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August 24, 2017

**BY E-PORTAL**

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

**Re: Docket No. 20170001-EI: Fuel and Purchased Power Cost Recovery Clause with  
Generating Performance Incentive Factor**

Dear Ms. Stauffer:

Attached for filing, please find the Petition for Approval of Fuel Adjustment and Purchase Power Cost Recovery Factors submitted on behalf of Florida Public Utilities Company, along with the Direct Testimony and Exhibit MC-2 of Mr. Mike Cassel, as well as the Direct Testimony of Mr. Mark Cutshaw in support of the Company's request.

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  
Tallahassee, FL 32301  
(850) 521-1706

MEK  
cc://(Certificate of Service)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor. | DOCKET NO. 20170001-EI  
| DATED: August 24, 2017

**FLORIDA PUBLIC UTILITIES COMPANY'S PETITION FOR APPROVAL OF FUEL  
ADJUSTMENT AND PURCHASED POWER  
COST RECOVERY FACTORS**

Florida Public Utilities Company (FPUC or Company), by and through its undersigned counsel, hereby files this Petition asking the Florida Public Service Commission (FPSC or Commission) for approval of FPUC's fuel adjustment and purchased power cost recovery factors for the period January 2017 through December 2017. In support of this request, the Company hereby states:

- 1) FPUC is an electric utility subject to the Commission's jurisdiction. Its principal business address is:

Florida Public Utilities Company  
1750 S 14th Street, Suite 200  
Fernandina Beach FL 32034

- 2) The name and mailing address of the persons authorized to receive notices are:

Beth Keating, Esq.  
Gunster, Yoakley & Stewart, P.A.  
215 South Monroe Street, Suite 601  
Tallahassee, Florida 32301-1839  
(850) 521-1706

Mike Cassel  
Director, Regulatory and Governmental Affairs  
Florida Public Utilities Company  
1750 S 14th Street, Suite 200  
Fernandina Beach FL 32034  
mcassel@fpuc.com

- 3) Consistent with the requirements for this proceeding, the Company has prefiled the fuel adjustment and purchased power cost recovery schedules supplied by the Commission consistent with the requirements for such filings, and have reflected therein the Company's calculated fuel adjustment factors.

4) In accordance with Order PSC-2017-0053-PCO-EI, issued February 20, 2017, in this Docket, as amended by Order No. PSC-2017-0134-PCO-EI, the Company is also submitting, contemporaneously with this Petition, the Direct Testimony Mr. Mike Cassel, along with Exhibit MC-2, as well as the Direct Testimony of Mr. Mark Cutshaw, in support of the Company's request for approval of the requested factors. FPUC notes that, consistent with the Commission's approval allowing the Company to consolidate the fuel factors for its Northeast and Northwest Divisions, the schedules included in Exhibit MC-2 reflect that consolidation.<sup>1</sup>

5) The testimonies of the Company's witnesses also address the status of the Company's ongoing initiatives to mitigate fuel costs through arrangements with alternative energy providers, as well as possible new projects. The new interconnection with FPL in the Company's Northeast Division continues to be a priority for the Company, as noted by witness Cutshaw. The Company also continues to pursue CHP projects that demonstrate the greatest potential for success and to produce savings for FPUC's customers.

6) In addition, consistent with past requests of the Company, the Company seeks to recover certain legal and consulting costs associated with fuel and purchased power projects designed to reduce fuel and purchased costs for FPUC's customers, which have not otherwise been included for recovery in base rates. These costs are consistent with Commission policy set forth in Order No. 14546, as well as Commission decisions allowing the Company to recover such costs in Order No. PSC-05-1252-FOF-EI, issued in Docket No. 20050001-EI, as well as similar such decisions by the Commission to allow similar costs to be recovered by the Company through the Fuel and Purchased Power Cost Recovery Clause, including, most recently, in Docket No. 150001-EI. Again, the subject legal and consulting costs are not also being

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<sup>1</sup> See Order No. PSC-14-0701-FOF-EI, issued December 19, 2014, in Docket No. 140001-EI, at page 6.

recovered through the Company's base rates. Moreover, without the legal and consulting assistance associated with these costs, the Company would be unable to identify, analyze, and implement the cost-saving projects that it has implemented thus far, nor similar such projects that it continues pursue with the objective of obtaining reduced fuel and purchased power costs for the benefit of its customers.

7) As set forth in the Testimony and Exhibit MC-2 of Witness Cassel, the Company's total true-up amounts that would be collected or refunded during the period January 2018 through December 2018 is an under-recovery of \$3,391,416 for the Consolidated Electric Division, reflecting an estimated consolidated under-recovery of \$975,518 for 2017. Based on estimated sales for January 2018 through December 2018 of 623,275,920 kwhs, an additional .54413¢ per kWh will need to be collected to address this under-recovery.

8) Based upon the Company's projections and the total true-up amounts to be collected for both Divisions, the appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2018 through December 2018, excluding demand cost recovery and adjusted for line loss multipliers and including taxes, are as follows:

<i>Rate Schedule</i>	<i>Adjustment</i>
RS	\$0.09666
GS	\$0.09391
GSD	\$0.09029
GSLD	\$0.08769
LS	\$0.07136
<u>Step rate for RS</u>	

RS Sales	\$0.09666
RS with less than 1,000 kWh/month	\$0.09320
RS with more than 1,000 kWh/month	\$0.10570

9) For the Consolidated Electric Division, the total fuel adjustment factor is 6.506¢ per kWh for "other classes." Thus, a customer in either Division using 1,000 kWh will pay \$131.10, a decrease of \$7.52 from the prior period.

10) The Company has also adjusted the Time of Use (TOU) and Interruptible rates for the 2017 period. The Company submits that the methodology used to compute the rates reflected below is consistent with the methodology previously approved by the Commission.

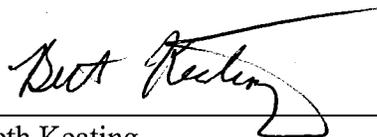
*Time of Use/Interruptible*

<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
RS	\$0.17720	\$0.05420
GS	\$0.13391	\$0.04391
GSD	\$0.13029	\$0.05779
GSLD	\$0.14769	\$0.05769
Interruptible	\$0.07269	\$0.08769

11) The Company attests that these factors have been calculated correctly and consistent with Commission requirements. Thus, the Company asks that the Commission approve the proposed factors as set forth herein.

WHEREFORE, FPUC respectfully requests that the Commission approve the Company's proposed fuel adjustment and purchased power cost recovery factors for January 2018 through December 2018.

RESPECTFULLY SUBMITTED this 24th day of August, 2017.



