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GUNSTER
FLORIDA'S LAW FIRM FOR BUSINESS

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September 29, 2014

BY E-PORTAL FILING

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

Re: Docket No. 140185-EQ - Petition for approval of amendment of negotiated power purchase contract with Eight Flags Energy, LLC, by Florida Public Utilities Company.

Dear Ms. Stauffer:

Attached for filing, please find a redacted copy of page 6 of the Petition for Approval of Negotiated Power Purchase Contract originally filed by Florida Public Utilities Company on Friday, September 26, 2014. While the Company submitted a Request for Confidential Classification with the original Petition on Friday, a confidential term was inadvertently disclosed at page 6 of the Petition. The Company therefore respectfully requests that the attached redacted page 6 be used to replace the original page 6 submitted with the filing.

We apologize for any inconvenience this may have caused. As always, please do not hesitate to contact me if you have any questions whatsoever regarding this filing.

Sincerely,

Beth Keating

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of power purchases under its current purchased power agreements[3]; (3) is structured such that FPUC will not make payments that exceed, on an annual basis, the value of deferring purchases under the Company's currently active purchased power contracts[4]; and (4) includes provisions that provide protections in the event that Eight Flags fails to provide power in accordance with the Contract terms.

CONTRACT TERMS AND BENEFITS

12. The Contract provides for two rate components – a Fuel Charge and a Non-Fuel Charge. The Fuel Charge is set at cost as a direct pass-through to FPUC. The Contract contemplates that the initial Non-Fuel Charge will be set at [redacted]. The operations and maintenance ("O&M") expenses portion of the Non-Fuel Charge will then be adjusted annually for inflation as measured by the U.S. Bureau of Labor Statistics' Consumer Price Index ("CPI"). The Contract further provides that, at the conclusion of the first five-year period, the Non-Fuel Charge will be adjusted for the actual O&M expenses of the Eight Flags facility incurred during that initial five-year period. At that time, Eight Flags will also project its O&M expenses. Taking into account both the actual O&M expenses and the projected amount, the revised Non-Fuel Charge will be developed and applied, including inflation, for the next five-year period of operation under the Contract.[5] Thereafter, in five-year increments for the duration of the

[3] FPUC notes that this Petition addresses its purchased power costs on a consolidated basis, consistent with the Company's request in Docket No. 140001-EI to consolidate its fuel rates for the Northeast and Northwest Divisions. However, even when considered on a stand-alone basis, the Contract rate is less than avoided cost for the Northeast Division power purchases.

[4] The Company notes that its existing wholesale purchased power contracts with JEA and Gulf Power terminate in 2017 and 2019, respectively. While the Company cannot know with any degree of certainty what pricing under future contracts not yet negotiated might be, the Company has taken steps to mitigate risk to customers, including specific provisions in this Contract.

[5] FPUC notes that the factor will be calculated and adjusted in five-year increments for the duration of the contract in much the same way that FPUC calculates cost recovery factors, such as fuel and conservation, applied to its customers' bills. The Company contemplates entering into an operations and maintenance contract with a third-