

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

September 1, 2015

BY ELECTRONIC FILING

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

**Re: Docket No. 150001-EI: Fuel and Purchased Power Cost Recovery Clause with
Generating Performance Incentive Factor**

Dear Ms. Stauffer:

Attached for electronic filing, please find the Petition for Approval of Fuel Adjustment and Purchased Power Cost Recovery Factors submitted on behalf of Florida Public Utilities Company, along with the Direct Testimony and Exhibit CDY-3 (redacted) of Mr. Curtis Young and the direct testimony of P. Mark Cutshaw on behalf of the Company. Portions of Mr. Young's Exhibit CDY-3 are submitted under separate cover along with a Request for Confidential Classification and Motion for Temporary Protective Order.

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. 150001-EI
| DATED: September 1, 2015

**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 2016 through December 2016. 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-15-0096-PCO-EI, issued February 10, 2015, in this Docket, the Company is also submitting, contemporaneously with this Petition, the Direct Testimony Mr. Curtis D. Young and the Direct Testimony of Mr. Mark Cutshaw, along with Exhibit CDY-3, 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 CDY-3 reflect that consolidation.¹

5) The testimonies of the Company's witnesses also address the Company's ongoing initiatives to mitigate fuel costs through arrangements with alternative energy providers, as well as possible new projects. The Company is aggressively pursuing one project in particular which would involve a new interconnection with FPL in the Company's Northeast Division. As explained by witness Cutshaw, this project will result in the Company being better situated in terms of negotiating a new power purchase agreement for the Northeast Division to follow the current agreement, which terminates at the end of 2017. The costs, as well as the projected savings (for which the Company is seeking confidential classification) associated with that project, are addressed in the testimony of Mr. Young.

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

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

such costs in Order No. PSC-05-1252-FOF-EI, issued in Docket No. 050001-EI, as well as similar such decisions in Dockets No. 120001-EI and 130001-EI.

7) As set forth in the Testimony and Exhibit CDY-3 of Witness Young, the Company's total true-up amounts that would be collected or refunded during the period January 2016 through December 2016 is an under-recovery of \$1,588,726 for the Consolidated Electric Division, reflecting an estimated consolidated under-recovery of \$112,373 for 2015. Based on estimated sales for January 2016 through December 2016 of 631,322,285 kWhs, an additional .25165¢ 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 2016 through December 2016, excluding demand cost recovery and adjusted for line loss multipliers and including taxes, are as follows:

<i>Rate Schedule</i>	<i>Adjustment</i>
RS	\$0.10620
GS	\$0.10170
GSD	\$0.09710
GSLD	\$0.09408
LS	\$0.07212
Step rate for RS	
RS Sales	\$0.10620
RS with less than 1,000 kWh/month	\$0.10189
RS with more than 1,000 kWh/month	\$0.11439

9) For the Consolidated Electric Division, the total fuel adjustment factor is 6.693¢ per kWh for "other classes." Thus, a customer in either Division using 1,000 kWh will pay \$140.06, a decrease of \$1.04 from the prior period.

10) The Company has also adjusted the Time of Use (TOU) and Interruptible rates for the 2016 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	\$0.18589	\$0.06289
GS	\$0.14170	\$0.05170
GSD	\$0.13710	\$0.06460
GSLD	\$0.15408	\$0.06408
Interruptible	\$0.07908	\$0.09408

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 2016 through December 2016.

RESPECTFULLY SUBMITTED this 1st day of September, 2015.



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, along with electronic copies of the Direct Testimony of Curtis Young and redacted Exhibit CDY-3, as well as the Direct Testimony of P. Mark Cutshaw, have been furnished by Electronic Mail to the following parties of record this 1st day of September, 2015:

<p>Suzanne Brownless Martha Barrera Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 Sbrownle@PSC.STATE.FL.US</p>	<p>James D. Beasley/J. Jeffry Wahlen/Ashley Daniels Ausley Law Firm Post Office Box 391 Tallahassee, FL 32302 jbeasley@ausley.com jwahlen@ausley.com adaniels@ausley.com</p>
<p>Jeffrey Stone/Russell Badders/Steven Griffin Beggs & Lane P.O. Box 12950 Pensacola, FL 32591-2950 srg@beggslane.com</p>	<p>James W. Brew/Owen Kopon Stone Matheis Xenopoulos & Brew, PC Eighth Floor, West Tower 1025 Thomas Jefferson Street, NW Washington, DC 20007 jbrew@smxblaw.com</p>
<p>John T. Butler Maria Moncada Florida Power & Light Company 700 Universe Boulevard Juno Beach, FL 33408-0420 John.Butler@fpl.com</p>	<p>Kenneth Hoffman Florida Power & Light Company 215 South Monroe Street, Suite 810 Tallahassee, FL 32301 Ken.Hoffman@fpl.com</p>
<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 1750 SW 14th Street, Suite 200 Fernandina Beach, FL 32034 mcassel@fpuc.com</p>	<p>Florida Retail Federation Robert Scheffel Wright/John T. LaVia Gardner Law Firm 1300 Thomaswood Drive Tallahassee, FL 32308 schef@gbwlegal.com</p>

<p>Robert L. McGee, Jr. Gulf Power Company One Energy Place Pensacola, FL 32520 rlmcgee@southernco.com</p>	<p>J.R. Kelly/P. Christensen/C. Rehwinkel/ Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Kelly.JR@leg.state.fl.us Christensen.patty@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us</p>
<p>Matthew Bernier Duke Energy 106 East College Avenue, Suite 800 Tallahassee, FL 32301 Matthew.Bernier@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>Raoul G. Cantero, III, Esq. White & Case, LLP Southeast Financial Center, Suite 4900 200 South Biscayne Boulevard Miami, FL 33131-2352 rcantero@whitecase.com</p>	<p>Andrew Maurey Michael Barrett Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, Florida 32399-0850 mbarrett@psc.state.fl.us amaurey@psc.state.fl.us</p>

By: _____


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

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 150001-EI: FUEL AND PURCHASED POWER COST RECOVERY
CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

2016 Projection Testimony of
Curtis D. Young
On Behalf of
Florida Public Utilities Company

1 Q. Please state your name and business address.

2 A. Curtis D. Young, 1641 Worthington Road Suite 220, West Palm
3 Beach, FL 33409.

4 Q. By whom are you employed?

5 A. I am employed by Florida Public Utilities Company (FPUC).

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

8 A. I am the Senior Regulatory Analyst. I have performed various
9 accounting and analytical functions including regulatory filings,
10 revenue reporting, account analysis, recovery rate
11 reconciliations and earnings surveillance. I'm also involved in the
12 preparation of special reports and schedules used internally by
13 division managers for decision making projects. Additionally, I
14 coordinate the gathering of data for the FPSC audits.