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215 South Monroe St., Suite 601  
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(850) 521-1706

*Attorneys for Florida Public Utilities Company*

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing Petition for Approval of Fuel Adjustment and Purchased Power Cost Recovery Factors, as well as the Direct Testimony and Exhibit MC-2 of Mike Cassel, and the Direct Testimonies of Mark Cutshaw and Drane “Buddy” Shelley, have been furnished by Electronic Mail to the following parties of record this 24th day of August, 2017:

<p>Danijela Janjic                  Suzanne Brownless                  Florida Public Service Commission                  2540 Shumard Oak Boulevard                  Tallahassee, FL 32399-0850  <a href="mailto:djanjic@psc.state.fl.us">djanjic@psc.state.fl.us</a>  <a href="mailto:sbrownle@psc.state.fl.us">sbrownle@psc.state.fl.us</a></p>	<p>James D. Beasley/J. Jeffry Wahlen                  Ausley Law Firm                  Post Office Box 391                  Tallahassee, FL 32302  <a href="mailto:jbeasley@ausley.com">jbeasley@ausley.com</a>  <a href="mailto:jwahlen@ausley.com">jwahlen@ausley.com</a></p>
<p>Russell Badders/Steven Griffin                  Beggs &amp; Lane                  P.O. Box 12950                  Pensacola, FL 32591-2950  <a href="mailto:srg@beggslane.com">srg@beggslane.com</a></p>	<p>James W. Brew/Laura Wynn                  Stone Matheis Xenopoulos &amp; Brew, PC                  Eighth Floor, West Tower                  1025 Thomas Jefferson Street, NW                  Washington, DC 20007  <a href="mailto:jbrew@smxblaw.com">jbrew@smxblaw.com</a></p>
<p>John T. Butler                  Maria Moncada                  Florida Power &amp; Light Company                  700 Universe Boulevard                  Juno Beach, FL 33408-0420  <a href="mailto:John.Butler@fpl.com">John.Butler@fpl.com</a></p>	<p>Kenneth Hoffman                  Florida Power &amp; Light Company                  215 South Monroe Street, Suite 810                  Tallahassee, FL 32301  <a href="mailto:Ken.Hoffman@fpl.com">Ken.Hoffman@fpl.com</a></p>
<p>Ms. Paula K. Brown                  Tampa Electric Company                  Regulatory Affairs                  P.O. Box 111                  Tampa, FL 33601-0111  <a href="mailto:Regdept@tecoenergy.com">Regdept@tecoenergy.com</a></p>	<p>Florida Industrial Users Power Group                  Jon C. Moyle, Jr.                  Moyle Law Firm                  118 North Gadsden Street                  Tallahassee, FL 32301  <a href="mailto:jmoyle@moylelaw.com">jmoyle@moylelaw.com</a></p>
<p>Mike Cassel                  Florida Public Utilities Company                  1750 SW 14th Street, Suite 200                  Fernandina Beach, FL 32034  <a href="mailto:mcassel@fpuc.com">mcassel@fpuc.com</a></p>	<p>Florida Retail Federation                  Robert Scheffel Wright/John T. LaVia                  Gardner Law Firm                  1300 Thomaswood Drive                  Tallahassee, FL 32308  <a href="mailto:schef@gbwlegal.com">schef@gbwlegal.com</a></p>

Rhonda J. Alexander Gulf Power Company One Energy Place Pensacola, FL 32520-0780 <a href="mailto:rjalexad@southernco.com">rjalexad@southernco.com</a>	P. Christensen/C. Rehwinkel/E. Sayler Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 <a href="mailto:Christensen.patty@leg.state.fl.us">Christensen.patty@leg.state.fl.us</a> <a href="mailto:Rehwinkel.Charles@leg.state.fl.us">Rehwinkel.Charles@leg.state.fl.us</a> <a href="mailto:Sayler.Eric@leg.state.fl.us">Sayler.Eric@leg.state.fl.us</a>
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By:   
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**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO. 20170001-EI: FUEL AND PURCHASED POWER COST RECOVERY  
CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR

2018 Projection Testimony of  
Michael Cassel  
On Behalf of  
Florida Public Utilities Company

1       **Q.       Please state your name and business address.**

2       A.       My name is Michael Cassel and my business address is 1750 S. 14th  
3               Street, Suite 200, Fernandina Beach, Florida 32034

4       **Q.       By whom are you employed?**

5       A.       I am employed by Florida Public Utilities Company (“FPUC” or  
6               “Company”)

7       **Q.       Could you give a brief description of your background and business  
8               experience?**

9       A.       I received a Bachelor of Science Degree in Accounting from Delaware  
10              State University in Dover, Delaware in 1996. I was hired by Chesapeake  
11              Utilities Corporation (CUC) as a Senior Regulatory Analyst in March  
12              2008. As a Senior Regulatory Analyst, I was primarily involved in the  
13              areas of gas cost recovery, rate of return analysis, and budgeting for the  
14              CUC’s Delaware and Maryland natural gas distribution companies. In  
15              2010, I moved to Florida in the role of Senior Tax Accountant for CUC’s  
16              Florida business units. Since that time, I have held various management  
17              roles including Manager of the Back Office in 2011 and Director of  
18              Business Management in 2012. I am currently the Director of Regulatory

1 and Governmental Affairs for CUC's Florida business units. My  
2 responsibilities include directing the regulatory and governmental affairs  
3 activity for CUC in Florida including regulatory analysis, and reporting  
4 and filings before the Florida Public Service Commission (FPSC). Prior  
5 to joining Chesapeake, I was employed by J.P. Morgan Chase &  
6 Company, Inc. from 2006 to 2008 as a Financial Manager in their card  
7 finance group. My primary responsibility in this position was the  
8 development of client-specific financial models and profit loss  
9 statements. I was also employed by Computer Sciences Corporation as a  
10 Senior Finance Manager from 1999 to 2006. In this position, I was  
11 responsible for the financial operation of the company's chemical, oil  
12 and natural resources business. This included forecasting, financial close  
13 and reporting responsibility, as well as representing Computer Sciences  
14 Corporation's financial interests in contract/service negotiations with  
15 existing and potential clients. From 1996 to 1999 I was employed by J.P.  
16 Morgan, Inc. where I had various accounting/finance responsibilities for  
17 the firm's private banking clientele.

18 **Q. Have you previously testified in this Docket?**

19 A. Yes, I have provided written testimony in this proceeding previously.

20 **Q. What is the purpose of your testimony at this time?**

21 A. I will briefly describe the basis for the computations that were made in  
22 the preparation of the various Schedules that the Company has submitted  
23 in support of the January 2018 - December 2018 fuel cost recovery

1 adjustments for its consolidated electric divisions. In addition, I will  
2 explain the projected differences between the revenues collected under  
3 the levelized fuel adjustment and the purchased power costs allowed in  
4 developing the levelized fuel adjustment for the period January 2017 –  
5 December 2017 and to establish a "true-up" amount to be collected or  
6 refunded during January 2018 - December 2018.

7 **Q. Were the schedules filed by the Company completed by you or under**  
8 **your direct supervision?**

9 A. Yes, they were completed under my direct supervision and review.

10 **Q. Is FPUC providing the required schedules with this filing?**

11 A. Yes. Included with this filing are Consolidated Electric Schedules E1,  
12 E1A, E2, E7, E8, and E10. These schedules are included in my Exhibit  
13 MC-2, which is appended to my testimony.

14 **Q. Did you include costs in addition to the costs specific to purchased**  
15 **fuel in the calculations of your true-up and projected amounts?**

16 A. Yes, included with our fuel and purchased power costs are charges for  
17 contracted consultants and legal services that are directly fuel-related and  
18 appropriate for recovery in the fuel clause. Mr. Cutshaw addresses these  
19 projects more specifically in his testimony.

