

Writer's Direct Dial Number: (850) 521-1706
Writer's E-Mail Address: bkeating@gunster.com

September 2, 2022

BY E-PORTAL

Mr. Adam Teitzman, Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

**Re: Docket No. 20220001-EI: Fuel and Purchased Power Cost Recovery Clause with
Generating Performance Incentive Factor**

Dear Mr. Teitzman:

Attached for filing in the above-referenced docket, please find the Petition of Florida Public Utilities Company for Approval of Fuel Adjustment and Purchased Power Factors for 2023, along with the Testimony and Exhibit MDN-1 of Ms. Michelle Napier, as well as the Testimony of P. Mark Cutshaw, submitted on behalf of the Company.

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. 20220001-EI
| DATED: September 2, 2022

**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 2023 through December 2023. 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
208 Wildlight Ave.
Yulee, FL 32097

- 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
VP, Regulatory and Governmental Affairs
Florida Public Utilities Company
208 Wildlight Ave.
Yulee, FL 32097
mcassel@fpuc.com

- 3) Consistent with the requirements for this proceeding, the Company has pre-filed 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-2022-0052-PCO-EI, issued February 7, 2022, in this Docket, the Company is also submitting, contemporaneously with this Petition, the Direct Testimony of Ms. Michelle D. Napier, along with Exhibit MDN-1, as well as the Direct Testimony of Mr. Mark Cutshaw, in support of the Company's request for approval of the requested factors.

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. Notably, the Company continues to pursue CHP and solar projects that demonstrate the greatest potential for success and to produce savings for FPUC's customers. The Testimony of Witness Napier also addresses the Company's proposal to mitigate the impact of the significant under-recovery, which will also be addressed herein.

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-2005-1252-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. 20200001-EI and 20210001-EI. Again, the subject legal and consulting costs are not being 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 to pursue with the objective of obtaining reduced fuel and purchased power costs for the benefit of its customers.

7) As the Commission is aware, the Company requested, and was granted a mid-course correction in July to address the Company's final, year-end 2021 under-recovery was \$3,790,314, as compared to the projected over-recovery of \$2,257,470, which resulted in a total under-recovery of \$6,047,784 (which also included amounts applied to the Company's Fuel and Purchased Cost Recovery balance as a result of settlements approved by the Commission in Dockets Nos. 20180048-EI and 20190156-EI).¹ At the time the Order on FPUC's mid-course was issued, the projected under-recovery for 2021 and 2022 costs through July, 2022, was as much as \$9,330,463, but given the magnitude of the impact, FPUC only requested a mid-course adjustment to recover the \$3,790,314 for the end of period 2021 under-recovery.² However, even with the mid-course correction applied, the Company will not fully recover the full Final 2021 True Up amount; thus the remainder has been applied to the projected total under recovery for 2022.

8) As set forth in the Testimony and Exhibit MDN-1 of Witness Napier, the Company's total true-up amount at this point is an under-recovery of \$21,191,231 for the Consolidated Electric Division, which would have to be collected or refunded during the period January 2023 through December 2023. This amount reflects an estimated consolidated under-recovery of \$15,143,447 for 2022. Based on estimated sales for January 2023 through December 2023 of 636,007,600 kWh, the Company would need to collect 3.33191 cents per kWh to address this under-recovery. The Company notes that the annualized amount of COVID-19

¹ See Order No. PSC-2022-0280-PCO-EI, issued July 20, 2022, in Docket No. 20220001-EI.

² Id. At pg.4.

related expenses that it is allowed to recover in accordance with the settlement agreement approved by Order No. PSC-2021-0266-S-PU, as amended, issued in Docket No. 20200194-PU has been included in the calculations in the Company's projected 2023 costs. That amount is \$677,060.

9) Given the potentially onerous impact of trying to recover the full \$21,191,231 under-recovery in 2023, the Company is instead proposing to allocate this significant over-recovery over a three-year recovery period. If approved, the Company proposes to recover only \$7,063,744 of the under-recovery in 2023, which results a reduced per KWH recovery amount of 1.11064 cents. Given the proposed, extended recovery period, the Company also requests permission to apply the parent Company's (Chesapeake Utilities Corporation) projected short-term cost rate to the under recovered balance of fuel costs, rather than the prescribed non-financial commercial paper rates.

10) Based upon the Company's projections and the total true-up amounts to be collected for both Divisions, including the adjustments noted above, the appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2023 through December 2023, excluding demand cost recovery and adjusted for line loss multipliers and including taxes, are as follows:

<i>Rate Schedule</i>	<i>Adjustment</i>
RS	\$0.11753
GS	\$0.11797
GSD	\$0.11201
GSLD	\$0.10937

LS	\$0.09355
<u>Step rate for RS</u>	
RS Sales	\$0.11753
RS with less than 1,000 kWh/month	\$0.11396
RS with more than 1,000 kWh/month	\$0.12646

11) For the Consolidated Electric Division, the total fuel adjustment factor is 8.976¢ per kWh for "other classes." Thus, a customer in either Division using 1,000 kWh will pay \$172.89, an increase of \$30.09 from the prior period.

12) The Company has also adjusted the Time of Use (TOU) and Interruptible rates for the 2023 period. The Company submits that the methodology used to compute the rates reflected below is consistent with the methodology previously approved by the Commission.

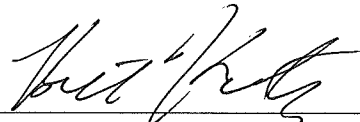
Time of Use/Interruptible

<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
RS	\$0.19796	\$0.07496
GS	\$0.15797	\$0.06797
GSD	\$0.15201	\$0.07951
GSLD	\$0.16937	\$0.07937
Interruptible	\$0.09437	\$0.10937

13) 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 2023 through December 2023.

RESPECTFULLY SUBMITTED this 2nd day of September, 2022.



