosed are one highlighted and two redacted copies of the pages containing the confidential information as required by the Rule.

Please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: **Application for rate increase by  
Florida Public Utilities Company.**

DOCKET NO. 140025-EI

DATED: April 28, 2014

REQUEST FOR CONFIDENTIAL CLASSIFICATION AND MOTION FOR A PROTECTIVE  
ORDER

Florida Public Utilities Company (“FPU”), by and through its undersigned counsel, pursuant to Section 366.093, Florida Statutes, and consistent with Rule 25-22.006(4), Florida Administrative Code, hereby submits its Request for Confidential Classification and for Issuance of a Protective Order to protect the same information to be provided to the Office of Public Counsel, in accordance with Rule 25-22.006(6)(b). In support of this Request, FPU states that:

1. On April 28, 2014, FPU filed its Petition for Approval of a Rate Increase and Request for Interim Increase, along with the requisite MFRs. The Company also filed the direct testimony and exhibits of its witnesses in this proceeding.
2. Certain discussions contained within the testimonies of witness Cheryl Martin, witness Householder, and panel witnesses Mark Cutshaw and Drane Shelley, as well as Exhibit MC/DS-9, contain detailed information about a pending project among FPU and two other entities, which is not yet finalized. Pending consummation of the necessary transaction to bring the project to fruition, certain details regarding the project are considered proprietary confidential business information by the parties and subject to non-disclosure agreement. To be clear, while certain general information has been, and can be, disclosed upon the agreement of the parties involved, the details set forth in the testimonies witnesses Martin, Cutshaw and Shelley cannot.

3. The information at issue is, as noted, considered proprietary confidential business information by the parties and has not otherwise been disclosed publicly. It involves information regarding the project size and projected savings, which could be used to derive the proposed pricing structure under discussion. Disclosure of this information could not only harm FPU's ability to effectively negotiate reasonable terms for the project at hand, but could impair its ability to negotiate for goods and services with others as well.
4. The information for which FPU seeks confidential classification is information that the Company treats as confidential, and that meets the definition of "proprietary confidential business information" as set forth in Section 366.093(3), Florida Statutes, which provides:

(3) Proprietary confidential business information means information, regardless of form or characteristics, which is owned or controlled by the person or company, is intended to be and is treated by the person or company as private in that the disclosure of the information would cause harm to the ratepayers or the person's or company's business operations, and has not been disclosed unless disclosed pursuant to a statutory provision, an order of a court or administrative body, or private agreement that provides that the information will not be released to the public. Proprietary confidential business information includes, but is not limited to:

- (a) Trade secrets.
- (b) Internal auditing controls and reports of internal auditors.
- (c) Security measures, systems, or procedures.
- (d) Information concerning bids or other contractual data, the disclosure of which would impair the efforts of the public utility or its affiliates to contract for goods or services on favorable terms.
- (e) Information relating to competitive interests, the disclosure of which would impair the competitive business of the provider of the information.
- (f) Employee personnel information unrelated to compensation, duties, qualifications, or responsibilities.

3. Specifically, FPUC seeks confidential classification and a Protective Order for the highlighted information in the following (lines/pages) in the referenced testimony:

<p><b>Cutshaw/Shelley Panel Testimony</b></p>	<p>Page 37, lines 1 – 7, 17, 21-22 Page 38, lines 1 - 18 Page 55, lines 9 – 20</p>	<p>Information regarding specific size and expected output of facility; benefits expected; And Specifics regarding type of project and other party. The Company and other parties treat this information as confidential.</p>
<p><b>Cutshaw/Shelley – Exhibit MC/DS 9 – Projections of Net Benefits of Cogeneration Power Generator</b></p>	<p>All Columns and all Rows of the chart reflecting the Benefit-Cost analysis</p>	<p>Provides detailed information regarding proposed term of agreement/project as well as expected costs and savings, from which the pricing terms under discussion could be extrapolated. The Company and other parties treat this information as confidential.</p>
<p><b>Cheryl M. Martin – Direct Testimony</b></p>	<p>Page 62, line 24 Page 63, lines 1, 8, 11 Page 64, line 1</p>	<p>Information includes term of proposed contract, anticipated net benefits, and saving projections. The Company and other parties to the negotiations consider this information highly confidential.</p>