20 **Q. Please explain how these costs were determined to be recoverable**  
21 **under the fuel clause?**

22 A. Consistent with the Commission's policy set forth in Order No. 14546,  
23 issued in Docket No. 850001-EI-B, on July 8, 1985, the other costs

1 included in the fuel clause are directly related to fuel, have not been  
2 recovered through base rates.

3 Specifically, consistent with item 10 of Order 14546, the costs the  
4 Company has included are fuel-related costs that were not anticipated or  
5 included in the cost levels used to establish the current base rates. To be  
6 clear, these costs are not tied to the Company's internal staff involvement  
7 in fuel and purchased power procurement and administration. Instead,  
8 these costs are associated with external contracts which consequently,  
9 tend to be more volatile depending upon the issue. Similar expenses paid  
10 to Christensen and Associates associated with the design for a Request  
11 for Proposals of Fuel costs, and the evaluation of those responses, were  
12 deemed appropriate for recovery by FPUC through the fuel clause in  
13 Order No. PSC-05-1252-FOF-EI, Item II E, issued in Docket No.  
14 050001-EI. Additionally, in more recent Docket Nos. 20120001-EI,  
15 20130001-EI, 20140001-EI, 20150001-EI, 20160001-EI and 20170001-  
16 EI, the Commission determined that many of the costs associated with  
17 the legal and consulting work incurred by the Company as fuel related,  
18 particularly those costs related to the purchase power agreement review  
19 and analysis, were recoverable under the fuel clause. As the Commission  
20 has recognized time and again, the Company simply does not have the  
21 internal resources to pursue projects and initiatives designed to produce  
22 fuel savings without engaging outside assistance for project analytics and  
23 due diligence, as well as negotiation and contract development expertise.

1           Likewise, the Company believes that the costs addressed herein are  
2           appropriate for recovery through the fuel clause.

3           **Q.       Please explain what are the costs outside of purchased fuel costs**  
4           **included in the 2017 true-up for Florida Public Utilities Company?**

5           A.       Florida Public Utilities engaged Sterling Energy Services, LLC.  
6           ("Sterling") Christensen Associates Energy, LLC ("Christensen"), Locke  
7           Lord, LLP ("Lord") and Pierpont and McClelland ("Pierpont") for  
8           assistance in the development and enactment of projects/programs  
9           designed to reduce their fuel rates to its customers. The associated legal  
10          and consulting costs, included in the rate calculation of the Company's  
11          2018 Projection factors, were not included in expenses during the last  
12          FPUC consolidated electric base rate proceeding and are not being  
13          recovered through base rates.

14          More specifically, Pierpont has been engaged to perform analysis and  
15          provide consulting services for FPUC as it relates to the structuring of,  
16          and operation under, the Company's power purchase agreements with the  
17          purpose of identifying measures that will minimize cost increases and/or  
18          provide opportunities for cost reductions. Lord is a law firm with  
19          particular expertise in the regulatory requirements of the Federal Energy  
20          Regulatory Commission. Attorneys with the firm have provided legal  
21          guidance and oversight regarding the contracts and regulatory  
22          requirements for generation and transmission-related issues for the  
23          Northeast Florida Division. The Company's in-house experience in these

1 areas is limited; thus, without this outside assistance, the Company's  
2 ability to pursue potential fuel savings opportunities would be limited, as  
3 would its ability properly evaluate proposals to meet our generation and  
4 transmission needs and ensure compliance with federal regulatory  
5 requirements.

6 Sterling and Christensen have been hired to assist the Company in the  
7 most cost-effective means of incorporating additional energy sources,  
8 such as power available from certain industrial customers, including  
9 customers with Combined Heat and Power (CHP) capability, to further  
10 reduce the overall purchased power impact to all FPUC customers. And,  
11 again, these costs are consistent with the standard set forth in Order No.  
12 14546 in that they are incurred in the pursuit of fuel and purchased power  
13 savings for our customers and are not otherwise being recovered through  
14 the Company's base rates. The Company intends to continue to engage  
15 legal and consulting assistance as it explores additional fuel related  
16 savings options including other CHP opportunities and solar/photovoltaic  
17 opportunities.

18

19

Summary Rates

20 **Q. What are the final remaining true-up amounts for the period**  
21 **January – December 2016 for both Divisions?**

22 A. The final remaining consolidated true-up amount was an under-recovery  
23 of \$2,415,898.

1       **Q.       What are the estimated true-up amounts for the period of January –**  
2                   **December 2017?**

3       A.       There is an estimated consolidated under-recovery of \$975,518.

4       **Q.       Please address the calculation of the total true-up amount to be**  
5                   **collected or refunded during the January - December 2018 year?**

6       A.       The Company has determined that at the end of December 2017, based  
7                   on six months actual and six months estimated, we will have a  
8                   consolidated electric under-recovery of \$3,391,416.

9       **Q.       What will the total consolidated fuel adjustment factor, excluding**  
10                  **demand cost recovery, be for the consolidated electric division for**  
11                  **the period?**

12      A.       The total fuel adjustment factor as shown on line 43, Schedule E-1 is  
13                  6.506¢ per KWH.

14      **Q.       Please advise what a residential customer using 1,000 KWH will pay**  
15                  **for the period January - December 2018 including base rates,**  
16                  **conservation cost recovery factors, gross receipts tax and fuel**  
17                  **adjustment factor and after application of a line loss multiplier.**

18      A.       As shown on consolidated Schedule E-10 in Composite Exhibit Number  
19                  MC-2, a residential customer using 1,000 KWH will pay \$131.10. This is  
20                  a decrease of \$7.52 under the previous period.