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

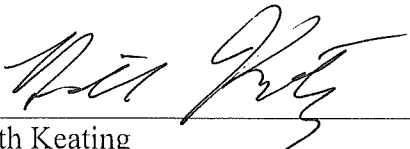
Attorneys for Florida Public Utilities Company

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 MDN-1 of Michelle D. Napier, and the Direct Testimony of Mark Cutshaw, have been furnished by Electronic Mail to the following parties of record this 2nd day of September, 2022:

Suzanne Brownless Ryan Sandy Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 sbrownle@psc.state.fl.us rsandy@psc.state.fl.us	J. Jeffrey Wahlen/Malcolm Means/Virginia Ponder Ausley Law Firm Post Office Box 391 Tallahassee, FL 32302 jwahlen@ausley.com mmeans@ausley.com vponder@ausley.com
Richard Gentry/P. Christensen /S. Morse/Charles Rehwinkel Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Gentry.Richard@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Christensen.patty@leg.state.fl.us Morse.stephanie@leg.state.fl.us	James W. Brew/Laura Baker Stone Matheis Xenopoulos & Brew, PC Eighth Floor, West Tower 1025 Thomas Jefferson Street, NW Washington, DC 20007 jbrew@smxblaw.com lwb@smxblaw.com
Maria Moncada David Lee Florida Power & Light Company 700 Universe Boulevard Juno Beach, FL 33408-0420 Maria.Moncada@fpl.com David.Lee@fpl.com	Kenneth Hoffman Florida Power & Light Company 215 South Monroe Street, Suite 810 Tallahassee, FL 32301 Ken.Hoffman@fpl.com

<p>Ms. Paula K. Brown Tampa Electric Company Regulatory Affairs P.O. Box 111 Tampa, FL 33601-0111 Regdept@tecoenergy.com</p>	<p>Florida Industrial Users Power Group Jon C. Moyle, Jr. Moyle Law Firm 118 North Gadsden Street Tallahassee, FL 32301 jmoyle@moylelaw.com</p>
<p>Mike Cassel Florida Public Utilities Company 208 Wildlight Ave. Yulee, FL 32097 mcassel@fpuc.com</p>	<p>Matthew Bernier Robert Pickels Stephanie Cuello Duke Energy 106 East College Avenue, Suite 800 Tallahassee, FL 32301 Matthew.Bernier@duke-energy.com Robert.Pickels@duke-energy.com Stephanie.Cuello@duke-energy.com</p>
	<p>Dianne M. Triplett Duke Energy 299 First Avenue North St. Petersburg, FL 33701 Dianne.Triplett@duke-energy.com</p>
<p>Peter J. Mattheis/Michael K. Lavanga/Joseph Briscar NUCOR 1025 Thomas Jefferson St., NW, Ste. 800 West Washington DC 20007-5201 (202) 342-0800 (202) 342-0807 mkl@smxblaw.com pjm@smxblaw.com jrb@smxblaw.com</p>	

By: 
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

DOCKET NO. 20220001-EI: FUEL AND PURCHASED POWER COST RECOVERY

CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR

2023 Projection Testimony of Michelle D. Napier

On Behalf of

Florida Public Utilities Company

Q. Please state your name and business address.

A. My name is Michelle D. Napier. My business address is 1635 Meathe Drive, West Palm Beach, FL 33411.

Q. By whom are you employed?

A. I am employed by Florida Public Utilities Company (“FPUC” or “Company”) as Director, Regulatory Affairs.

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

A. I received a Bachelor of Science degree in Finance from the University of South Florida. I have been employed with FPUC since 1987. Over the course of my employment at FPUC, I have performed various roles and functions in accounting, including General Accounting Manager, before moving to the regulatory department in 2011. As previously stated, I am currently the Director, Regulatory Affairs and in this role, my responsibilities include directing the regulatory activities for all regulated distribution companies of Chesapeake Utilities Corporation. This includes regulatory analysis and filings before the Florida Public Service Commission (“FPSC”

1 or “Commission”) for FPUC, FPUC-Indiantown, FPUC-Fort Meade, Florida
2 Division of Chesapeake Utilities d/b/a (“CFG”), Peninsula Pipeline
3 Company, as well as Delaware and Maryland Public Service Commissions.

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

5 A. No, I have not but I have previously provided written, pre-filed testimony in a
6 variety of the Company’s annual proceedings, including Dockets for the
7 Purchased Gas Adjustment, Docket No. 20170003-GU; the Gas Reliability
8 Infrastructure Program (GRIP) Cost Recovery Factors for FPUC and our
9 sister company, CFG, Docket No. 20120036-GU; and the Swing Service Cost
10 Recovery for FPUC and CFG, Docket No. 20170191-GU; the Limited
11 Proceeding for Hurricane Michael, Docket No. 20190156; the Storm
12 Protection Cost Recovery, Docket No. 20220010, as well as the Rate
13 Proceeding, Docket No. 20220067.

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

15 A. My testimony will establish the “true-up” collection amount, based on actual
16 January 2022 through June 2022 data and projected July 2022 through
17 December 2023 data to be collected or refunded during January 2023 –
18 December 2023. My testimony will also summarize the computations that
19 are contained in composite exhibit MDN-1 supporting the January through
20 December 2023 projected levelized fuel adjustment factors for its
21 consolidated electric divisions. Additionally, these factors include costs
22 incurred as a result of the COVID-19 pandemic and deemed recoverable in
23 terms of the settlement approved by Order No. PC-2021-0266-S-PU, as

1 amended, issued in Docket No. 20200194-PU. Finally, my testimony will
2 propose that the Company be allowed to collect its 2022 true-up amount over
3 a three-year period in order to mitigate the rate impacts to its customers.

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

6 A. Yes, they were completed under my direction.

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

8 A. Yes. Included with this filing are the Consolidated Electric Schedules E1,
9 E1A, E2, E7, E8, and E10. These schedules are included in my Exhibit
10 MDN-1, which is appended to my testimony.