15 Q. Have you previously testified in this Docket?

16 A. Yes.

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

18 A. I will briefly describe the basis for the computations that were

1 made in the preparation of the various Schedules that the
2 Company has submitted in support of the January 2016 -
3 December 2016 fuel cost recovery adjustments for its
4 consolidated electric divisions. In addition, I will explain the
5 projected differences between the revenues collected under the
6 levelized fuel adjustment and the purchased power costs
7 allowed in developing the levelized fuel adjustment for the period
8 January 2015 – December 2015 and to establish a "true-up"
9 amount to be collected or refunded during January 2016 -
10 December 2016.

11 I. Consolidated Electric Cost Recovery Schedules

12 Q. Were the schedules filed by the Company completed by you?

13 A. Yes, they were completed by me under the supervision and
14 review of Mr. Cutshaw.

15 Q. Which of the Staff's set of schedules has your company
16 completed and filed for approval in this Docket?

17 A. The Company has filed Consolidated Electric Schedules E1,
18 E1A, E2, E7, E8, E10 and Attachment A. Composite Exhibit
19 Number CDY-3 contains this information.

20 Q. Did you follow the same procedures that were used in the prior
21 period filing in preparing the projected cost factors for January –
22 December 2016 for the Consolidated Electric Divisions?

1 A. Yes. In the prior period, the Company requested and
2 subsequently received approval to consolidate the fuel filing of
3 its two electric divisions. This fuel rate consolidation allowed
4 FPUC to standardize fuel costs, as is done by other utilities, and
5 assisted in stabilizing fuel rate charges to all customers now and
6 in the future.

7 II. Additional Fuel-Related Costs Included for Recovery

8 Q. Did you include costs in addition to the costs specific to
9 purchased fuel in the calculations of your true-up and projected
10 amounts?

11 A. Yes, included with our fuel and purchased power costs are
12 charges for contracted consultants and legal services that are
13 directly fuel-related and appropriate for recovery in the fuel
14 clause.

15 Q. Please explain how these costs were determined to be
16 recoverable under the fuel clause?

17 A. Consistent with the Commission's policy set forth in Order No.
18 14546, issued in Docket No. 850001-EI-B, on July 8, 1985, the
19 other costs included in the fuel clause are directly related to fuel,
20 have not been recovered through base rates.

1 Specifically, consistent with item 10 of Order 14546, the costs
2 the Company has included are fuel-related costs that were not
3 anticipated or included in the cost levels used to establish the
4 current base rates. To be clear, these costs are not tied to the
5 Company's internal staff involvement in fuel and purchased
6 power procurement and administration. Instead, these costs are
7 associated with external contracts which consequently, tend to
8 be more volatile depending upon the issue. Similar expenses
9 paid to Christensen and Associates associated with the design
10 for a Request for Proposals of Fuel costs, and the evaluation of
11 those responses, were deemed appropriate for recovery by
12 FPUC through the fuel clause in Order No. PSC-05-1252-FOF-
13 EI, Item II E, issued in Docket No. 050001-EI. Additionally, in
14 more recent Docket Nos. 120001-EI, 130001-EI, 140001-EI and
15 150001-EI, the Commission determined that many of the costs
16 associated with the legal and consulting work incurred by the
17 Company as fuel related, particularly those costs related to the
18 purchase power agreement review and analysis, were
19 recoverable under the fuel clause. Likewise, the Company
20 believes that the costs addressed herein are appropriate for
21 recovery through the fuel clause.

1 Q. Please explain what are the costs outside of purchased fuel
2 costs included in the 2015 true-up for Florida Public Utilities
3 Company?

4 A. Florida Public Utilities engaged Gunster, Yoakley & Stewart, P.A.
5 ("Gunster"), Christensen and Associates ("Christensen") and
6 Pierpont and McClelland ("Pierpont") for assistance in the
7 development and enactment of projects/programs designed to
8 reduce their fuel rates to its customers. The Company will
9 continue to engage legal and consulting assistance as it
10 explores additional fuel related savings options including other
11 CHP opportunities and solar/photovoltaic opportunities. The
12 legal and consulting costs associated with the development and
13 negotiations of the power supply contracts (JEA) are appropriate
14 for recovery through the Fuel and Purchased Power cost
15 recovery clause. Christensen and Pierpont have been
16 performing due diligence in their occasional review and analysis
17 of the terms of the current Renewable Energy Agreement
18 between FPUC and Rayonier in order to increase the production
19 of renewable energy and for further discovering avenues
20 towards negotiating cost reductions. These costs were not
21 included in expenses during the last FPUC consolidated electric

1 base rate proceeding and are not being recovered through base
2 rates. Christensen and Pierpont have been performing due
3 diligence in their occasional review and analysis of the terms of
4 the current Purchased Power Agreement between FPUC and
5 JEA in the efforts of further discovering avenues towards
6 minimizing cost increases and/or negotiating cost reductions.
7 The resulting savings from their efforts have been included in
8 the 2013, 2014 and 2015 True-up as well as our 2016
9 Projections. The associated legal and consulting costs, included
10 in the rate calculation of the Company's 2016 Projection factors,
11 were not included in expenses during the last FPUC
12 consolidated electric base rate proceeding and are not being
13 recovered through base rates.