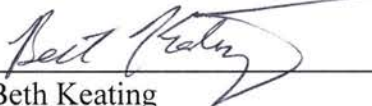
<p><b>Jeffrey M. Householder</b></p>	<p>Page 16, lines 19-21, 23 Page 17, lines 1-6, 14</p>	<p>Information regarding specific size and expected output of facility; benefits expected;  And Specifics regarding type of project and other party. The Company and other parties treat this information as confidential.</p>
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4. The information set forth in these identified sections is proprietary contractual information that falls squarely under Section 366.093(3)(d) and (e), Florida Statutes. Release of the referenced information as a public record would harm FPU’s business operations and ratepayers by impairing the Company’s ability to effectively negotiate for goods and services, as well as impair the ability to bring this project to fruition. As such, FPU requests that the Commission deem afford this information confidential treatment and exempt from Section 119.07, Florida Statutes. Included with this Request is a highlighted copy of the referenced Testimony and Exhibit pages. Also enclosed are two redacted copies of the same information.
5. FPU further requests that the Commission issue a protective order, in accordance with Rule 25-22.006(6), Florida Administrative Code, to protect this information when provided to the Office of Public Counsel, which is a party to this proceeding.
6. FPU asks that confidential classification be granted for a period of at least 18 months. Should the Commission or the Office of Public Counsel no longer find that it needs to retain the information, FPU respectfully requests that the confidential information be returned to the Company.

WHEREFORE, FPUC respectfully requests that:

- 1) the highlighted information contained in the testimony of FPU witnesses Martin, Householder, and the panel of Cutshaw and Shelley, along with Exhibit MC/DS-9, be classified as “proprietary confidential business information,” and thus, exempt from Section 119.07, Florida Statutes; and
- 2) that a protective order be issued protecting this information from public disclosure while in the possession of the Office of Public Counsel.

RESPECTFULLY SUBMITTED this 28th day of April, 2014.

  
\_\_\_\_\_  
Beth Keating  
Bar NO. 0022756  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 618  
Tallahassee, FL 32301  
(850) 521-1706

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing filing has been served by Hand Delivery this 28<sup>th</sup> day of April, 2014, upon the following:

Suzanne Brownless, Esquire  
Martha Barrera, Esquire  
Office of the General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

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

By:   
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
Tallahassee, FL 32301  
(850) 521-1706

1 fuel rates; but, required that the Company consider and address consolidation of  
2 fuel rates in the 2015 Fuel Clause. The Company may, consequently, request that  
3 the Commission allow the Company to consolidate its fuel rates in through the  
4 upcoming Fuel Clause for the calendar year 2015. In the mean time, the  
5 Commission approved the allocation methodology currently used for the fuel rates  
6 for 2014 which addresses the fairness issue and customers are being billed the  
7 appropriate fuel rates. While the Company intends to address fuel rate  
8 consolidation in the context of Docket No. 140001-EI, as directed by the  
9 Commission, the Company does offer an alternative approach that could be  
10 considered in this proceeding. This alternative would remove the subject  
11 transmission assets entirely from rate base now, and allow recovery of these  
12 assets, along with expenses and return on assets, through the Fuel Clause in a  
13 manner consistent with the approved allocation of transmission related expenses  
14 for 2014.

15  
16 **Q. The Company expects to realize savings to its customers from a Power**  
17 **Generation Project in its NE division. What is the estimated savings to**  
18 **customers as a result of this project?**

19 A. The Company is taking a number of measures to mitigate cost pressures and  
20 improve electricity services to retail consumers in the Northeast and Northwest  
21 Division. These changes include both tactical and strategic actions. An example  
22 of strategic actions is our newly formed power generation subsidiary, Eight Flags  
23 Energy LLC (Eight Flags), in the Northeast Division. As discussed in Mark  
24 Cutshaw's testimony, Eight Flags is expected to begin with a [REDACTED]

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## Direct Testimony of Cheryl Martin

1 [REDACTED] which will substantially reduce the costs of power paid by retail  
2 consumers.