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

13 A. Yes, included with our fuel and purchased power costs are charges for
14 contracted consultants and legal services that are directly fuel-related and
15 appropriate for recovery in the fuel and purchased power clause. FPUC
16 engaged Sterling Energy Services, LLC. (“Sterling”) Christensen
17 Associates Energy, LLC (“Christensen”), and Pierpont and McClelland
18 (“Pierpont”) for assistance in the development and enactment of
19 projects/programs designed to reduce their purchased power rates to its
20 customers. The associated legal and consulting costs, included in the rate
21 calculation of the Company’s 2023 Projection factors, were not included in
22 expenses during the last FPUC consolidated electric base rate proceeding and
23 are not being recovered through base rates.

1 Mr. Cutshaw addresses these project assignments more specifically in his
2 testimony.

3 **Q. Please explain how these costs were determined to be recoverable under the**
4 **fuel and purchased power clause?**

5 A. Consistent with the Commission’s policy set forth in Order No. 14546, issued in
6 Docket No. 850001-EI-B, on July 8, 1985, the other fuel related costs included in
7 the fuel clause are directly related to purchased power, have not been recovered
8 through base rates.

9 Specifically, consistent with item 10 of Order 14546, the costs the Company has
10 included are fuel-related costs that were not anticipated or included in the cost
11 levels used to establish the current base rates. Similar expenses paid to
12 Christensen and Associates associated with the design for a Request for
13 Proposals of purchased power costs, and the evaluation of those responses, were
14 deemed appropriate for recovery by FPUC through the fuel and purchased power
15 clause in Order No. PSC-05-1252-FOF-EI, Item II E, issued in Docket No.
16 050001-EI. Additionally, in more recent Dockets Nos.20170001-EI, 20180001-
17 EI, 20190001-EI, 20200001-EI, 20210001-EI and 20220001-EI, the Commission
18 determined that many of the costs associated with the legal and consulting work
19 incurred by the Company as fuel related, particularly those costs related to the
20 purchase power agreement review and analysis, were recoverable under the fuel
21 clause. As the Commission has recognized time and again, the Company simply
22 does not have the internal resources to pursue projects and initiatives designed to
23 produce purchased power savings without engaging outside assistance for project
24 analytics and due diligence, as well as negotiation and contract development

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

3 **Q. Earlier in your testimony, you spoke of proposing that the Company be**
4 **allowed to collect its 2022 total true-up over a three-year period. Could you**
5 **elaborate further on that?**

6 A. The Company presently acknowledges that its 2022 true-up balance will
7 substantially impact its customers' bills. Recent events, such as our nation's
8 recovery from the pandemic and Russia's war against the Ukraine, have driven
9 up natural gas prices by substantial measures. Given that natural gas is a key raw
10 material for electric generation, it follows that FPUC's cost of purchased power
11 would increase accordingly. FPUC's electric customers are already experiencing
12 the bill impacts derived from the midcourse fuel rates that were effective as of
13 August 1. Based on these events, FPUC is requesting approval to collect its 2022
14 under-recovery balance, \$21,191,231 over the next three years and thereby
15 include approximately \$7,063,744 of that amount in its 2023 electric fuel rate
16 calculations.

17 **Q Why does the Company propose collecting this under-recovery over three**
18 **years versus one year?**

19 A. The Company is concerned that this under-recovery was driven by the increase in
20 natural gas prices as a result of unusual circumstances rather than simply
21 inflationary or normal expense increases. As a result of this unusual natural gas
22 price spike, the Company feels that customers should be allowed to pay this over
23 three years rather than one year. Customers will see lower monthly bills and
24 will be allowed to pay this over a three-year period.

1 Q. **If recovered over one year, what would a residential customer using 1,000**
2 **KWH pay for the period January - December 2023 including base rates,**
3 **conservation cost recovery factors, gross receipts tax and fuel adjustment**
4 **factor and after application of a line loss multiplier?**

5 A. A residential customer using 1,000 KWH will pay **\$195.69**. This is an increase of
6 **\$52.89** above the previous period.

7 Q. **Is there any other related change to the fuel projections as a result of the**
8 **proposed three-year amortization of the fuel under-recovery?**

9 A Yes, The Company proposes, pending Commission approval, to apply the parent
10 Company's projected short-term cost rate to the under recovered balance of fuel
11 costs, rather than the prescribed non-financial commercial paper rates.

12 Q **Why is it appropriate to use the weighted average cost of short-term debt**
13 **rather than the prescribed method.**

14 A Short-term interest rates have increased dramatically, and the current non-
15 financial commercial paper rates do not allow the Company to recover its actual
16 cost of debt on the outstanding under recovery fuel cost balance. The Company
17 should not be overburdened or penalized by recovering the under-recovery
18 balance over three years without the ability to collect its actual cost of debt on
19 that outstanding balance.

20 Q. **How does the Company intend to apply the use of short-term cost rates in its**
21 **current and future filings?**

22 A. The Company is presently calculating its 2023 Projection factors utilizing the
23 traditional non-financial commercial paper interest rates. However, the Company
24 is requesting to be allowed to submit the calculation of its monthly and annual

1 true-up and interest filings utilizing its short-term debt cost factor as an
2 alternative towards mitigating the inherent burden of collecting its under-
3 recovery over the extended period. The scheduling of this option would take
4 place over the same three-year collection period of the outstanding true-up
5 balance. If ever during that period the non-financial commercial paper rate
6 surpasses the Company's short-term debt cost rate, the Company would then
7 revert back to the traditional methodology for calculating the interest.

8 **Q. In addition to the fuel-related endeavors mentioned above, has the Company**
9 **included any other costs in your projected amounts?**

10 **A.** Yes, the Company has also included costs related to the settlement agreement
11 regarding COVID-19 regulatory asset in Docket No. 20200194 and approved in
12 Order No. PSC-2021-0266-S-PU.