21      **Q.       Does this conclude your testimony?**

22      A.       Yes.

**FLORIDA PUBLIC UTILITIES COMPANY**  
FUEL AND PURCHASED POWER  
COST RECOVERY CLAUSE CALCULATION

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

**FLORIDA DIVISION-CONSOLIDATED**

	(a) DOLLARS	(b) MWH	(c) CENTS/KWH
1 Fuel Cost of System Net Generation (E3)			
2 Nuclear Fuel Disposal Costs (E2)			
3 Coal Car Investment			
4 Adjustments to Fuel Cost			
5 TOTAL COST OF GENERATED POWER (LINE 1 THRU 4)	0	0	0.00000
6 Fuel Cost of Purchased Power (Exclusive of Economy) (E7)	22,399,933	493,989	4.53450
7 Energy Cost of Sched C & X Econ Purch (Broker) (E9)			
8 Energy Cost of Other Econ Purch (Non-Broker) (E9)			
9 Energy Cost of Sched E Economy Purch (E9)			
10 Demand & Non Fuel Cost of Purch Power (E2)	21,860,729	493,989	4.42535
10a Demand Costs of Purchased Power	20,332,677 *		
10b Non-fuel Energy & Customer Costs of Purchased Power	1,528,052 *		
11 Energy Payments to Qualifying Facilities (E8a)	14,531,035	182,581	7.95868
12 TOTAL COST OF PURCHASED POWER (LINE 6 THRU 11)	58,791,697	676,570	8.68967
13 TOTAL AVAILABLE KWH (LINE 5 + LINE 12)	58,791,697	676,570	8.68967
14 Fuel Cost of Economy Sales (E6)			
15 Gain on Economy Sales (E6)			
16 Fuel Cost of Unit Power Sales (SL2 Partpts) (E6)			
17 Fuel Cost of Other Power Sales			
18 TOTAL FUEL COST AND GAINS OF POWER SALES	0	0	0.00000
19 Net Inadvertent Interchange			
20 TOTAL FUEL & NET POWER TRANSACTIONS (LINE 5 + 12 + 18 + 19)	58,791,697	676,570	8.68967
21 Net Unbilled Sales	0 *	0	0.00000
22 Company Use	57,699 *	664	0.00895
23 T & D Losses	2,697,708 *	31,045	0.41834
24 SYSTEM MWH SALES	58,791,697	644,861	9.11696
25 Wholesale MWH Sales			
26 Jurisdictional MWH Sales	58,791,697	644,861	9.11696
26a Jurisdictional Loss Multiplier	1.00000	1.00000	
27 Jurisdictional MWH Sales Adjusted for Line Losses	58,791,697	644,861	9.11696
27a GSLD1 MWH Sales		21,584	
27b Other Classes MWH Sales		623,277	
27c GSLD1 CP KW		576,000 *	
28 Projected Unbilled Revenues	0	623,277	0.00000
29 GPIF **			
30 TRUE-UP (OVER) UNDER RECOVERY **	3,391,416	623,277	0.54413
31 TOTAL JURISDICTIONAL FUEL COST	62,183,113	623,277	9.97680
31a Demand Purchased Power Costs (Line 10a)	20,332,677 *		
31b Non-demand Purchased Power Costs (Lines 6 + 10b + 11)	38,459,020 *		
31c True up Over/Under Recovery (Line 29)	3,391,416 *		
31d Unbilled Revenues	0		

\* For Informational Purposes Only

\*\* Calculation Based on Jurisdictional KWH Sales

EXHIBIT NO. \_\_\_\_\_  
DOCKET NO. 20170001-EI  
FLORIDA PUBLIC UTILITIES COMPANY  
(MC-2)  
PAGE 1 OF 8

**FLORIDA PUBLIC UTILITIES COMPANY**  
FUEL AND PURCHASED POWER  
COST RECOVERY CLAUSE CALCULATION

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

<b><u>FLORIDA DIVISION-CONSOLIDATED</u></b>		(a)	(b)	(c)
		DO,LLARS	MWH	CENTS/KWH
<b>APPORTIONMENT OF DEMAND COSTS</b>				
31	Total Demand Costs (Line 31a)	20,332,677		
32	GSLD1 Portion of Demand Costs (Line 31a) Including Line Losses(Line 27c x \$5.85)	2,896,812	576,000 (KW)	\$5.03 /KW
33	Balance to Other Classes	17,435,865	623,277	2.79745
<b>APPORTIONMENT OF NON-DEMAND COSTS</b>				
34	Total Non-demand Costs(Line 31b)	38,459,020		
35	Total KWH Purchased (Line 12)		676,570 KWH	
36	Average Cost per KWH Purchased			5.68441
37	Average Cost Adjusted for Line Losses (Line 36 x 1.03)			5.85494
38	GSLD1 Non-demand Costs (Line 27a x Line 37)	1,331,620	21,584	6.16948
39	Balance to Other Classes	37,127,400	623,277	5.95681
<b>GSLD1 PURCHASED POWER COST RECOVERY FACTORS</b>				
40a	Total GSLD1 Demand Costs (Line 32)	2,896,812	576,000 (KW)	\$5.03 /KW
40b	Revenue Tax Factor			1.00072
40c	GSLD1 Demand Purchased Power Factor Adjusted for Taxes & Rounded			\$5.03 /KW
40d	Total Current GSLD1 Non-demand Costs(Line 38)	1,331,620	21,584	6.16948
40e	Total Non-demand Costs Including True-up	1,331,620	21,584	6.16948
40f	Revenue Tax Factor			1.00072
40g	GSLD1 Non-demand Costs Adjusted for Taxes & Rounded			6.17392
<b>OTHER CLASSES PURCHASED POWER COST RECOVERY FACTORS</b>				
41a	Total Demand & Non-demand Purchased Power Costs of Other Classes(Line 33 + 39)	54,563,265	623,277	8.75426
41b	Less: Total Demand Cost Recovery	17,435,865 ***		
41c	Total Other Costs to be Recovered	37,127,400	623,277	5.95681
41d	Unbilled Revenue	0	623,277	0.00000
41e	Other Classes' Portion of True-up (Line 30c)	3,391,416	623,277	0.54413
41f	Total Demand & Non-demand Costs Including True-up	40,518,816	623,277	6.50093
42	Revenue Tax Factor			1.00072
43	Other Classes Purchased Power Factor Adjusted for Taxes & Rounded	40,547,989		6.506

\* For Informational Purposes Only

\*\* Calculation Based on Jurisdictional KWH Sales

\*\*\* Calculation on Schedule E1 Page 3

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**FLORIDA PUBLIC UTILITIES COMPANY**  
FUEL AND PURCHASED POWER  
COST RECOVERY CLAUSE CALCULATION

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

**FLORIDA DIVISION-CONSOLIDATED**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			(1)/(2)*8,760			(3)*(4)	(1)*(5)	(6)/Total Col. (6)	(7)/Total Col. (7)
Rate Schedule	KWH Sales	12 CP Load Factor	CP KW At Meter	Demand Loss Factor	Energy Loss Factor	CP KW At GEN.	KWH At GEN.	12 CP Demand Percentage	Energy Percentage
44 RS	295,117,133	57.542%	58,546.7	1.089	1.030	63,757.4	303,970,647	53.97%	47.35%
45 GS	64,055,441	63.463%	11,522.1	1.089	1.030	12,547.6	65,977,104	10.62%	10.28%
46 GSD	160,952,060	73.488%	25,002.0	1.089	1.030	27,227.2	165,780,622	23.05%	25.82%
47 GSLD	95,682,144	82.761%	13,197.8	1.089	1.030	14,372.4	98,552,608	12.17%	15.35%
48 LS	7,469,143	416.653%	204.6	1.089	1.030	222.8	7,693,217	0.19%	1.20%
49	0	416.653%	0.0	1.089	1.030	0.0	0	0.00%	0.00%
<b>TOTAL</b>	<b>623,275,920</b>		<b>108,473.2</b>			<b>118,127.4</b>	<b>641,974,198</b>	<b>100.00%</b>	<b>100.00%</b>