14 Q. Are there any other fuel related costs included in this filing?

15 A. Yes, the Company has included depreciation expense, taxes
16 other than income taxes and a return on investment for an FPL
17 interconnect to its Northeast Division. These costs will directly
18 result in fuel savings to our customers, and will increase the
19 reliability of electricity to the Northeast Division. These costs
20 have not been recovered through base rates, and will directly
21 benefit the customers through future reductions to its fuel costs.

1 Since this investment would allow the Company to pursue
2 alternatives in its future fuel contracts, and will result in
3 additional fuel options as well as increased competition to
4 provide fuel to our Company, the Company feels that recovery in
5 the fuel clause would be appropriate until such time that any
6 remaining costs, if any, can be rolled into rate base in a future
7 rate proceeding. See Exhibit Schedule A for a summary of the
8 expected costs for the interconnect investment, and the related
9 revenue requirement that is included in this fuel filing for
10 recovery through fuel rates. Also included on this exhibit are
11 estimated savings that will likely occur as a result of this
12 investment to our customers. Without recovery on this
13 investment as requested, the Company would either have to
14 defer this project and the anticipated benefits, or would have to
15 file a rate proceeding to pursue recovery through base rates,
16 which would inevitably be a lengthy and costly process.
17 Ultimately, the Company believes that this project will be
18 economically beneficial to its rate payers and will facilitate the
19 Company's efforts to achieve fuel savings for its customers. As
20 such, the Company believes that recovery is consistent with prior
21 cases in which recovery of similar, fuel-related investments has

1 been allowed, because it will lower the delivered price of fuel –
2 or input price - for FPUC, as contemplated by Order No. 14546
3 and Order No. PSC-95-1089-FOF-EI. Moreover, it will avoid
4 “regulatory lag”, which the Commission has recognized in the
5 past as the underlying purpose for the Fuel Clause.

6

7

8

9

Summary Rates

10 Q. What are the final remaining true-up amounts for the period
11 January – December 2014 for both Divisions?

12 A. The final remaining consolidated true-up amount was an under-
13 recovery of \$1,476,353.

14 Q. What are the estimated true-up amounts for the period of
15 January – December 2015?

16 A. There is an estimated consolidated under-recovery of \$112,373.

17 Q. Please address the calculation of the total true-up amount to be
18 collected or refunded during the January - December 2016 year?

19 A. The Company has determined that at the end of December
20 2015, based on six months actual and six months estimated, we
21 will have a consolidated electric under-recovery of \$1,588,726.

1 Q. What will the total consolidated fuel adjustment factor, excluding
2 demand cost recovery, be for the consolidated electric division
3 for the period?

4 A. The total fuel adjustment factor as shown on line 43, Schedule
5 E-1 is 6.693¢ per KWH.

6 Q. Please advise what a residential customer using 1,000 KWH will
7 pay for the period January - December 2016 including base
8 rates, conservation cost recovery factors, gross receipts tax and
9 fuel adjustment factor and after application of a line loss
10 multiplier.

11 A. As shown on consolidated Schedule E-10 in Composite Exhibit
12 Number CDY-3, a residential customer using 1,000 KWH will
13 pay \$140.06. This is a decrease of \$1.04 under the previous
14 period.

15 Q. Does this conclude your testimony?

16 A. Yes.

Docket No. 150001-EI

EXHIBIT NO. _____ (CDY-1)

TO THE

DIRECT TESTIMONY OF CURTIS D. YOUNG

ON BEHALF OF

FLORIDA PUBLIC UTILITIES COMPANY
(REDACTED)

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

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)	29,415,207	572,000	5.14252
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)	36,583,802	572,000	6.39577
10a Demand Costs of Purchased Power	24,991,075 *		
10b Non-fuel Energy & Customer Costs of Purchased Power	11,592,727 *		
11 Energy Payments to Qualifying Facilities (E8a)	1,489,988	111,155	1.34046
12 TOTAL COST OF PURCHASED POWER (LINE 6 THRU 11)	67,488,997	683,155	9.87902
13 TOTAL AVAILABLE KWH (LINE 5 + LINE 12)	67,488,997	683,155	9.87902
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)	67,488,997	683,155	9.87902
21 Net Unbilled Sales	0 *	0	0.00000
22 Company Use	65,597 *	664	0.00995
23 T & D Losses	2,313,271 *	23,416	0.35099
24 SYSTEM MWH SALES	67,488,997	659,075	10.23996
25 Wholesale MWH Sales			
26 Jurisdictional MWH Sales	67,488,997	659,075	10.23996
26a Jurisdictional Loss Multiplier	1.00000	1.00000	
27 Jurisdictional MWH Sales Adjusted for Line Losses	67,488,997	659,075	10.23996
27a GSLD1 MWH Sales		27,754	
27b Other Classes MWH Sales		631,321	
27c GSLD1 CP KW		552,000 *	
28 Projected Unbilled Revenues	(100,000)	631,321	-0.01584
29 GPIF **			
30 TRUE-UP (OVER) UNDER RECOVERY **	1,588,726	631,321	0.25165
31a TOTAL JURISDICTIONAL FUEL COST	68,977,723	631,321	10.92594
31a Demand Purchased Power Costs (Line 10a)	24,991,075 *		
31b Non-demand Purchased Power Costs (Lines 6 + 10b + 11)	42,497,922 *		
31c True up Over/Under Recovery (Line 29)	1,588,726 *		
31d Unbilled Revenues	(100,000)		

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

EXHIBIT NO. _____
DOCKET NO. 150001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(CDY-3)
PAGE 1 OF 10

