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September 26, 2014

**E-PORTAL/ELECTRONIC FILING**

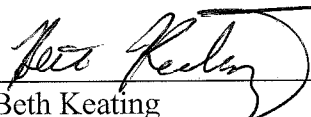
Ms. Carlotta Stauffer, Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

**Re: Docket No. 140001-EI: Fuel and Purchased Power Cost Recovery Clause with  
Generating Performance Incentive Factor**

Dear Ms. Stauffer:

Attached for filing, please find the Florida Public Utilities Company's Prehearing Statement. Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,

  
Beth Keating  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe St., Suite 601  
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MEK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery  
clause with generating performance incentive  
factor.

DOCKET NO. 140001-EI

DATED: September 26, 2014

**FLORIDA PUBLIC UTILITIES COMPANY'S  
PREHEARING STATEMENT**

In accordance with the Order Establishing Procedure for this Docket, Order No. PSC-14-0084-PCO-EI, issued February 4, 2014, Florida Public Utilities Company ("FPUC," "Consolidated Electric Division," or "Company") hereby files its Prehearing Statement.

a. All Known Witnesses

<u>Witness</u>	<u>Subject</u>	<u>Issue</u>
Curtis D. Young	Final True Up 2013	8
Curtis D. Young	Estimated/Actual 2014(Revised)	3A, 8, 9, 10
Curtis D. Young/P. Mark Cutshaw (Panel)	Projection for 2015 <sup>1</sup>	3A, 3B, 3C, 3D, 11, 19, 20, 21, 22, 23, 35

b. All Known Exhibits

<u>Witness</u>	<u>Exhibit</u>	<u>Title</u>
Young	CDY-1 (Composite)	Final True Up Schedules (Schedules F-1 and M-1 for FPUC's Divisions)
Young	CDY-2 (Composite) <sup>2</sup>	Estimated/Actual (Schedules EI-A, EI-B, and EI-B1 for the

<sup>1</sup> Revised September 5, 2014

<sup>2</sup> Revised September 5, 2014

<u>Witness</u>	<u>Exhibit</u>	<u>Title</u>
Young/Cutshaw	CDY-3 (Composite) <sup>3</sup>	Northwest Division and E1-A, E1-B, and E1-B1 for the Northeast Division)(Second Revised) Schedules E1, E1A, E2, E7, and E10 for the Northwest Division and E1, E1A, E2, E7, E8, and E10 for the Northeast Division

c. FPUC's Statement of Basic Position

FPUC: The Company has properly projected its costs. Likewise, the Company has calculated its true-up amounts and purchased power cost recovery factors appropriately. As such, the Company asks that consolidation of the Company's fuel factors for its Northwest and Northeast divisions be approved and that the associated consolidated amounts be approved by the Commission. The Company further states that its proposal to recover the total true-up amount over three years should also be approved in order to mitigate rate shock.

d. FPUC's Position on the Issues

**COMPANY-SPECIFIC ISSUES – FLORIDA PUBLIC UTILITIES**

**Florida Public Utilities Company**

**ISSUE 3A:** Should the Commission approve consolidation of the fuel factors for FPU's Northeast and Northwest Divisions for purposes of fuel cost recovery beginning in 2015?

FPUC's Position: Yes. Consolidation of the Company's fuel factors will substantially eliminate unfair cross-subsidies between the two divisions that arise from

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<sup>3</sup> Revised September 5, 2014

recovery of transmission-related costs through the Company's consolidated base rates.

*(Young/Cutshaw)*

**ISSUE 3B:** If consolidation of fuel factors for FPU's Northeast and Northwest Divisions is not approved, should FPU be allowed to continue to allocate transmission costs consistent with the methodology approved by Order No. PSC-13-0665-FOF-EI?

**FPUC's Position:** Yes, if consolidation is not approved, application of the methodology approved in Order No. PSC-13-0665-FOF-EI is a reasonable means to address the inequities that otherwise exist due to the recovery of the Northeast Division's transmission assets through base rates.

*(Young/Cutshaw)*

**ISSUE 3C:** Should the Commission approve FPU's proposal to under-recover fuel costs in 2015 in order to mitigate rate increases to customers?

**FPUC's Position:** Yes. The Company's proposal is reasonable and provides a means by which the Company can reduce the overall bill impact that would otherwise accompany the rate increase approved in Docket No. 140025-EI. Because the Company anticipates fuel cost reductions in 2016 as a result of new projects with alternative providers, the Company proposes to under-recover its fuel costs and allocate that under-recovery over a three-year period in order offset to some degree base rate increases. The result will be a less significant overall increase reflected on customers' bills. This will provide rate stabilization over the next few years by normalizing the swings in anticipated fuel costs.

*(Young/Cutshaw)*

**ISSUE 3D:** If the Commission approves FPUC's request in Docket No. 140025-EI to consolidate the Company's current outdoor lighting (OL-2) and street lighting (SL-3) rate classes into a single Lighting Service (LS) rate class, what is the appropriate consolidated fuel rate for the new LS rate class?

**FPUC's Position:** The appropriate consolidated rate for the new Lighting Service rate class is 7.751 cents per KWH.

*(Young/Cutshaw)*

## **GENERIC FUEL ADJUSTMENT ISSUES**

**ISSUE 6:** What are the appropriate actual benchmark levels for calendar year 2014 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FPUC's Position: No position at this time.