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	12/13 * (8)	1/13 * (9)	(10) + (11)	Tot. Col. 13 * (9)	(13)/(1)	(14) * 1.00072		(15) + (16)
Rate Schedule	12/13 Of 12 CP	1/13 Of Energy	Demand Allocation Percentage	Demand Dollars	Demand Cost Recovery	Demand Cost Recovery Adj for Taxes	Other Charges	Levelized Adjustment
50 RS	49.82%	3.64%	53.46%	\$9,321,214	0.03158	0.03160	0.06506	0.09666
51 GS	9.80%	0.79%	10.59%	1,846,458	0.02883	0.02885	0.06506	0.09391
52 GSD	21.28%	1.99%	23.27%	4,057,326	0.02521	0.02523	0.06506	0.09029
53 GSLD	11.23%	1.18%	12.41%	2,163,791	0.02261	0.02263	0.06506	0.08769
54 LS	0.18%	0.09%	0.27%	47,077	0.00630	0.00630	0.06506	0.07136
<b>TOTAL</b>	<b>92.31%</b>	<b>7.69%</b>	<b>100.00%</b>	<b>\$17,435,865</b>				

Step Rate Allocation for Residential Customers

	(18)	(19)	(20)	(21)
Rate Schedule	Allocation	Annual kWh	Levelized Adj.	Revenues
56 RS	Sales	295,117,133	\$0.09666	\$28,526,022
57 RS	<= 1,000kWh/mo.	213,351,626	\$0.09320	\$19,883,675
58 RS	> 1,000 kWh/mo.	81,765,507	\$0.10570	\$8,642,347
59 RS	Total Sales	295,117,133		\$28,526,022

(2) From Gulf Power 2015 Load Research results.

TOU Rates

	(22)	(23)	(24)	(25)
Rate Schedule	On Peak Rate Differential	Off Peak Rate Differential	Levelized Adj. On Peak	Levelized Adj. Off Peak
60 RS	0.0840	(0.0390)	\$0.17720	\$0.05420
61 GS	0.0400	(0.0500)	\$0.13391	\$0.04391
62 GSD	0.0400	(0.0325)	\$0.13029	\$0.05779
63 GSLD	0.0600	(0.0300)	\$0.14769	\$0.05769
64 Interruptible	(0.0150)	-	\$0.07269	\$0.08769

**FLORIDA PUBLIC UTILITIES COMPANY**  
**CALCULATION OF TRUE-UP SURCHARGE**  
**APPLICABLE TO LEVELIZED FUEL ADJUSTMENT PERIOD**  
**JANUARY 2017 - DECEMBER 2017**  
**BASED ON SIX MONTHS ACTUAL AND SIX MONTHS ESTIMATED OPERATIONS**

**FLORIDA DIVISION-CONSOLIDATED**

Under-recovery of purchased power costs for the period January 2017 - December 2017. (See Schedule E1-B, Calculation of Estimated Purchased Power Costs and Calculation of True- Up and Interest Provision for the Twelve Month Period ended December 2017.)(Estimated)	\$	3,391,416
Portion of 2017 Under-recovery to be collected for the period January 2018 - December 2018	\$	3,391,416
Estimated kilowatt hour sales for the months of January 2018 - December 2018 as per estimate filed with the Commission. (Excludes GSLD1 customers)		623,275,920
Cents per kilowatt hour necessary to collect under-recovered purchased power costs over the period January 2018 - December 2018		0.54413

**FLORIDA PUBLIC UTILITIES COMPANY**  
 FLORIDA DIVISION-CONSOLIDATED  
 FUEL & PURCHASED POWER COST RECOVERY CLAUSE CALCULATION

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

LINE NO.	(a)	(b)	(c)	(d)	(e)	(f)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	LINE NO.
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	ESTIMATED JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL PERIOD	
1	FUEL COST OF SYSTEM GENERATION												0	1
1a	NUCLEAR FUEL DISPOSAL												0	1a
2	FUEL COST OF POWER SOLD												0	2
3	1,713,073	1,532,132	1,371,319	1,436,819	1,540,596	2,240,319	2,587,697	2,614,836	2,507,978	1,897,896	1,549,384	1,407,884	22,399,933	3
3a	DEMAND & NON FUEL COST OF PUR POWER												21,639,729	3a
3b	QUALIFYING FACILITIES												14,531,035	3b
4	OTHER FUEL RELATED COSTS												221,000	4
5	4,940,641	4,735,320	4,454,609	4,333,954	4,439,418	5,166,897	5,609,575	5,612,932	5,561,767	4,984,015	4,398,939	4,553,629	58,791,697	5
5a	TOTAL FUEL & NET POWER TRANSACTIONS (SUM OF LINES A-1 THRU A-4)												58,791,697	
5a	LESS: TOTAL DEMAND COST RECOVERY												17,435,865	5a
5b	TOTAL OTHER COST TO BE RECOVERED												41,355,832	5b
6	375,046	275,238	349,190	365,645	373,365	315,899	327,647	341,081	331,306	425,873	407,707	340,435	4,228,432	6
6a	BALANCE TO OTHER CLASSES												37,127,400	6a
6b	SYSTEM KWH SOLD (MWH)												644,861	6b
7	2,037	503	1,593	1,920	2,083	1,305	1,547	1,784	1,593	3,066	2,690	1,463	21,584	7
7a	BALANCE MWH SOLD OTHER CLASSES												623,277	7a
7b	COST PER KWH SOLD (CENTS/KWH) APPLICABLE TO OTHER CLASSES												5.95681	7b
8	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	8
9	6.17206	6.26592	6.30501	6.16523	6.09226	5.73341	5.64323	5.64756	5.68195	5.91694	6.03863	6.32925	5.95681	9
10	PROJECTED UNBILLED REVENUES(CENTS/KWH)												0.0000	10
11	GPIF (CENTS/KWH)													11
12	3,391,416	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	0.54413	12
13	TRUE-UP (CENTS/KWH)												0.54413	
13	6.71619	6.81005	6.84914	6.70936	6.63639	6.27754	6.18736	6.19169	6.22608	6.46107	6.58276	6.87338	6.50094	13
14	0.00072	0.00484	0.00490	0.00493	0.00483	0.00478	0.00452	0.00445	0.00446	0.00448	0.00465	0.00474	0.00495	14
14	REVENUE TAX FACTOR												0.00468	
15	6.72103	6.81495	6.85407	6.71419	6.64117	6.28206	6.19181	6.19615	6.23056	6.46572	6.58750	6.87833	6.50562	15
15	RECOVERY FACTOR ADJUSTED FOR TAXES												6.50562	
16	6.721	6.815	6.854	6.714	6.641	6.282	6.192	6.196	6.231	6.466	6.587	6.878	6.506	16
16	RECOVERY FACTOR ROUNDED TO NEAREST .001 CENT/KWH												6.506	

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**FLORIDA PUBLIC UTILITIES COMPANY**  
**FLORIDA DIVISION-CONSOLIDATED**  
**PURCHASED POWER**  
**(EXCLUSIVE OF ECONOMY ENERGY PURCHASES)**