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

<u>FLORIDA DIVISION-CONSOLIDATED</u>		(a)	(b)	(c)
		DOLLARS	MWH	CENTS/KWH
APPORTIONMENT OF DEMAND COSTS				
31	Total Demand Costs (Line 30a)	24,991,075		
32	GSLD1 Portion of Demand Costs (Line 30a) Including Line Losses(Line 27c x \$2.96)	3,231,648	552,000 (KW)	\$5.85 /KW
33	Balance to Other Classes	21,759,427	631,321	3.44665
APPORTIONMENT OF NON-DEMAND COSTS				
34	Total Non-demand Costs(Line 30b)	42,497,922		
35	Total KWH Purchased (Line 12)		683,155 KWH	
36	Average Cost per KWH Purchased			6.22083
37	Average Cost Adjusted for Line Losses (Line 36 x 1.03)			6.40745
38	GSLD1 Non-demand Costs (Line 27a x Line 37)	1,759,879	27,754	6.34099
39	Balance to Other Classes	40,738,044	631,321	6.45283
GSLD1 PURCHASED POWER COST RECOVERY FACTORS				
40a	Total GSLD1 Demand Costs (Line 32)	3,231,648	552,000 (KW)	\$5.85 /KW
40b	Revenue Tax Factor			1.00072
40c	GSLD1 Demand Purchased Power Factor Adjusted for Taxes & Rounded			\$5.85 /KW
40d	Total Current GSLD1 Non-demand Costs(Line 38)	1,759,879	27,754	6.34099
40e	Total Non-demand Costs Including True-up	1,759,879	27,754	6.34099
40f	Revenue Tax Factor			1.00072
40g	GSLD1 Non-demand Costs Adjusted for Taxes & Rounded			6.34556
OTHER CLASSES PURCHASED POWER COST RECOVERY FACTORS				
41a	Total Demand & Non-demand Purchased Power Costs of Other Classes(Line 33 + 39)	62,497,470	631,321	9.89948
41b	Less: Total Demand Cost Recovery	21,759,427 ***		
41c	Total Other Costs to be Recovered	40,738,044	631,321	6.45283
41d	Unbilled Revenue	(100,000)	631,321	-0.01584
41e	Other Classes' Portion of True-up (Line 30c)	1,588,726	631,321	0.25165
41f	Total Demand & Non-demand Costs Including True-up	42,226,769	631,321	6.68864
42	Revenue Tax Factor			1.00072
43	Other Classes Purchased Power Factor Adjusted for Taxes & Rounded	42,257,172		6.693

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

*** Calculation on Schedule E1 Page 3

EXHIBIT NO. _____
DOCKET NO. 150001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(CDY-3)
PAGE 2 OF 10

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

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	317,538,439	57.025%	63,566.3	1.089	1.030	69,223.7	327,064,592	57.84%	50.29%
45 GS	63,005,986	65.083%	11,051.2	1.089	1.030	12,034.8	64,896,166	10.06%	9.98%
46 GSD	156,696,394	75.900%	23,567.5	1.089	1.030	25,665.0	161,397,286	21.45%	24.82%
47 GSLD	86,533,538	85.182%	11,596.6	1.089	1.030	12,628.7	89,129,544	10.55%	13.71%
48 LS	7,547,928	782.723%	110.1	1.089	1.030	119.9	7,774,366	0.10%	1.20%
49	0	782.723%	0.0	1.089	1.030	0.0	0	0.00%	0.00%
TOTAL	631,322,285		109,891.7			119,672.1	650,261,954	100.00%	100.00%

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	12/13 * (8)	1/13 * (9)	(10) + (11) Demand Allocation Percentage	Tot. Col. 13 * (9) Demand Dollars	(13)/(1)	(14) * 1.00072 Demand Cost Recovery Adj for Taxes	Other Charges	(15) + (16) Levelized Adjustment
Rate Schedule	12/13 Of 12 CP	1/13 Of Energy			Demand Cost Recovery			
50 RS	53.39%	3.87%	57.26%	\$12,459,448	0.03924	0.03927	0.06693	0.10620
51 GS	9.29%	0.77%	10.06%	2,188,998	0.03474	0.03477	0.06693	0.10170
52 GSD	19.80%	1.91%	21.71%	4,723,972	0.03015	0.03017	0.06693	0.09710
53 GSLD	9.74%	1.05%	10.79%	2,347,842	0.02713	0.02715	0.06693	0.09408
54 LS	0.09%	0.09%	0.18%	39,167	0.00519	0.00519	0.06693	0.07212
TOTAL	92.31%	7.69%	100.00%	\$21,759,427				

Step Rate Allocation for Residential Customers

	(18)	(19)	(20)	(21)
			(19) * (20)	
Rate Schedule	Allocation	Annual kWh	Levelized Adj.	Revenues
56 RS	Sales	317,538,439	\$0.10620	\$33,722,582
57 RS	<= 1,000kWh/mo.	208,080,457	\$0.10189	\$21,201,558
58 RS	> 1,000 kWh/mo.	109,457,982	\$0.11439	\$12,521,025
59 RS	Total Sales	317,538,439		\$33,722,582

(2) From Gulf Power 2012 Load Research results.

TOU Rates

	(22)	(23)	(24)	(25)
	On Peak Rate Differential	Off Peak Rate Differential	Levelized Adj. On Peak	Levelized Adj. Off Peak
Rate Schedule				
60 RS	0.0840	(0.0390)	\$0.18589	\$0.06289
61 GS	0.0400	(0.0500)	\$0.14170	\$0.05170
62 GSD	0.0400	(0.0325)	\$0.13710	\$0.06460
63 GSLD	0.0600	(0.0300)	\$0.15408	\$0.06408
64 Interruptible	(0.0150)	-	\$0.07908	\$0.09408

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF TRUE-UP SURCHARGE
APPLICABLE TO LEVELIZED FUEL ADJUSTMENT PERIOD
JANUARY 2016 - DECEMBER 2016
BASED ON SIX MONTHS ACTUAL AND SIX MONTHS ESTIMATED OPERATIONS

FLORIDA DIVISION-CONSOLIDATED

Under-recovery of purchased power costs for the period January 2015 - December 2015. (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 2015.)(Estimated)	\$ 1,588,726
Portion of 2015 Under-recovery to be collected for the period January 2016 - December 2016	\$ 1,588,726
Estimated kilowatt hour sales for the months of January 2016 - December 2016 as per estimate filed with the Commission. (Excludes GSLD1 customers)	631,322,285
Cents per kilowatt hour necessary to collect under-recovered purchased power costs over the period January 2015 - December 2015	0.25165