3  
4 Because of its inherent technical efficiency and proximity on the Amelia Island,  
5 the Eight Flags project will also result in improved reliability and reduced  
6 environmental emissions. As addressed in the panel testimony of witnesses  
7 Cutshaw and Shelley, Eight Flags Energy is expected to provide net benefits of  
8 [REDACTED], during the initial two years of operation, 2016  
9 and 2017, respectively. Over its initial ten years of operation, 2016-2025, the  
10 Company's Eight Flags cogeneration plant is expected to provide a total of direct  
11 net benefits of [REDACTED], stated on a nominal and discounted  
12 basis respectively.

13 **Q. Is there anything that the Company can suggest to help bridge the gap**  
14 **between the base rate increases expected in 2015 as a result of this base rate**  
15 **proceeding, and the fuel cost decrease expected to begin in 2016?**

16 A. One option that the Company will explore is to seek Commission approval in the  
17 Fuel Clause proceeding to allow the Company to under recover fuel costs in 2015  
18 in order to offset some of the base rate increase. The Company would then  
19 recover the under-recovery in fuel over a three-year period when savings are  
20 expected to be realized as a result of the new generation project. This will  
21 provide relief from rate shock to our customers, and phase in the increase and  
22 decrease associated with the base rate increase, and fuel cost decrease,  
23 respectively. In other words, to avoid potential rate shock of a requested 6.79%  
24 increase on total revenues for the requested base rate change in 2015, and the

## Direct Testimony of Cheryl Martin

1 expected fuel cost decrease of [REDACTED] on total revenues for the fuel  
2 rate change in 2016 and beyond, the Company may request a phased-in approach  
3 to this fuel cost decrease, and offset some of the increase in the bridge year of  
4 2015. Customers would have a “one year gap” of base revenue increase without  
5 corresponding decrease in fuel costs. This gap could be collected over a three  
6 year period thus reducing the volatility associated with changing overall rates to  
7 customers.

8  
9 **Q. Are there any changes to the fuel rates required or requested at the time of**  
10 **this rate proceeding?**

11 A. Yes, but only as a result of the consolidation of Outdoor and Streetlight tariffs  
12 requested in this base rate proceeding, which, if approved, would necessitate that  
13 fuel rates for these rate classes be combined as well. The panel testimony of  
14 witnesses Cutshaw and Shelley includes additional details surrounding this  
15 change to fuel rates and a related exhibit which computes the new fuel rates  
16 associated with the new Lighting tariffs.

17  
18 **Summary**

19  
20 **Q. Please summarize your testimony.**

21 A. As is clearly demonstrated, the Company has been, and is, currently below the  
22 low point of our allowable return. Without rate relief, the Company is expected to  
23 continue to earn a return well below its allowable rate of return. If that continues,  
24 this will jeopardize our ability to provide sufficient, consistent reliable service to

Direct Testimony of P. Mark Cutshaw and Drane A. (Buddy) Shelley

1 Secondly, FPU is also working in partnership with [REDACTED]  
2 [REDACTED]  
3 [REDACTED] Eight Flags Energy, LLC, a subsidiary of Chesapeake Utilities  
4 Corporation (Chesapeake), [REDACTED]  
5 [REDACTED] The details of the arrangement are currently  
6 being finalized and we anticipate filing with the Commission in the very near future. [REDACTED]  
7 [REDACTED] will provide customers with a significant benefit in  
8 the reduction of purchase power cost. This detail of this benefit is included in Confidential  
9 Exhibit MC/DS-9.

10 **Q. How have these two new arrangements proven beneficial to the Company?**

11 A. With regard to the first contract with Rayonier, that agreement alone is expected to  
12 produce overall savings of \$1.27 million over the 10-year term of the contract, and the  
13 Company has every expectation that the contract will be extended, thereby extending the  
14 benefits. The expected annual energy produced will be 16,980 mWh's and an incentive is  
15 provided to Rayonier to ensure this occurs in that any failure to maintain the agreed capacity  
16 factor will result in reducing the overall monthly payments to Rayonier.