13 The settlement agreement, which was approved by the Commission on July 8,
14 2021, allows Florida Public Utilities Company to recover \$2,085,759 of
15 pandemic-related incremental expenses. Beginning with the factors established
16 for the calendar year 2022, FPUC was allowed to amortize over two years and
17 recover the allocated regulatory asset of approximately \$1,354,120 for the
18 electric division, through the Fuel and Purchased Power Cost Recovery Clause
19 mechanism. The annualized amount, \$677,060, is included among the
20 Company's 2023 projected costs.

21 **Q. What are the final remaining true-up amounts for the period January –**
22 **December 2021?**

23 **A.** The final remaining consolidated true-up amount was an under-recovery of
24 \$6,047,784.

1 **Q. What are the estimated true-up amounts for the period of January –**
2 **December 2022?**

3 A. There is an estimated consolidated under-recovery of \$15,143,447.

4 **Q. Please address the calculation of the total true-up amount to be collected**
5 **during the January - December 2023 year?**

6 A. The Company has determined that at the end of December 2022, based on six
7 months actual and six months estimated, we will have a consolidated electric
8 under-recovery of \$21,191,231.

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

11 A. The total fuel adjustment factor as shown on line 43, Schedule E-1 is **8.976¢** per
12 KWH.

13 **Q. Please advise what a residential customer using 1,000 KWH will pay for the**
14 **period January - December 2023 including base rates, conservation cost**
15 **recovery factors, gross receipts tax and fuel adjustment factor and after**
16 **application of a line loss multiplier.**

17 A. As shown on consolidated Schedule E-10 in Composite Exhibit Number CDY-3,
18 a residential customer using 1,000 KWH will pay **\$172.89**. This is an increase of
19 **\$30.09** above the previous period.

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

21 A. Yes.

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

ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

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)	27,247,115	509,609	5.34667
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)	18,146,757	509,609	3.56092
10a Demand Costs of Purchased Power	16,090,234 *		
10b Non-fuel Energy & Customer Costs of Purchased Power	2,056,523 *		
11 Energy Payments to Qualifying Facilities (E8a)	23,033,855	180,913	12.73201
12 TOTAL COST OF PURCHASED POWER (LINE 6 THRU 11)	68,427,727	690,522	9.90957
13 TOTAL AVAILABLE KWH (LINE 5 + LINE 12)	68,427,727	690,522	9.90957
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)	68,427,727	690,522	9.90957
21 Net Unbilled Sales	0 *	0	0.00000
22 Company Use	50,341 *	508	0.00762
23 T & D Losses	2,924,329 *	29,510	0.44274
24 SYSTEM MWH SALES	68,427,727	660,504	10.35993
25 Wholesale MWH Sales			
26 Jurisdictional MWH Sales	68,427,727	660,504	10.35993
26a Jurisdictional Loss Multiplier	1.00000	1.00000	
27 Jurisdictional MWH Sales Adjusted for Line Losses	68,427,727	660,504	10.35993
27a GSLD1 MWH Sales		24,496	
27b Other Classes MWH Sales		636,008	
27c GSLD1 CP KW		51,500 *	
28 Projected Unbilled Revenues	0	636,008	0.00000
29 GPIF **			
30 TRUE-UP (OVER) UNDER RECOVERY **	7,063,744	636,008	1.11064
31 TOTAL JURISDICTIONAL FUEL COST	75,491,471	636,008	11.86959
31a Demand Purchased Power Costs (Line 10a)	16,090,234 *		
31b Non-demand Purchased Power Costs (Lines 6 + 10b + 11)	52,337,493 *		
31c True up Over/Under Recovery (Line 29)	7,063,744 *		
31d Unbilled Revenues	0		

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

EXHIBIT NO. _____
DOCKET NO. 20220001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MDN-1)
PAGE 1 OF 8

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

ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

<u>FLORIDA DIVISION-CONSOLIDATED</u>		(a)	(b)	(c)
		DOLLARS	MWH	CENTS/KWH
APPORTIONMENT OF DEMAND COSTS				
31	Total Demand Costs (Line 31a)	16,090,234		
32	GSLD1 Portion of Demand Costs (Line 31a) Including Line Losses(Line 27c x \$5.85)	222,238	335,500 (KW)	\$0.66 /KW
33	Balance to Other Classes	15,867,996	636,008	2.49494
APPORTIONMENT OF NON-DEMAND COSTS				
34	Total Non-demand Costs(Line 31b)	52,337,493		
35	Total KWH Purchased (Line 12)		690,522 KWH	
36	Average Cost per KWH Purchased			7.57941
37	Average Cost Adjusted for Line Losses (Line 36 x 1.03)			7.80679
38	GSLD1 Non-demand Costs (Line 27a x Line 37)	2,352,064	24,496	9.60173
39	Balance to Other Classes	49,985,430	636,008	7.85925
GSLD1 PURCHASED POWER COST RECOVERY FACTORS				
40a	Total GSLD1 Demand Costs (Line 32)	222,238	335,500 (KW)	\$0.66 /KW
40b	Revenue Tax Factor			1.00072
40c	GSLD1 Demand Purchased Power Factor Adjusted for Taxes & Rounded			\$0.66 /KW
40d	Total Current GSLD1 Non-demand Costs(Line 38)	2,352,064	24,496	9.60173
40e	Total Non-demand Costs Including True-up	2,352,064	24,496	9.60173
40f	Revenue Tax Factor			1.00072
40g	GSLD1 Non-demand Costs Adjusted for Taxes & Rounded			9.60864
OTHER CLASSES PURCHASED POWER COST RECOVERY FACTORS				
41a	Total Demand & Non-demand Purchased Power Costs of Other Classes(Line 33 + 39)	65,853,426	636,008	10.35419
41b	Less: Total Demand Cost Recovery	15,867,996 ***		
41c	Total Other Costs to be Recovered	49,985,430	636,008	7.85925
41d	Unbilled Revenue	0	636,008	0.00000
41e	Other Classes' Portion of True-up (Line 30c)	7,063,744	636,008	1.11064
41f	Total Demand & Non-demand Costs Including True-up	57,049,173	636,008	8.96989
42	Revenue Tax Factor			1.00072
43	Other Classes Purchased Power Factor Adjusted for Taxes & Rounded	57,090,249		8.976