FLORIDA PUBLIC UTILITIES COMPANY
FLORIDA DIVISION-CONSOLIDATED
FUEL & PURCHASED POWER COST RECOVERY CLAUSE CALCULATION
 ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

LINE NO.		(a)	(b)	(c)	(d)	(e)	(f)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	LINE NO.
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	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	FUEL COST OF PURCHASED POWER	3,088,134	2,503,635	2,611,066	2,101,601	2,795,318	3,130,514	2,793,093	2,638,836	2,527,614	1,883,251	1,636,126	1,706,018	29,415,207	3
3a	DEMAND & NON FUEL COST OF PUR POWER	3,045,465	2,631,847	2,753,907	2,292,243	2,772,688	2,613,107	3,622,381	3,579,880	3,444,736	3,270,764	3,341,820	3,214,965	36,583,802	3a
3b	QUALIFYING FACILITIES	104,823	133,837	133,837	104,823	133,837	133,837	104,823	133,837	133,837	104,823	133,837	133,837	1,489,988	3b
4	ENERGY COST OF ECONOMY PURCHASES													0	4
5	TOTAL FUEL & NET POWER TRANSACTIONS (SUM OF LINES A-1 THRU A-4)	6,238,423	5,269,319	5,498,810	4,498,667	5,701,843	5,877,458	6,520,297	6,352,553	6,106,187	5,258,838	5,111,783	5,054,820	67,488,997	5
5a	LESS: TOTAL DEMAND COST RECOVERY	2,312,880	1,928,312	2,034,104	1,638,674	2,037,779	1,844,500	1,791,154	1,811,316	1,633,178	1,533,574	1,676,674	1,517,283	21,759,427	5a
5b	TOTAL OTHER COST TO BE RECOVERED	3,925,542	3,341,007	3,464,706	2,859,993	3,664,064	4,032,958	4,729,143	4,541,237	4,473,009	3,725,264	3,435,109	3,537,537	45,729,570	5b
6	APPORTIONMENT TO GSLD1 CLASS	393,300	449,455	502,494	344,203	395,583	350,679	467,236	430,977	374,687	413,510	482,119	387,283	4,991,527	6
6a	BALANCE TO OTHER CLASSES	3,532,243	2,891,552	2,962,212	2,515,790	3,268,482	3,682,279	4,261,907	4,110,260	4,098,321	3,311,754	2,952,990	3,150,253	40,738,044	6a
6b	SYSTEM KWH SOLD (MWH)	56,540	56,789	51,125	43,852	48,397	56,706	68,382	64,587	64,504	51,224	46,213	50,756	659,075	6b
7	GSLD1 MWH SOLD	2,210	3,157	4,087	1,340	2,213	1,427	2,942	2,313	1,537	2,058	2,850	1,620	27,754	7
7a	BALANCE MWH SOLD OTHER CLASSES	54,330	53,632	47,038	42,512	46,184	55,279	65,440	62,274	62,967	49,166	43,363	49,136	631,321	7a
7b	COST PER KWH SOLD (CENTS/KWH) APPLICABLE TO OTHER CLASSES	6.50146	5.39147	6.29749	5.91783	7.07709	6.66126	6.51269	6.60028	6.50868	6.73586	6.80993	6.41129	6.45283	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)	6.50146	5.39147	6.29749	5.91783	7.07709	6.66126	6.51269	6.60028	6.50868	6.73586	6.80993	6.41129	6.45283	9
10	PROJECTED UNBILLED REVENUES(CENT/KWH)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	(0.0158)	10
11	GPIF (CENTS/KWH)														11
12	TRUE-UP (CENTS/KWH)	1,588,726	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	0.25165	12
13	TOTAL	6.73727	5.62728	6.53330	6.15364	7.31290	6.89707	6.74850	6.83609	6.74449	6.97167	7.04574	6.64710	6.68864	13
14	REVENUE TAX FACTOR	0.00072	0.00485	0.00405	0.00470	0.00443	0.00527	0.00497	0.00486	0.00492	0.00486	0.00502	0.00507	0.00479	14
15	RECOVERY FACTOR ADJUSTED FOR TAXES	6.74212	5.63133	6.53800	6.15807	7.31817	6.90204	6.75336	6.84101	6.74935	6.97669	7.05081	6.65189	6.69346	15
16	RECOVERY FACTOR ROUNDED TO NEAREST .001 CENT/KWH	6.742	5.631	6.538	6.158	7.318	6.902	6.753	6.841	6.749	6.977	7.051	6.652	6.693	16

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

(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 2016	JEA/GULF	
FEBRUARY 2016	JEA/GULF	MS	49,800,000			49,800,000	5.027380	10.312214	2,503,635
MARCH 2016	JEA/GULF	MS	52,000,000			52,000,000	5.021280	10.317255	2,611,066
APRIL 2016	JEA/GULF	MS	41,800,000			41,800,000	5.027754	10.511589	2,101,601
MAY 2016	JEA/GULF	MS	55,500,000			55,500,000	5.036610	10.032443	2,795,318
JUNE 2016	JEA/GULF	MS	62,000,000			62,000,000	5.049216	9.263904	3,130,514
JULY 2016	JEA/GULF	MS	53,700,000			53,700,000	5.201291	11.946879	2,793,093
AUGUST 2016	JEA/GULF	MS	49,700,000			49,700,000	5.309529	12.512507	2,638,836
SEPTEMBER 2016	JEA/GULF	MS	48,700,000			48,700,000	5.190172	12.263552	2,527,614
OCTOBER 2016	JEA/GULF	MS	36,000,000			36,000,000	5.231254	14.316709	1,883,251
NOVEMBER 2016	JEA/GULF	MS	30,200,000			30,200,000	5.417637	16.483266	1,636,126
DECEMBER 2016	JEA/GULF	MS	32,100,000			32,100,000	5.314697	15.330165	1,706,018
TOTAL			572,000,000	0	0	572,000,000	5.142519	11.538288	29,415,207