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

(1) MONTH	(2) PURCHASED FROM	(3) TYPE & SCHEDULE	(4) TOTAL KWH PURCHASED	(5) KWH FOR OTHER UTILITIES	(6) KWH FOR INTERRUPTIBLE	(7) KWH FOR FIRM	(8) CENTS/KWH		(9) TOTAL \$ FOR FUEL ADJ. (7) x (8) (A)
							(A) FUEL COST	(B) TOTAL COST	
JANUARY 2018	FPL/GULF	MS	37,439,877			37,439,877	4.575530	9.593795	1,713,073
FEBRUARY 2018	FPL/GULF	MS	33,311,354			33,311,354	4.599428	10.429272	1,532,132
MARCH 2018	FPL/GULF	MS	29,983,602			29,983,602	4.573564	10.547779	1,371,319
APRIL 2018	FPL/GULF	MS	31,627,611			31,627,611	4.542925	9.912339	1,436,819
MAY 2018	FPL/GULF	MS	34,061,391			34,061,391	4.522999	9.607980	1,540,596
JUNE 2018	FPL/GULF	MS	49,673,672			49,673,672	4.510073	8.189856	2,240,319
JULY 2018	FPL/GULF	MS	57,212,089			57,212,089	4.522990	7.831911	2,587,697
AUGUST 2018	FPL/GULF	MS	57,790,149			57,790,149	4.524708	7.803505	2,614,836
SEPTEMBER 2018	FPL/GULF	MS	55,371,975			55,371,975	4.529328	7.985386	2,507,978
OCTOBER 2018	FPL/GULF	MS	42,056,351			42,056,351	4.512746	8.847629	1,897,896
NOVEMBER 2018	FPL/GULF	MS	34,554,600			34,554,600	4.483871	9.458144	1,549,384
DECEMBER 2018	FPL/GULF	MS	30,906,358			30,906,358	4.555322	10.207719	1,407,884
<b>TOTAL</b>			<b>493,989,029</b>	<b>0</b>	<b>0</b>	<b>493,989,029</b>	<b>4.534500</b>	<b>0.000000</b>	<b>22,399,933</b>

**FLORIDA PUBLIC UTILITIES COMPANY  
 FLORIDA DIVISION-CONSOLIDATED  
 PURCHASED POWER  
 ENERGY PAYMENT TO QUALIFYING FACILITIES**

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

(1) MONTH	(2) PURCHASED FROM	(3) TYPE & SCHEDULE	(4) TOTAL KWH PURCHASED	(5) KWH FOR OTHER UTILITIES	(6) KWH FOR INTERRUPTIBLE	(7) KWH FOR FIRM	(8) CENTS/KWH		(9) TOTAL \$ FOR FUEL ADJ. (7) x (8) (A)
							(A) FUEL COST	(B) TOTAL COST	
							JANUARY 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS	
FEBRUARY 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		15,451,000			15,451,000	8.162501	8.162501	1,261,188
MARCH 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,220,000			16,220,000	7.965506	7.965506	1,292,005
APRIL 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		15,180,000			15,180,000	7.898011	7.898011	1,198,918
MAY 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		14,590,000			14,590,000	7.997306	7.997306	1,166,807
JUNE 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		13,890,000			13,890,000	7.909971	7.909971	1,098,695
JULY 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		14,460,000			14,460,000	7.806189	7.806189	1,128,775
AUGUST 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		13,870,000			13,870,000	7.954398	7.954398	1,103,275
SEPTEMBER 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		14,540,000			14,540,000	7.841135	7.841135	1,140,101
OCTOBER 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,190,000			16,190,000	7.801266	7.801266	1,263,025
NOVEMBER 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		14,080,000			14,080,000	8.030646	8.030646	1,130,715
DECEMBER 2018	WEST-ROCK/RAYONIER/EIGHT FLAGS		17,530,000			17,530,000	7.979435	7.979435	1,398,795
<b>TOTAL</b>			<b>182,581,000</b>	<b>0</b>	<b>0</b>	<b>182,581,000</b>	<b>7.958679</b>	<b>7.958679</b>	<b>14,531,035</b>

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**FLORIDA PUBLIC UTILITIES COMPANY  
FLORIDA DIVISION-CONSOLIDATED  
RESIDENTIAL BILL COMPARISON**

ESTIMATED FOR THE PERIOD: JANUARY 2018 THROUGH DECEMBER 2018

JANUARY 2018	FEBRUARY 2018	MARCH 2018	APRIL 2018	MAY 2018	JUNE 2018	JULY 2018
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BASE RATE REVENUES ** \$	34.62	34.62	34.62	34.62	34.62	34.62	34.62
FUEL RECOVERY FACTOR CENTS/KWH	9.32	9.32	9.32	9.32	9.32	9.32	9.32
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
FUEL RECOVERY REVENUES \$	93.20	93.20	93.20	93.20	93.20	93.20	93.20
GROSS RECEIPTS TAX	3.28	3.28	3.28	3.28	3.28	3.28	3.28
TOTAL REVENUES *** \$	131.10	131.10	131.10	131.10	131.10	131.10	131.10

AUGUST 2018	SEPTEMBER 2018	OCTOBER 2018	NOVEMBER 2018	DECEMBER 2018
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PERIOD TOTAL
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BASE RATE REVENUES ** \$	34.62	34.62	34.62	34.62	34.62	415.44
FUEL RECOVERY FACTOR CENTS/KWH	9.32	9.32	9.32	9.32	9.32	
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	
FUEL RECOVERY REVENUES \$	93.20	93.20	93.20	93.20	93.20	1,118.40
GROSS RECEIPTS TAX	3.28	3.28	3.28	3.28	3.28	39.36
TOTAL REVENUES *** \$	131.10	131.10	131.10	131.10	131.10	1,573.20

\* MONTHLY AND CUMULATIVE TWELVE MONTH ESTIMATED DATA

\*\* BASE RATE REVENUES PER 1000 KWH:

CUSTOMER CHARGE	14.00
CENTS/KWH	19.60
CONSERVATION FACTOR	1.02
	<u>34.62</u>

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\*\*\* EXCLUDES FRANCHISE TAXES

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

**DOCKET NO. 20170001-EI: FUEL AND PURCHASED POWER COST RECOVERY  
CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

2018 Projection Testimony of P. Mark Cutshaw  
On Behalf of  
Florida Public Utilities Company

1       **Q.       Please state your name and business address.**

2       A.       My name is P. Mark Cutshaw, 1750 South 14<sup>th</sup> Street, Fernandina Beach,  
3               Florida 32034.

4       **Q.       By whom are you employed?**

5       A.       I am employed by Florida Public Utilities Company (“FPUC” or  
6               “Company”).

7       **Q.       Could you give a brief description of your background and business  
8               experience?**

9       A.       I graduated from Auburn University in 1982 with a B.S. in Electrical  
10              Engineering and began my career with Mississippi Power Company in  
11              June 1982. I spent 9 years with Mississippi Power Company and held  
12              positions of increasing responsibility that involved budgeting, as well as  
13              operations and maintenance activities at various Company locations. I  
14              joined FPUC in 1991 as Division Manager in our Northwest Florida  
15              Division and have since worked extensively in both the Northwest  
16              Florida and Northeast Florida Divisions. Since joining FPUC, my  
17              responsibilities have included all aspects of budgeting, customer service,

1 operations and maintenance in both the Northeast and Northwest Florida  
2 Divisions. My responsibilities also included involvement with Cost of  
3 Service Studies and Rate Design in other rate proceedings before the  
4 Commission as well as other regulatory issues. During 2015 I moved  
5 into my current role as Director, Business Development and Generation.