* 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 2023 THROUGH DECEMBER 2023

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	318,679,444	58.270%	62,431.3	1.089	1.030	67,987.7	328,239,827	56.19%	50.11%
45 GS	54,762,182	57.224%	10,924.3	1.089	1.030	11,896.6	56,405,047	9.83%	8.61%
46 GSD	172,050,339	74.102%	26,504.6	1.089	1.030	28,863.5	177,211,849	23.86%	27.05%
47 GSLD	82,987,816	85.094%	11,132.9	1.089	1.030	12,123.7	85,477,451	10.02%	13.05%
48 LS	7,527,819	767.743%	111.9	1.089	1.030	121.9	7,753,653	0.10%	1.18%
49	0	767.743%	0.0	1.089	1.030	0.0	0	0.00%	0.00%
TOTAL	636,007,600		111,105.0			120,993.4	655,087,827	100.00%	100.00%

	(10) 12/13 * (8)	(11) 1/13 * (9)	(12) (10) + (11) Demand Allocation Percentage	(13) Tot. Col. 13 * (9) Demand Dollars	(14) (13)/(1) Demand Cost Recovery	(15) (14) * 1.00072 Demand Cost Recovery Adj for Taxes	(16) Other Charges	(17) (15) + (16)
Rate Schedule	12/13 Of 12 CP	1/13 Of Energy						
50 RS	51.88%	3.86%	55.74%	\$8,844,821	0.02775	0.02777	0.08976	\$ 0.11753
51 GS	9.07%	0.66%	9.73%	1,543,956	0.02819	0.02821	0.08976	\$ 0.11797
52 GSD	22.02%	2.08%	24.10%	3,824,187	0.02223	0.02225	0.08976	\$ 0.11201
53 GSLD	9.25%	1.00%	10.25%	1,626,470	0.01960	0.01961	0.08976	\$ 0.10937
54 LS	0.09%	0.09%	0.18%	28,562	0.00379	0.00379	0.08976	\$ 0.09355
TOTAL	92.31%	7.69%	100.00%	\$15,867,996				

Step Rate Allocation for Residential Customers

	(18)	(19)	(20)	(21) (19) * (20)
Rate Schedule	Allocation	Annual kWh	Levelized Adj.	Revenues
56 RS	Sales	318,679,444	\$0.11753	\$37,454,395
57 RS	<= 1,000kWh/mo.	227,553,586	\$0.11396	\$25,931,016
58 RS	> 1,000 kWh/mo.	91,125,858	\$0.12646	\$11,523,379
59 RS	Total Sales	318,679,444		\$37,454,395

(2) From Gulf Power 2018 Load Research results.

TOU Rates

	(22) On Peak Rate	(23) Off Peak Rate	(24) Levelized Adj. On Peak	(25) Levelized Adj. Off Peak
Rate Schedule	Differential	Differential		
60 RS	0.0840	(0.0390)	\$0.19796	\$0.07496
61 GS	0.0400	(0.0500)	\$0.15797	\$0.06797
62 GSD	0.0400	(0.0325)	\$0.15201	\$0.07951
63 GSLD	0.0600	(0.0300)	\$0.16937	\$0.07937
64 Interruptible	(0.0150)	-	\$0.09437	\$0.10937

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF TRUE-UP SURCHARGE
APPLICABLE TO LEVELIZED FUEL ADJUSTMENT PERIOD
JANUARY 2022 - DECEMBER 2022
BASED ON SIX MONTHS ACTUAL AND SIX MONTHS ESTIMATED OPERATIONS

FLORIDA DIVISION-CONSOLIDATED

Under-recovery of purchased power costs for the period January 2022 - December 2022. (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 2022.)(Estimated)	\$ 21,191,231
Portion of 2022 Under-recovery to be collected for the period January 2023 - December 2023	\$ 7,063,744
Estimated kilowatt hour sales for the months of January 2023 - December 2023 as per estimate filed with the Commission. (Excludes GSLD1 customers)	636,007,600
Cents per kilowatt hour necessary to collect total under-recovered purchased power costs over the period January 2023- December 2023	3.33191
Cents per kilowatt hour necessary to collect portion of under-recovered purchased power costs over the period January 2023- December 2023	1.11064

FLORIDA PUBLIC UTILITIES COMPANY
 FLORIDA DIVISION-CONSOLIDATED
 FUEL & PURCHASED POWER COST RECOVERY CLAUSE CALCULATION
 ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