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

(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 2016	ROCK-TENN/RAYONIER/EIGHT FLAGS	
FEBRUARY 2016	ROCK-TENN COMPANY / RAYONIER		2,325,000			2,325,000	5.756430	5.756430	133,837
MARCH 2016	ROCK-TENN COMPANY / RAYONIER		2,325,000			2,325,000	5.756430	5.756430	133,837
APRIL 2016	ROCK-TENN COMPANY / RAYONIER		2,325,000			2,325,000	4.508516	4.508516	104,823
MAY 2016	ROCK-TENN COMPANY / RAYONIER		2,325,000			2,325,000	5.756430	5.756430	133,837
JUNE 2016	ROCK-TENN COMPANY / RAYONIER		2,325,000			2,325,000	5.756430	5.756430	133,837
JULY 2016	ROCK-TENN COMPANY / RAYONIER		16,200,000			16,200,000	0.647056	0.647056	104,823
AUGUST 2016	ROCK-TENN COMPANY / RAYONIER		16,201,000			16,201,000	0.826103	0.826103	133,837
SEPTEMBER 2016	ROCK-TENN COMPANY / RAYONIER		16,201,000			16,201,000	0.826103	0.826103	133,837
OCTOBER 2016	ROCK-TENN COMPANY / RAYONIER		16,201,000			16,201,000	0.647016	0.647016	104,823
NOVEMBER 2016	ROCK-TENN COMPANY / RAYONIER		16,201,000			16,201,000	0.826103	0.826103	133,837
DECEMBER 2016	ROCK-TENN COMPANY / RAYONIER		16,201,000			16,201,000	0.826103	0.826103	133,837
TOTAL			111,155,000	0	0	111,155,000	1.340460	1.340460	1,489,988

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

ESTIMATED FOR THE PERIOD: JANUARY 2016 THROUGH DECEMBER 2016

	JANUARY 2016	FEBRUARY 2016	MARCH 2016	APRIL 2016	MAY 2016	JUNE 2016	JULY 2016
BASE RATE REVENUES ** \$	34.67	34.67	34.67	34.67	34.67	34.67	34.67
FUEL RECOVERY FACTOR CENTS/KWH	10.19	10.19	10.19	10.19	10.19	10.19	10.19
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
FUEL RECOVERY REVENUES \$	101.89	101.89	101.89	101.89	101.89	101.89	101.89
GROSS RECEIPTS TAX	3.50	3.50	3.50	3.50	3.50	3.50	3.50
TOTAL REVENUES *** \$	140.06	140.06	140.06	140.06	140.06	140.06	140.06

	AUGUST 2016	SEPTEMBER 2016	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	PERIOD TOTAL
BASE RATE REVENUES ** \$	34.67	34.67	34.67	34.67	34.67	416.04
FUEL RECOVERY FACTOR CENTS/KWH	10.19	10.19	10.19	10.19	10.19	
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	
FUEL RECOVERY REVENUES \$	101.89	101.89	101.89	101.89	101.89	1,222.68
GROSS RECEIPTS TAX	3.50	3.50	3.50	3.50	3.50	42.00
TOTAL REVENUES *** \$	140.06	140.06	140.06	140.06	140.06	1,680.72

* MONTHLY AND CUMULATIVE TWELVE MONTH ESTIMATED DATA

** BASE RATE REVENUES PER 1000 KWH:

CUSTOMER CHARGE	14.00
CENTS/KWH	19.60
CONSERVATION FACTOR	<u>1.07</u>
	<u>34.67</u>

EXHIBIT NO. _____
DOCKET NO. 150001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(CDY-3)
PAGE 8 OF 10

*** EXCLUDES FRANCHISE TAXES

Florida Public Utilities Company
FPL Interconnect
Calculation of the Actual Revenue Requirements
Projected 2016

Schedule A
 Exhibit _____
 Curtis D. Young (CDY-3)
 Page 9 of 10

Item	Beginning Balance	Projected Jan	Projected Feb	Projected Mar	Projected Apr	Projected May	Projected Jun	Projected Jul	Projected Aug	Projected Sep	Projected Oct	Projected Nov	Projected Dec	Year End Total/Balance
Qualified Investment														
Qualified Investment - Interconnect CWIP Activity	\$291,667	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$145,833	\$1,750,000
Qualified Investment - Interconnect CWIP Activity to Plant														\$0
Qualified Investment - Mains - Current 1010 Activity														\$0
Total Qualified Investment - Interconnect 1070 Activity	\$291,667	\$437,500	\$583,333	\$729,167	\$875,000	\$1,020,833	\$1,166,667	\$1,312,500	\$1,458,333	\$1,604,167	\$1,750,000	\$1,895,833	\$2,041,667	\$2,041,667
Total Qualified Investment - Interconnect 1010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Qualified Investment	\$291,667	\$437,500	\$583,333	\$729,167	\$875,000	\$1,020,833	\$1,166,667	\$1,312,500	\$1,458,333	\$1,604,167	\$1,750,000	\$1,895,833	\$2,041,667	\$2,041,667
Less: Accumulated Depreciation		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Book Value	\$291,667	\$437,500	\$583,333	\$729,167	\$875,000	\$1,020,833	\$1,166,667	\$1,312,500	\$1,458,333	\$1,604,167	\$1,750,000	\$1,895,833	\$2,041,667	\$2,041,667
Average Net Qualified Investment		\$364,583	\$510,417	\$656,250	\$802,083	\$947,917	\$1,093,750	\$1,239,583	\$1,385,417	\$1,531,250	\$1,677,083	\$1,822,917	\$1,968,750	
Depreciation Rates														
Approved Depreciation Rate														
Return on Average Net Qualified Investment														
Equity - Cost of Capital, inclusive of Income Tax Gross-up		7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%	7.6400%
Debt - Cost of Capital		1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%	1.5600%
Equity Component - inclusive of Income Tax Gross-up		\$2,321	\$3,250	\$4,178	\$5,107	\$6,035	\$6,964	\$7,892	\$8,820	\$9,749	\$10,677	\$11,606	\$12,534	\$89,133
Debt Component		\$474	\$664	\$853	\$1,043	\$1,232	\$1,422	\$1,611	\$1,801	\$1,991	\$2,180	\$2,370	\$2,559	\$18,200
Return Requirement		\$2,795	\$3,914	\$5,031	\$6,150	\$7,267	\$8,386	\$9,503	\$10,621	\$11,740	\$12,857	\$13,976	\$15,093	\$107,333
Investment Expenses														
Depreciation Expense		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property Taxes	2.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General Public Notice Expense & Customer Notice Expense														\$0
Total Expense		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue Requirements		\$2,795	\$3,914	\$5,031	\$6,150	\$7,267	\$8,386	\$9,503	\$10,621	\$11,740	\$12,857	\$13,976	\$15,093	\$107,333
Net Revenue Requirements / (Surplus)		\$2,795	\$3,914	\$5,031	\$6,150	\$7,267	\$8,386	\$9,503	\$10,621	\$11,740	\$12,857	\$13,976	\$15,093	\$107,333
Surcharge Revenues Collected Month		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$0
Beginning True-Up (Over) and Under Recovery for the Month		\$ 2,795	\$ 3,914	\$ 5,031	\$ 6,150	\$ 7,267	\$ 8,386	\$ 9,503	\$ 10,621	\$ 11,740	\$ 12,857	\$ 13,976	\$ 15,093	\$ 2,236
Monthly Interest (Expense)/Income		\$ -	\$ -	\$ 1	\$ 1	\$ 2	\$ 2	\$ 3	\$ 4	\$ 4	\$ 5	\$ 6	\$ 7	\$ 35
Ending (Over) and Under Recovery		\$ 2,236	\$ 5,031	\$ 8,945	\$ 13,977	\$ 20,128	\$ 27,397	\$ 35,785	\$ 45,291	\$ 55,916	\$ 67,660	\$ 80,522	\$ 94,504	\$ 109,604
Beg of Month Annual Interest Rate		0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%
End of Month Annual Interest Rate		0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%	0.08%
Average Monthly Interest Rate		0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%	0.007%