6 **Q. Have you previously testified in this Docket?**

7 A. Yes, I've provided testimony in a variety of Commission proceedings,  
8 including the Company's 2014 rate case, addressed in Docket No.  
9 140025-EI. Most recently, I provided written, pre-filed testimony in  
10 Docket No. 160001-EI, the Commission's regular fuel cost recovery  
11 proceeding, and also provided both pre-filed and live testimony the prior  
12 year, in Docket No. 150001-EI, regarding the Company's  
13 interconnection project with Florida Power & Light Company ("FPL"),  
14 which is also the subject of my testimony in this proceeding.

15 **Q. What is the purpose of your direct testimony in this Docket?**

16 A. My direct testimony addresses several aspects of the purchased power  
17 cost for our FPUC electric customers. This includes activities to  
18 investigate potential avenues for reducing our purchase power costs,  
19 construction of a transmission line interconnection with FPL, execution  
20 of the new purchased power agreement with FPL, generation supply  
21 located on Amelia Island and investigation into the deployment of solar  
22 and battery storage assets.

1       **Q.       Has the Company investigated means to reduce costs for its**  
2               **customers in its consolidated electric divisions?**

3       A.       Yes. The Company continues to seek opportunities to engage base load  
4               providers for both electric divisions in discussions for an arrangement  
5               that would be more beneficial for the FPUC customers. Since 2007,  
6               when purchased power rates began to increase significantly from both  
7               providers, FPUC has been very assertive in challenging each cost  
8               determination performed by Jacksonville Energy Authority (“JEA”) and  
9               Southern Company/Gulf Power (Gulf) that resulted in an increase to the  
10              purchased power rate. These very focused and steady efforts have  
11              mitigated the rate of increase in purchased power costs for FPUC and its  
12              customers. In January 2011, the Company was also successful in  
13              reaching an agreement with Gulf for an Amendment to the Company’s  
14              purchased power contract with Gulf, which resulted in reduced costs to  
15              customers in its Northwest Florida Division. These same focused and  
16              steady efforts are continuing today and have resulted in a reduced rate of  
17              increase in fuel costs for FPUC and its customers.

18              The Company also continues to investigate other opportunities to reduce  
19              purchased power costs, including the contractual relationships with other  
20              wholesale power suppliers. As a result of this ongoing investigation into  
21              new opportunities, relationships were developed with other suppliers,  
22              informal studies of generation and transmission capacity arrangements  
23              were reviewed and contract possibilities were discussed. Although

1 realization of some of these opportunities was not possible until the  
2 expiration of the existing contracts, the information gathered provided  
3 FPUC with invaluable resources that will enhance the Company's ability  
4 to achieve further savings in the next purchased power agreements.

5 **Q. What opportunities has the Company implemented with the intent**  
6 **of reducing costs for its customers in its consolidated electric**  
7 **divisions?**

8 A. The two most significant opportunities employed during this year are the  
9 construction of a 138 KV transmission line interconnection with Florida  
10 Power & Light (FPL) and a new purchased power agreement with FPL  
11 that will be effective January 1, 2018. Also, Eight Flags Energy LLC  
12 (Eight Flags) is continuing to provide reasonably priced, reliable, on-  
13 island generation and has recently completed one year in service with  
14 excellent availability and efficiency ratings.

15 **Q. Can you provide background on the transmission interconnect**  
16 **project with FPL?**

17 A. Yes. This is a significant project for FPUC, one that the Company has  
18 embarked upon specifically because we anticipated that it would directly  
19 improve our ability to negotiate increased savings for our customers in  
20 our next purchased power agreement, as well as improve the system  
21 reliability in our Northeast Florida Division. Historically, FPUC's  
22 ability to secure competitive wholesale power quotations was

1 hindered by the limitation on the transmission interconnections providing  
2 power to FPUC's Northeast Florida Division (Amelia Island).

3 At present, the FPUC 138 KV transmission line is directly connected to  
4 the JEA 138 KV transmission system. Extending from the current  
5 interconnection with JEA, the FPUC 138 KV transmission line is a dual  
6 circuit, single pole line, which includes several miles of line located in  
7 relatively inaccessible marshy areas. This transmission line serves as the  
8 only off-island power supply to Amelia Island. In order to help mitigate  
9 the issues for upcoming wholesale power proposals, FPUC proposed an  
10 interconnection with the FPL transmission system, which is located in  
11 very close proximity to the existing FPUC transmission system. Not  
12 only will this additional interconnection provide access to more  
13 competitive wholesale power options, this will provide much needed  
14 redundancy to the power supply on Amelia Island which will have a  
15 positive impact on the overall system reliability.

16 **Q. Can you provide an update on the transmission interconnect project**  
17 **with FPL?**

18 A. Yes. The FPUC-owned 138 KV transmission line is located  
19 approximately 750 feet (0.14 miles) from the FPL O'Neil Substation and  
20 runs in the existing right-of-way along with the FPL 230 KV  
21 transmission line. Originally, the proposed construction was to include  
22 the construction of a new FPL substation in which the necessary  
23 transmission and system protection equipment was to be placed in order

1 to allow for the interconnection of the FPUC 138 KV transmission line.  
2 The FPUC 138 KV transmission was to be re-routed into the new FPL  
3 230/138 KV substation. However, during the planning process,  
4 unexpected local opposition was raised based on the original design. As  
5 a result, numerous meetings and discussions occurred during which a  
6 new design was developed that would alleviate the public opposition.  
7 The new design was developed and permitted without local opposition.  
8 The new design will include the expansion of the existing FPL O'Neil  
9 Substation. One circuit of the FPUC 138 KV line will be routed through  
10 this substation in order to allow for the transmission line interconnection  
11 with FPL. The remaining circuit of the FPUC 138 KV transmission line  
12 will remain as originally constructed and will provide for a direct  
13 interconnection with the JEA Nassau Substation. The new design will  
14 provide for improved system reliability on the transmission system and  
15 will afford FPUC the opportunity to reach other less expensive  
16 generation sources while avoiding additional transmission wheeling  
17 costs.

18 **Q. When will construction of the FPL transmission interconnection**  
19 **begin and what is the revised in service date?**

20 A. The construction of the FPL transmission line interconnection project is  
21 currently underway. FPL, JEA and FPUC are all actively involved in  
22 different aspects of the construction project. Completion of the 138 KV  
23 transmission line interconnection between FPL and JEA will be

1 completed during the fourth quarter of 2017. Service using the FPL  
2 transmission line interconnection will be available on January 1, 2018.

3 **Q. Can you quantify or project the savings to be derived as a result of**  
4 **this new interconnect with FPL?**

5 A. Consistent with my testimony in Docket No. 20160001-EI, at this time,  
6 we cannot specifically define the savings attributed to the FPL  
7 transmission line interconnection. However, FPUC witness Mike Cassel  
8 will address the overall impact that projects have had on our overall rate.