LINE NO.		(a)	(b)	(c)	(d)	(e)	(f)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	TOTAL PERIOD	LINE NO.
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	ESTIMATED JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER			
1	FUEL COST OF SYSTEM GENERATION														0	1
1a	NUCLEAR FUEL DISPOSAL														0	1a
2	FUEL COST OF POWER SOLD														0	2
3	FUEL COST OF PURCHASED POWER	2,689,517	2,742,040	1,736,426	1,557,959	1,661,981	2,500,300	2,625,092	2,780,678	2,714,260	2,434,800	1,888,966	1,915,095	27,247,115	3	
3a	DEMAND & NON FUEL COST OF PUR POWER	1,519,175	1,317,596	1,328,333	1,224,183	1,363,368	1,579,054	1,600,653	1,624,544	1,581,018	1,375,530	1,230,356	1,504,882	17,248,693	3a	
3b	QUALIFYING FACILITIES	2,388,225	2,099,188	2,251,914	1,880,313	1,864,982	1,694,097	1,797,809	1,670,994	1,838,866	1,855,073	1,793,620	1,898,774	23,033,855	3b	
4	OTHER FUEL RELATED COSTS	74,272	74,272	75,722	74,272	74,272	75,722	74,272	74,272	75,722	74,272	74,272	76,722	898,064	4	
5	TOTAL FUEL & NET POWER TRANSACTIONS (SUM OF LINES A-1 THRU A-4)	6,671,188	6,233,096	5,392,395	4,736,727	4,964,603	5,849,173	6,097,827	6,150,489	6,209,866	5,739,676	4,987,215	5,395,473	68,427,727	5	
5a	LESS: TOTAL DEMAND COST RECOVERY	1,410,226	1,193,258	1,230,293	1,119,627	1,247,615	1,441,171	1,485,722	1,481,634	1,464,775	1,270,177	1,132,964	1,390,534	15,867,996	5a	
5b	TOTAL OTHER COST TO BE RECOVERED	5,260,963	5,039,837	4,162,102	3,617,099	3,716,989	4,408,002	4,612,105	4,668,855	4,745,092	4,469,498	3,854,251	4,004,939	52,559,731	5b	
6	APPORTIONMENT TO GSLD1 CLASS	243,082	388,505	241,271	141,034	79,979	145,337	140,578	216,434	184,358	250,785	359,395	183,543	2,574,302	6	
6a	BALANCE TO OTHER CLASSES	5,017,881	4,651,333	3,920,831	3,476,066	3,637,009	4,262,665	4,471,527	4,452,420	4,560,734	4,218,713	3,494,856	3,821,396	49,985,430	6a	
6b	SYSTEM KWH SOLD (MWH)	52,397	50,929	44,710	46,424	48,154	56,190	60,649	64,390	65,704	62,503	53,959	54,494	660,504	6b	
7	GSLD1 MWH SOLD	1,872	3,047	1,822	1,173	587	1,402	1,665	2,304	2,153	2,852	3,873	1,747	24,496	7	
7a	BALANCE MWH SOLD OTHER CLASSES	50,526	47,882	42,888	45,251	47,567	54,789	58,984	62,086	63,551	59,651	50,086	52,747	636,008	7a	
7b	COST PER KWH SOLD (CENTS/KWH) APPLICABLE TO OTHER CLASSES	9.93136	9.71413	9.14205	7.6817	7.64611	7.78021	7.58097	7.17137	7.17649	7.07229	6.97768	7.24474	7.85925	7b	
8	JURISDICTIONAL LOSS MULTIPLIER	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	JURISDICTIONAL COST (CENTS/KWH)	9.93136	9.71413	9.14205	7.68170	7.64611	7.78021	7.58097	7.17137	7.17649	7.07229	6.97768	7.24474	7.85925	9	
10	PROJECTED UNBILLED REVENUES(CENTS/KWH)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	10	
11	GPIF (CENTS/KWH)														11	
12	TRUE-UP (CENTS/KWH)	7,063,744	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	1.11064	12	
13	TOTAL	11.04200	10.82477	10.25269	8.79234	8.75675	8.89085	8.69161	8.28201	8.28713	8.18293	8.08832	8.35538	8.96989	13	
14	REVENUE TAX FACTOR	0.00072	0.00795	0.00779	0.00738	0.00633	0.00630	0.00640	0.00626	0.00596	0.00597	0.00589	0.00582	0.00646	14	
15	RECOVERY FACTOR ADJUSTED FOR TAXES	11.04995	10.83256	10.26007	8.79867	8.76305	8.89725	8.69787	8.28797	8.29310	8.18882	8.09414	8.36140	8.97635	15	
16	RECOVERY FACTOR ROUNDED TO NEAREST .001 CENT/KWH	11.05	10.833	10.26	8.799	8.763	8.897	8.698	8.288	8.293	8.189	8.094	8.361	8.976	16	

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

ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

(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 2023	FPL / GULF POWER	MS	37,376,278			37,376,278	7.195785	11.411284	2,689,517
FEBRUARY 2023	FPL / GULF POWER	MS	38,055,687			38,055,687	7.205336	10.815881	2,742,040
MARCH 2023	FPL / GULF POWER	MS	28,592,000			28,592,000	6.073117	10.916274	1,736,426
APRIL 2023	FPL / GULF POWER	MS	32,867,279			32,867,279	4.740152	8.636443	1,557,959
MAY 2023	FPL / GULF POWER	MS	36,418,144			36,418,144	4.563607	8.462186	1,661,981
JUNE 2023	FPL / GULF POWER	MS	50,099,607			50,099,607	4.990659	8.255107	2,500,300
JULY 2023	FPL / GULF POWER	MS	52,129,781			52,129,781	5.035686	8.214436	2,625,092
AUGUST 2023	FPL / GULF POWER	MS	54,410,518			54,410,518	5.110553	8.199967	2,780,678
SEPTEMBER 2023	FPL / GULF POWER	MS	52,974,315			52,974,315	5.123729	8.214737	2,714,260
OCTOBER 2023	FPL / GULF POWER	MS	48,027,911			48,027,911	5.069553	8.051053	2,434,800
NOVEMBER 2023	FPL / GULF POWER	MS	38,939,399			38,939,399	4.851041	8.155607	1,888,966
DECEMBER 2023	FPL / GULF POWER	MS	39,718,469			39,718,469	4.821675	8.752601	1,915,095
TOTAL			509,609,388	0	0	509,609,388	5.346667	8.864215	27,247,115