Florida Public Utilities Company

FPL Interconnect
 Calculation of the Customer Savings
 Projected 2016 - 2025

Schedule A
 Exhibit _____ redacted
 Curtis D. Young (CDY-3)
 Page 10 of 10

Prices and Costs for Generation Services (\$/MWh)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
JEA Costs	[REDACTED]										*
FPL	[REDACTED]										*
Price Differenti	38.74	40.10	39.78	28.02	26.47	31.12	29.67	26.20	27.18	22.03	

Indicative Net Benefits to Customers (\$ 000)

Purchase Quantity		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Scenario (MW)											
10 MW		2,216	2,294	2,275	1,603	1,514	1,780	1,697	1,499	1,555	1,260
20 MW		4,432	4,588	4,551	3,205	3,028	3,560	3,394	2,998	3,109	2,521

**Load Factor,
 Northeast Division**
 0.65

* "These indicative prices are based on simulations of the financial costs of generation services, for Florida Power and Light and Jacksonville Electric Authority. The analyses utilize historical data available in the public domain, and resource plans filed before the Florida Public Service Commission. The underlying data are not complete in all dimensions; as a consequence, the analysis includes reasonable judgements and inferences where necessary."

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 150001-EI: FUEL AND PURCHASED POWER COST RECOVERY
CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

2016 Projection Testimony of
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 S. 14th Street, Suite 200,
3 Fernandina Beach, Florida 32034.

4 Q. By whom are you employed?

5 A. I am employed by Florida Public Utilities Company.

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

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

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

7 Q. Have you previously testified in this Docket?

8 A. Yes, on numerous occasions.

9

10 I. Efforts to Reduce Fuel Costs

11 Q. Has the Company investigated means to reduce costs for its
12 customers in its consolidated electric divisions?

13 A. Yes. The Company has aggressively sought opportunities to
14 engage its current base load providers for both electric divisions
15 in discussions for an arrangement that would be more beneficial
16 for the FPUC customers. Since 2007, when purchased power
17 rates began to increase significantly from both providers, FPUC
18 has been very assertive in challenging each cost determination
19 performed by JEA and Southern Company that resulted in an
20 increase to the purchased power rate. These very focused and
21 steady efforts have resulted in the mitigation of increases in

1 purchased power costs for FPUC and its customers. In January
2 2011, the Company was also successful in completing an
3 Amendment to the Gulf Power contract, reducing costs to
4 customers in its NW division.

5 These same focused and steady efforts are continuing today
6 and have resulted in a reduced rate of increase to FPUC and its
7 customers.

8 The Company has also investigated other opportunities to
9 reduce purchases power costs, including the possibility of
10 contractual relationships with other wholesale power suppliers.
11 As a result of this ongoing investigation into new opportunities,
12 relationships were developed with other suppliers, informal
13 studies of generation and transmission capacity arrangements
14 were reviewed, and contract possibilities were discussed.
15 Although realization of these opportunities is not possible until
16 the expiration of the existing power purchase contracts, the
17 information gathered has provided FPUC with invaluable market
18 knowledge and material that will further assist with our further
19 discussions. Among the notable information gleaned, the
20 Company has determined that an FPL interconnect in its
21 Northeast Division will provide future opportunities to save

1 customers on fuel costs and increase the reliability in the
2 Northeast Division.

3 Q. Has the Company availed itself of other opportunities to produce
4 fuel cost savings?

5 A. Yes. For instance, the Northeast Division provides service to
6 two paper mills on Amelia Island that have significant on site
7 generation capabilities. These relationships have created further
8 opportunities for some limited purchased power for FPUC.
9 FPUC has entered into arrangements with these alternative
10 power providers that have thus far proven very advantageous.
11 FPUC is continuing to look at these and all other avenues for
12 reducing purchased power costs.