9 **Q. What is the status of the existing purchase power agreement in place**  
10 **with Gulf and JEA?**

11 A. The existing agreement with Gulf is effective through December 31,  
12 2019. It is anticipated that re-evaluation of that agreement will begin  
13 during the first half of 2018 in order to have an new agreement in place  
14 well in advance of the December 31, 2019 expiration date. The existing  
15 agreement with JEA will expire on December 31, 2017 and will be  
16 replaced with a new agreement from FPL with an effective date of  
17 January 1, 2018.

18 **Q. Can you provide background on the new purchased power**  
19 **agreement with FPL that will be effective January 1, 2018?**

20 A. Yes. The "Solicitation for Proposals to Provide Power Supply  
21 and Ancillary Services" (SPPS) for the Northeast Florida Division was

1 issued to selected parties on June 20, 2016 with responses requested by  
2 August 1, 2016. Proposals were received from three parties and the  
3 evaluation and discussions began immediately thereafter. Based on the  
4 differences in the bids submitted, the evaluation became fairly complex  
5 and required additional time for soliciting additional information to  
6 allow for further evaluation. After the evaluation was completed, FPL  
7 was determined to be the most appropriate selection and additional  
8 negotiations were conducted in order to develop a comprehensive  
9 purchased power agreement. On April 10, 2017 the “Native Load Firm  
10 All Requirements Power and Energy Agreement” (Agreement) was  
11 executed by both parties with an effective date of January 1, 2018 and  
12 continuing in effect through December 31, 2024.

13 **Q. Is this Agreement structured the same as the purchased power**  
14 **agreement you have in place at this time.**

15 A. No. Although the Agreement is similar to the existing  
16 agreements in that it is an all-requirements purchased power agreement it  
17 does have some additional beneficial elements that provide for an overall  
18 cost reduction that will benefit the FPUC customers. Whereas existing  
19 agreements have capacity and energy components for all power  
20 requirements, this Agreement consist of both Intermediate Block Service  
21 (Block) and Load Following Service (Load Following) capacity and  
22 energy components which blend with other generation on Amelia Island  
23 to provide for a low cost solution. The Block was optimized to provide

1 for very low cost capacity and energy with an extremely high capacity  
2 factor. Although the Load Following has costs above the Block, this will  
3 only be utilized when the Block and other on-island resources are not  
4 able to provide for all the energy and capacity requirements on Amelia  
5 Island. Also, this contract does provide other very beneficial elements  
6 such as the for the ability to construct additional on-island Combined  
7 Heat and Power generation, construct additional on-island Solar PV  
8 generation projects and to have access to Non-Firm Energy for use by  
9 selected industrial customers with high energy requirements.

10 **Q. Has the Company availed itself of other opportunities to produce**  
11 **fuel cost savings?**

12 A. Yes. The Northeast Florida Division provides service to two paper mills  
13 on Amelia Island that have significant on site generation capabilities and  
14 is directly connected to the Eight Flags Combined Heat and Power  
15 generation facility. Our relationships with these generators have created  
16 further opportunities for the purchase of on-island power. FPUC is  
17 continuing to look at these types of arrangements and all other avenues  
18 for reducing purchased power costs.

19 **Q. When were the agreements for the on-island generators put into**  
20 **place?**

21 A. The first very successful arrangement is the renewable energy contract  
22 with Rayonier Performance Fibers, LLC ("Rayonier"), which was  
23 entered into in early 2012 and approved by the Commission in Docket

1 No. 120058-EQ. Through a cooperative effort, FPUC and Rayonier  
2 were able to develop a purchased power agreement that allows Rayonier  
3 to produce renewable energy and sell that energy to FPUC at a cost  
4 below that of the current wholesale power provided while still being  
5 beneficial to Rayonier. Not only did this increase the amount of  
6 renewable energy in the area, it provides lower cost energy that is passed  
7 directly through to FPUC customers in the form of reduced power cost.

8 Secondly, the WestRock paper mill provides as-available energy under  
9 our Standard Offer Contract. Currently, evaluations are underway to  
10 look at the benefits associated with the formalization of a purchased  
11 power agreement with WestRock that could provide additional benefits  
12 to both entities.

13 Thirdly, a “Negotiated Contract Between Florida Public Utilities  
14 Company and Eight Flags Energy, LLC for the Purchase of Electric  
15 Energy from a Qualifying Facility” was effective on September 26,  
16 2014. This contract provides was reasonably priced, base load, on-island  
17 generation that provides significant benefits to the FPUC customers on  
18 Amelia Island.

19 **Q. How have these arrangements proven beneficial to the Company?**

20 A. In addition to significant cost savings, these projects have been  
21 beneficial to the Company’s electric customers by securing additional  
22 service reliability for the Northeast Florida Division. Also, due to the  
23 consolidated fuel factor, customers in both of the Company’s electric

1 divisions will benefit from the fuel and purchased power savings. Moreover, the  
2 Eight Flags project produces all these benefits, while doing so with a  
3 lower environmental profile than would be associated with locating  
4 traditional generation on the island or with FPUC's purchased power  
5 options.

6 **Q. Are there other efforts underway to identify projects that will lead to**  
7 **lower cost energy for FPUC customers?**

8 A. Yes. FPUC continues to work with consultants, as well as project  
9 developers, to identify new projects and opportunities that can lead to  
10 reduced fuel costs for our customers. We also continue to analyze the  
11 feasibility of energy production and supply opportunities that have been  
12 on our planning horizon for some time and noted in prior fuel clause  
13 proceedings, namely additional Combined Heat and Power (CHP)  
14 projects and potential Solar Photovoltaic ("PV") projects.

15 **Q. Can you provide additional information on these CHP projects?**

16 A. Yes. The success of the Eight Flags project has sparked interest in other  
17 CHP opportunities on Amelia Island. When coupled with industrial  
18 expansion in the area and the ability to do so within the context of the  
19 Agreement with FPL, the already quantifiable benefits of these existing  
20 projects has piqued the interest of others to contemplate partnering with  
21 a new CHP-based project. Given that FPUC would again be the  
22 recipient of any power generated by such project, FPUC has been  
23 involved in the analysis and feasibility study for potential new projects.

1           These projects are still in the planning stages, but the early indications  
2           are that the projects would not only be feasible, but would provide  
3           benefits to all parties involved.

4           **Q.     Can you provide additional information on the PV projects you**  
5           **referenced above?**

6           A.     Yes. FPUC has determined that the development of smaller PV systems  
7           within the FPUC electric service territory may be economically feasible  
8           and could provide benefits to the rate payers. Based on this analysis,  
9           FPUC is working to acquire access to the necessary property to construct  
10          small scale (one to five megawatts) PV installations. Not only will this  
11          increase the renewable energy available to FPUC, the cost is expected to  
12          complement the overall purchased power portfolio which will provide  
13          additional benefits to FPUC customers. Additionally, exploration into  
14          the inclusion of battery storage capacity in conjunction with the PV  
15          installation is being considered. These projects are still in the early  
16          stages of analysis and development. Nonetheless, even in these early  
17          analysis and planning stages, the potential benefits of the PV projects  
18          under consideration have been very encouraging.

19          **Q.     Does this include your testimony?**

20          A.     Yes.