17 [REDACTED] efforts are  
18 underway to get this completed, approved and in service by the first quarter of 2016. Once  
19 consummated and in service, this new project is expected to produce even more significant  
20 benefits for the Company and its customers. [REDACTED]

21 [REDACTED]  
22 [REDACTED]

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Direct Testimony of P. Mark Cutshaw and Drane A. (Buddy) Shelley

1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]  
10 [REDACTED]  
11 [REDACTED]  
12 [REDACTED]  
13 [REDACTED]  
14 [REDACTED]  
15 [REDACTED]  
16 [REDACTED]  
17 [REDACTED]  
18 [REDACTED]

19 V. COST OF SERVICE

20 Q. Why is a cost of service study necessary?

21 A. It is necessary to analyze the costs to serve each rate class in order to fully analyze

Direct Testimony of P. Mark Cutshaw and Drane A. (Buddy) Shelley

1 1.7, an improvement of 83%. Detailed year by year statistics are available as shown on  
2 Exhibit MC/DS-5.

3 C. Additional Benefits to Operations

4 **Q. Are there other areas where the Chesapeake acquisition has had a positive**  
5 **impact on FPU's electric division?**

6 A. Yes. As it relates to the operations side of the business, in particular, the more  
7 proactive corporate philosophy has provided significant benefits in a couple of key areas –  
8 power purchases, as I have discussed, and franchise relationships.

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

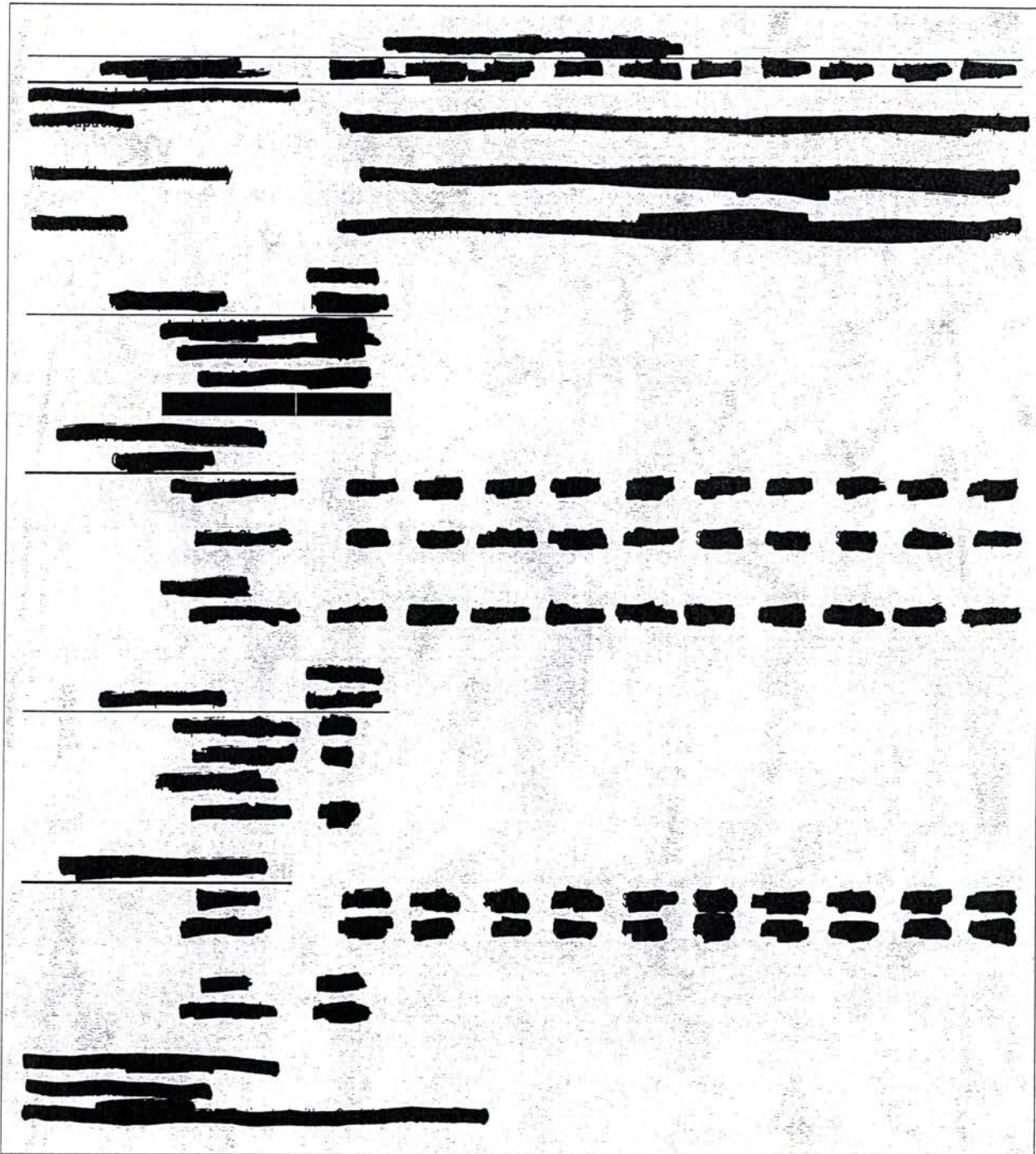
16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]