**ISSUE 7:** What are the appropriate estimated benchmark levels for calendar year 2015 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FPUC's Position: No position at this time.

**ISSUE 8:** What are the appropriate fuel adjustment true-up amounts for the period January 2013 through December 2013?

FPUC's Position: Consolidated Electric Division: \$521,768 (Under-recovery)

*(Young/Cutshaw)*

**ISSUE 9:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2014 through December 2014?

FPUC's Position: Consolidated Electric Division: \$2,385,797 (Under-recovery)

*(Young/Cutshaw)*

**ISSUE 10:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2015 to December 2015?

FPUC's Position: The appropriate consolidated true-up amount is an under-recovery of \$2,907,565 for the Consolidated Electric Division, reflecting an under-recovery of \$2,624,811 in purchased power costs in the Northwest Division and an under-recovery of \$282,754 in the Northeast Division. Consistent with the Company's position on Issue 3(c), the Company seeks permission to recover only one-third of the projected under-recovery at December 31, 2014, which would result in recovery of \$969,188 for the period January 2015 through December 2015.

*(Young/Cutshaw)*

**ISSUE 11:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2015 through December 2015?

**FPUC's Position:** Consolidated Electric Division: \$969,188, reflecting recovery of one-third of the total under-recovery.  
*(Young/Cutshaw)*

### **FUEL FACTOR CALCULATION ISSUES**

**ISSUE 18:** 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 2015 through December 2015?

**FPUC's Position:** Consolidated Electric Division: \$65,713,065  
*(Young/Cutshaw)*

**ISSUE 19:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2015 through December 2015?

**FPUC's Position:** Consolidated Electric Division: 1.00072  
*(Young/Cutshaw)*

**ISSUE 20:** What are the appropriate levelized fuel cost recovery factors for the period January 2015 through December 2015?

**FPUC's Position:** 6.183¢ per kWh on a consolidated division basis.  
*(Young/Cutshaw)*

**ISSUE 21:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

FPUC's Position: Consolidated Electric Division: 1.0000 (All rate schedules)  
(*Young/Cutshaw*)

**ISSUE 22:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FPUC's Position: The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2015 through December 2015 for the Consolidated Electric Division, adjusted for line loss multipliers and including taxes, are as follows:

*Rate Schedule* *Adjustment*

RS	\$0.10405
GS	\$0.10037
GSD	\$0.09520
GSLD	\$0.09154
LS	\$0.07751
Step rate for RS	
RS Sales	\$0.10405
RS with less than 1,000 kWh/month	\$0.09977
RS with more than 1,000 kWh/month	\$0.11227

Consistent with the fuel projections for the 2015 period, the appropriate adjusted Time of Use (TOU) and Interruptible rates for the Northwest Division for 2015 period are:

*Time of Use/Interruptible*

<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
RS	\$0.18377	\$0.06077
GS	\$0.14037	\$0.05037

<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
GSD	\$0.13520	\$0.06270
GSLD	\$0.15154	\$0.06154
Interruptible	\$0.07654	\$0.09154

*(Young/Cutshaw)*

### **III. EFFECTIVE DATE**

**ISSUE 34:** What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

FPUC's Position: The effective date for FPUC's cost recovery factors should be the first billing cycle for January 1, 2015, which could include some consumption from the prior month. Thereafter, customers should be billed the approved factors for a full 12 months, unless the factors are otherwise modified by the Commission.

*(Young/Cutshaw)*

**ISSUE 35:** Should this Docket be closed?

FPUC's Position: Yes.

e. Stipulated Issues

FPUC is not aware of any stipulated issues at this time.

f. Pending Motions

FPUC has no pending motions at this time.



g. Pending Confidentiality Claims or Requests

FPUC's Requests for Confidential Classification filed on May 22, 2014 and August 22, 2014, remain pending at this time.

h. Objections to Witness Qualifications as an Expert

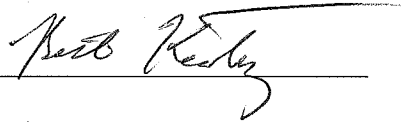
FPUC has no objections to any witnesses' qualifications at this time.

i. Compliance with Order No. PSC-14-0084-PCO-EI

FPUC has complied with all requirements of the Order Establishing Procedure entered in this docket, as well as the subsequent orders issued modifying that Order.

RESPECTFULLY SUBMITTED this 26th day of September, 2014.

BY: \_\_\_\_\_



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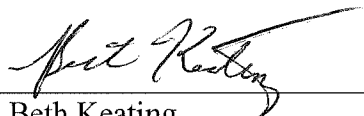
**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 26th day of September, 2014:

<p>Martha Barrera  Florida Public Service Commission  2540 Shumard Oak Boulevard  Tallahassee, FL 32399-0850  <u><a href="mailto:Mbarrera@PSC.STATE.FL.US">Mbarrera@PSC.STATE.FL.US</a></u></p>	<p>James D. Beasley/J. Jeffry Wahlen/Ashley Daniels  Ausley Law Firm  Post Office Box 391  Tallahassee, FL 32302  <u><a href="mailto:jbeasley@ausley.com">jbeasley@ausley.com</a></u>  <u><a href="mailto:jwahlen@ausley.com">jwahlen@ausley.com</a></u>  <u><a href="mailto:adaniels@ausley.com">adaniels@ausley.com</a></u></p>
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By: \_\_\_\_\_



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