13 Q. What arrangements with "alternative power providers" do you
14 refer to?

15 A. The first very successful arrangement that I am referring to is the
16 renewable energy contract with Rayonier Performance Fibers,
17 LLC, which was entered into in early 2012 and approved by the
18 Commission in Docket No. 120058-EQ. Through a cooperative
19 effort, FPUC and Rayonier were able to develop a purchased
20 power agreement that allows Rayonier to produce renewable
21 energy and sell that energy to FPUC at a cost below that of the

1 current wholesale power provided while still being beneficial to
2 Rayonier. Not only did this increase the amount of renewable
3 energy in the area, it provides lower cost energy that is passed
4 directly through to FPUC customers in the form of reduced
5 power cost.

6 Secondly, FPUC has completed the development of a
7 partnership with Eight Flags Energy, LLC to provide lower cost
8 reliable energy which will provide benefits to the FPUC
9 customers. The Commission has reviewed this agreement and
10 approved it in Docket No. 140185-EQ on December 30, 2014.
11 The combined heat and power facility owned by Eight Flags
12 Energy, LLC, a subsidiary of Chesapeake Utilities Corporation
13 (Chesapeake), will work directly with FPUC to provide additional
14 energy to FPUC. This new 20 megawatt generation facility will
15 provide significant cost savings to FPUC customers in both
16 divisions.

17 Q. How have these new arrangements proven beneficial to the
18 Company?

19 A. This new project it is expected to be in service by the second
20 quarter of 2016 and is expected to produce further significant
21 benefits for the Company and all of its electric customers.

1 All in all, this contract will secure added service reliability for the
2 Northeast Division while providing customers in both divisions
3 significant fuel and purchased power cost savings. It will do so
4 all while producing a lower environmental profile than would be
5 associated with locating traditional generation on the island or
6 with FPUC's purchased power options. Not only will this new
7 contract provide customers with lower cost energy, this contract
8 will also provide FPUC with negotiating leverage that is not
9 currently available. This added leverage is expected to
10 enhance our ability to negotiate beneficial contracts with large
11 wholesale power providers for future agreements and should
12 help with even further energy.

13 II. New Efforts Targeting Additional Savings

14 Q. Can you provide additional information on the transmission
15 interconnect project?

16 A. Yes. This is a significant project for FPUC, one that the
17 Company has embarked upon specifically because we anticipate
18 it will directly improve our ability to negotiate increased savings
19 for our customers in our next power purchase agreements.
20 Historically, FPUC's ability to secure competitive wholesale
21 power quotations has been hindered by the limitation on the

1 transmission interconnections providing power to FPUC's
2 Northeast Division. At present, FPUC's 138 KV transmission is
3 directly connected to the JEA 138 KV transmission network.
4 The FPUC 138 KV transmission line is a dual circuit, single pole
5 line which includes several miles transmission line in relatively
6 inaccessible marshy areas. This transmission line serves as the
7 only off-island power supply to Amelia Island. In order to resolve
8 this issue for upcoming wholesale power proposals, FPUC is
9 pursuing an interconnection with the Florida Power & Light's
10 (FPL) transmission system, which is located in very close
11 proximity to the existing FPUC transmission system. Not only
12 will this additional interconnection provide for more competitive
13 wholesale power options, this will provide much needed
14 redundancy to the power supply on Amelia Island and have a
15 positive impact on the overall system reliability.

16 Q. What type of construction will be necessary to accomplish the
17 interconnection with FPL?

18 A. The FPUC owned 138 KV transmission line is located
19 approximately 750 feet (0.14 miles) from the FPL substation and
20 runs in the existing right of way along with the FPL 230 KV
21 transmission line. The construction necessary will include

1 expansion of the existing FPL substation in which the necessary
2 transmission and system protection equipment will be placed in
3 order to allow for the interconnection of the FPUC 138 KV
4 transmission line. The FPUC 138 KV transmission will be re-
5 routed to parallel the FPL 230 KV transmission line into the
6 expanded substation. The new system design will provide for
7 improved system reliability on the transmission system and will
8 afford FPUC the opportunity to reach other less expensive
9 generation sources while avoiding additional transmission
10 wheeling cost.

11 This additional interconnection with FPL will also provide
12 expanded opportunities should it become necessary and/or
13 advantageous to export power from the CHP generating
14 resources on Amelia Island. The ability to have more
15 opportunities and avoid one transmission wheel can provide
16 additional benefits to FPUC customers by maximizing revenues
17 for off system sales.

18 Q. What is the projected in service date for the interconnection with
19 the FP&L transmission system?

20 A. The exact date of the interconnection completion has not been
21 determined; but, is expected during the latter half of 2017.

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

3 A. While we cannot specifically define what those savings will be,
4 nor will be able to do so until negotiations for future agreements
5 are complete, we have projected what we anticipate the savings
6 will be, as addressed in the testimony of FPUC's witness Young.

7 Q. Are there other efforts underway to continue to provide lower
8 cost energy to FPUC customers?

9 A. Yes. Due to the significant benefits that are provided to the
10 Rayonier and Eight Flags Energy projects, FPUC has continued
11 to identify other projects that provide similar benefits. These
12 projects include additional Combined Heat and Power (CHP)
13 projects, additional transmission line interconnections and
14 photovoltaic projects.

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

16 A. Yes. Although the projects have not been finalized at this point,
17 there are currently CHP projects in development. It is uncertain
18 whether or not these will be available for service in 2016; but,
19 work is ongoing with regard to the engineering and contractual
20 aspects of the projects. To be clear, these costs are not
21 included in the projections for 2016.

1 Q. In addition to CHP, is FPUC also considering the feasibility of
2 solar photovoltaic projects?

3 A. Yes. FPUC has determined that the development of smaller
4 solar photovoltaic systems within the FPUC electric service
5 territory is economically feasible and can provide benefits to the
6 rate payers. Based on this analysis, FPUC is working to acquire
7 the necessary property to construct a small scale (one to five
8 megawatts) PV installation. Not only will this increase the
9 renewable energy available to FPUC, the cost is expected to be
10 less than the current wholesale power cost, which will provide
11 additional benefits to FPUC customers. Additionally, exploration
12 into the inclusion of battery storage capacity in conjunction with
13 the PV installation is being considered. The output from these
14 systems have not been included in the projections.

15 Q. Does this conclude your testimony?

16 A. Yes.

17