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Direct Testimony of Jeffrey M. Householder

1 A. As witnesses Cheryl Martin and Mark Cutshaw will explain in more detail in their  
2 testimony, the Company is very conscious of the economic environment within  
3 which we are making this request for an increase. While the revenue increase is  
4 paramount to our ability to continue to provide safe, reliable service to our  
5 customers, we do recognize that any rate increase can result in a hardship to  
6 customers. Over the past several years, we have diligently pursued other avenues by  
7 which we might achieve overall bill savings for customers. The most critical focus  
8 has been on reducing the cost of wholesale purchased power. FPU's base rates are  
9 among the lowest for Florida utilities. Our wholesale power costs have, however,  
10 been among the highest over the past five years. We have made significant progress  
11 in that area by negotiating an amendment to our existing purchase power agreement  
12 with Gulf Power and by entering into an agreement to purchase renewable power  
13 from the Rayonier Performance Fibers QF cogeneration plant on Amelia Island. We  
14 also make periodic as available power purchases from the Rock Tenn QF  
15 cogeneration plant also on Amelia Island. Each of these actions has produced  
16 significant savings for our customers. Other options are under consideration.

17 It is FPU's intent to file in May 2014 a proposed purchase power agreement  
18 to acquire power from Eight Flags Energy, LLC, a Chesapeake affiliate. Eight Flags  
19 is in the final stage of developing [REDACTED]  
20 [REDACTED] The FERC certified QF  
21 would sell [REDACTED] The power purchases  
22 are anticipated to be significantly lower than FPU's current wholesale power  
23 purchase pricing. In addition, the [REDACTED]

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1 [REDACTED] would enable [REDACTED]  
2 [REDACTED]  
3 [REDACTED] and purchase the additional power. [REDACTED]  
4 [REDACTED]  
5 [REDACTED]

6 [REDACTED]. The Eight Flags project is scheduled to be in-service in  
7 Q1 2016.

8 At present, FPU's base rates are consolidated, but the fuel rates are  
9 individually approved for each division. In the Commission's 2014 fuel docket, FPU  
10 will seek Commission approval to consolidate its fuel cost recovery across both FPU  
11 operating divisions, consistent with the Commission's direction in the 2013 Fuel and  
12 Purchased Power Cost Recovery docket. Such a consolidation will ensure that all  
13 FPU customers participate in the fuel cost reduction described above. As Mr.  
14 Cutshaw describes in his testimony, the [REDACTED] the  
15 base rate increase requested in this filing.

16 Given that the savings are not scheduled to begin until 2016, FPU will be  
17 seeking options, in its Fuel and Purchased Power Cost Recovery filing, to mitigate  
18 some of the base rate increase in 2015. Our intent is to reduce consumer fuel costs by  
19 deferring collection of a portion of our fuel costs until the 2016 savings are realized.  
20 An action of this type would allow the Company to recover the revenue requirement  
21 authorized by the Commission, while smoothing out any rate increase as much as  
22 possible.

23