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

ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

MONTH	PURCHASED FROM	TYPE & SCHEDULE	TOTAL KWH PURCHASED	KWH FOR OTHER UTILITIES	KWH FOR INTERRUPTIBLE	KWH FOR FIRM	CENTS/KWH		TOTAL \$ FOR FUEL ADJ. (7) x (8) (A)
							(A)	(B)	
							FUEL COST	TOTAL COST	
JANUARY 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		16,565,000			16,565,000	14.417296	14.417296	2,388,225
FEBRUARY 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,912,000			14,912,000	14.077173	14.077173	2,099,188
MARCH 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		16,026,900			16,026,900	14.050840	14.050840	2,251,914
APRIL 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,135,400			15,135,400	12.423279	12.423279	1,880,313
MAY 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,106,600			15,106,600	12.345478	12.345478	1,864,982
JUNE 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		13,670,700			13,670,700	12.392175	12.392175	1,694,097
JULY 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,592,700			14,592,700	12.319920	12.319920	1,797,809
AUGUST 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		13,580,000			13,580,000	12.304816	12.304816	1,670,994
SEPTEMBER 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,549,600			15,549,600	11.825809	11.825809	1,838,866
OCTOBER 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,407,000			15,407,000	12.040456	12.040456	1,855,073
NOVEMBER 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,939,700			14,939,700	12.005730	12.005730	1,793,620
DECEMBER 2023	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,427,600			15,427,600	12.307643	12.307643	1,898,774
TOTAL			180,913,200	0	0	180,913,200	12.731992	12.731992	23,033,855

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

ESTIMATED FOR THE PERIOD: JANUARY 2023 THROUGH DECEMBER 2023

JANUARY 2023	FEBRUARY 2023	MARCH 2023	APRIL 2023	MAY 2023	JUNE 2023	JULY 2023
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BASE RATE REVENUES ** \$	54.61	54.61	54.61	54.61	54.61	54.61	54.61
FUEL RECOVERY FACTOR CENTS/KWH	11.40	11.40	11.40	11.40	11.40	11.40	11.40
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
FUEL RECOVERY REVENUES \$	113.96	113.96	113.96	113.96	113.96	113.96	113.96
GROSS RECEIPTS TAX	4.32	4.32	4.32	4.32	4.32	4.32	4.32
TOTAL REVENUES *** \$	172.89	172.89	172.89	172.89	172.89	172.89	172.89

AUGUST 2023	SEPTEMBER 2023	OCTOBER 2023	NOVEMBER 2023	DECEMBER 2023
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PERIOD TOTAL

BASE RATE REVENUES ** \$	54.61	54.61	54.61	54.61	54.61	655.32
FUEL RECOVERY FACTOR CENTS/KWH	11.40	11.40	11.40	11.40	11.40	
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	
FUEL RECOVERY REVENUES \$	113.96	113.96	113.96	113.96	113.96	1,367.52
GROSS RECEIPTS TAX	4.32	4.32	4.32	4.32	4.32	51.84
TOTAL REVENUES *** \$	172.89	172.89	172.89	172.89	172.89	2,074.68

* MONTHLY AND CUMULATIVE TWELVE MONTH ESTIMATED DATA

** BASE RATE REVENUES PER 1000 KWH:

CUSTOMER CHARGE	16.95
CENTS/KWH	23.73
CONSERVATION FACTOR	1.13
STORM PROTECTION PLAN	
COST RECOVERY	
STORM SURCHARGE	
(Michael/Dorian)	12.80
	<u>54.61</u>

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*** EXCLUDES FRANCHISE TAXES

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 20220001-EI
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING
PERFORMANCE INCENTIVE FACTOR

2023 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, 208 Wildlight Avenue, Yulee, Florida 32097.

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

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

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

7 A. I graduated from Auburn University in 1982 with a B.S. in Electrical Engineering.
8 My electrical engineering career began with Mississippi Power Company in June
9 1982. I spent nine years with Mississippi Power Company and held positions of
10 increasing responsibility that involved budgeting, as well as operations and
11 maintenance activities at various locations. I joined FPUC in 1991 as Division
12 Manager in our Northwest Florida Division and have since worked extensively in
13 both the Northwest Florida and Northeast Florida divisions. Since joining FPUC,
14 my responsibilities have included all aspects of budgeting, customer service,
15 operations and maintenance. My responsibilities also included involvement with
16 Cost of Service Studies and Rate Design in other rate proceedings before the

1 Commission as well as other regulatory issues. During January 2020, I moved into
2 my current role as Director, Generation Development.

3 **Q. Have you previously testified before the Florida Public Service Commission**
4 **(“Commission”)?**

5 A. Yes, I’ve provided testimony in a variety of Commission proceedings, including the
6 Company’s 2014 rate case, addressed in Docket No. 20140025-EI, rebuttal
7 testimony in Docket No. 20180061-EI and numerous dockets for Fuel and
8 Purchased Power Cost Recovery. Most recently, I provided testimony in Docket
9 No. 20190156-EI, in the Limited Proceeding to recover storm cost caused by
10 Hurricane Michael and in Docket Nos. 20220049 and 20220010, in the Storm
11 Protection Plan and Cost Recovery.

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

13 A. My direct testimony addresses several aspects of the purchased power cost for our
14 FPUC electric customers. This includes activities to investigate the potential for
15 reduced purchase power costs, execution/amendment of purchased power
16 agreements with Gulf Power Company (“Gulf”)/Florida Power & Light (“FPL”),
17 Combined Heat and Power (“CHP”) generation supply located on Amelia Island and
18 investigation into the opportunities of energy provided from solar and battery
19 installations.

20 **Q. Given the current natural gas market and uncertainty with future projections,**
21 **will this have an impact on future purchased power cost projections?**

1 A. Yes. Currently, all generation resources used by FPUC utilize natural gas as the fuel
2 source for the generation of electricity which ties purchased power costs directly to
3 the costs of natural gas. As natural gas prices continue to fluctuate, so will the
4 purchased power prices include in the FPUC cost projections.

5 **Q. What actions has FPUC taken to provide accurate cost projections given the**
6 **uncertainty in the natural gas markets?**

7 A. FPUC, being predominately a natural gas utility, has utilized information from both
8 inside the company and other external sources to carefully investigate the future of
9 the natural gas markets as well as other energy sources that may provide future
10 benefits. It is apparent that many outside factors could quickly change current
11 market projects, however, estimated natural gas costs were determined and utilized
12 to determine purchased power costs for 2023.

13 **Q. What other energy sources are being investigated and what are some of the**
14 **benefits anticipated?**

15 A. FPUC has been investigating and testing the use of Renewable Natural Gas (RNG)
16 and Hydrogen as future fuel sources for generation assets. The markets for both
17 RNG and Hydrogen are still developing, however, both have the potential to provide
18 environmental benefits compared to existing fuel sources. Although there are
19 currently some operational and cost challenges being addressed, it is critical that
20 FPUC continue to be involved in the development and testing of these resources.

1 **Q. What new opportunities has the Company implemented with the intent of**
2 **achieving energy resiliency and reducing costs for its customers in its**
3 **consolidated electric divisions?**

4 A. The Company regularly pursues opportunities to achieve energy resiliency and
5 reduced purchased power costs for the benefit of our customers. During 2018,
6 FPUC began by executing a transmission interconnection agreement and a new
7 purchased power agreement with Florida Power & Light (FPL) for our Northeast
8 Florida Division. During 2019, a purchased power agreement with Gulf/FPL for
9 our Northwest Florida Division was executed along with an amendment of the
10 existing FPL purchased power agreement for our Northeast Florida Division.

11 **Q. What is the status of the existing purchase power agreements in place with**
12 **FPL?**

13 A. The existing agreement for our Northwest Florida Division with FPL became
14 effective January 1, 2020 and will continue in effect through December 31, 2026
15 unless extended by FPUC. The existing agreement for our Northeast Florida
16 Division with FPL which became effective January 1, 2018 was amended in 2019
17 to continue in effect through the December 31, 2026 unless extended by FPUC.

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

20 A. Yes. FPUC continues to work with consultants, as well as project developers, to
21 identify new projects and opportunities that can lead to increased energy resiliency
22 and reduced fuel costs for our customers. We also continue to analyze the feasibility

1 of energy production and supply opportunities that have been on our planning
2 horizon for some time and noted in prior fuel clause proceedings, namely additional
3 Combined Heat and Power (CHP) projects, potential Solar Photovoltaic (“PV”)
4 projects and associated utility scale battery projects.

5 More specifically, Pierpont & McLelland has been engaged to perform analysis and
6 provide consulting services for FPUC as it relates to the structuring of, and operation
7 under, the Company’s power purchase agreements with the purpose of identifying
8 measures that will minimize cost increases and/or provide opportunities for cost
9 reductions. They have also been involved in the structuring of the most effective
10 measures to ensure a reliable and resilient system on Amelia Island which may
11 include additional transmission lines to the Island and using existing generation and
12 the addition of natural gas fired generation. Locke Lord is a law firm with particular
13 expertise in the regulatory requirements of the Federal Energy Regulatory
14 Commission. Attorneys with the firm have provided legal guidance and oversight
15 regarding the contracts and regulatory requirements for generation and transmission-
16 related issues for the Northeast Florida Division. The Company’s in-house
17 experience in these areas is limited; thus, without this outside assistance, the
18 Company’s ability to pursue potential purchased power savings opportunities would
19 be limited, as would its ability to properly evaluate proposals to meet our generation
20 and transmission needs and ensure compliance with federal regulatory requirements.
21 Sterling Energy and Christensen Associates have been involved to assist the
22 Company in the most cost-effective means of incorporating additional energy

1 sources, such as power available from certain industrial customers, existing and new
2 Combined Heat and Power (“CHP”) capability and improvements in the
3 transmission system to Amelia Island to improve the reliability/resiliency on Amelia
4 Island and further reduce the overall purchased power impact to all FPUC
5 customers.

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

7 A. Yes. The success of the Eight Flags project has sparked interest in other CHP
8 opportunities on Amelia Island. When coupled with industrial expansion in the area
9 and the ability to do so within the context of the “Agreement” and “Amendment”
10 with FPL, the already quantifiable benefits of the existing project has piqued the
11 interest of others to contemplate partnering with a new CHP-based project on
12 Amelia Island. Given that FPUC would again be the recipient of any power
13 generated by such project, FPUC has been actively involved in the initial analysis,
14 development and engineering of a possible new project located on Amelia Island.
15 Significant efforts have continued to evaluate this CHP which, similar to Eight
16 Flags, will be located on Amelia Island and would allow FPUC, along with
17 transmission line upgrades, to provide additional reliability and resilience to its
18 electricity supply for its customers on Amelia Island. This second CHP would
19 provide competitively priced electricity for FPUC’s customers while providing high
20 pressure steam and hot water to a local industrial customer which is a critical
21 component of the local community. Preliminary engineering, financial modeling,
22 operating agreements and Florida Department of Environmental Protection

1 permitting have been completed for this possible CHP unit. Although the final
2 structure of the proposed CHP has not yet been finalized, when finalized FPUC
3 anticipates purchased power agreements would be filed with the FPSC. Based upon
4 approval of the purchased power agreements by the FPSC, construction would begin
5 immediately on that project.

6 **Q. Can you provide additional information on the PV and battery projects you**
7 **referenced above?**

8 A. Yes. FPUC is continuing analysis related to smaller PV systems within the FPUC
9 electric service territory. Based on the results from the analysis, the economic
10 feasibility of smaller PV installations has been difficult to achieve due to many
11 different factors but work continues to investigate alternatives to improve the
12 feasibility. At this time, FPUC is investigating opportunities involving larger PV
13 installations which have proved to be more economically feasible. Not only will
14 this increase the renewable energy available to FPUC, the cost is expected to
15 complement the overall purchased power portfolio which will provide additional
16 benefits to FPUC customers. The “Agreement” and the “Amendment” have
17 provisions that allow for the development of PV installations by FPUC and provides
18 for the possibility of a partnership between the parties that would allow for the
19 development of a PV project.

20 Additionally, exploration into the inclusion of battery storage capacity in
21 conjunction with the PV installation is being considered. These projects have been
22 difficult to justify economically at this point but are still under consideration by

1 FPUC. Nonetheless, the potential benefits of the PV and battery projects under
2 consideration will be continued.

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

4 **A. Yes.**