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October 9, 2015

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

Sincerely,



Beth Keating  
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MEK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Fuel and purchased power cost recovery clause with generating performance incentive factor.      DOCKET NO. 150001-EI  
DATED: October 9, 2015

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

In accordance with the Order Establishing Procedure for this Docket, Order No. PSC-15-0096-PCO-EI, issued February 10, 2015, as modified by Order No. PSC-15-0169-PCO-EI, Florida Public Utilities Company ("FPUC," or "Company") hereby files its Prehearing Statement.

a.      All Known Witnesses

<b><u>Witness</u></b>	<b><u>Subject</u></b>	<b><u>Issue</u></b>
Curtis D. Young	Final True Up 2014	4B, 9
Curtis D. Young	Estimated/Actual 2015	10
Curtis D. Young	Projection for 2016	4A, 4B, 11, 12, 19, 20, 21, 22, 23, 35
P. Mark Cutshaw	Special Projects	4A, 4B

b.      All Known Exhibits

<b><u>Witness</u></b>	<b><u>Exhibit</u></b>	<b><u>Title</u></b>
Young	CDY-1 (Composite)	Final True Up Schedules (Schedules A, C1 and E1-B for FPUC's Divisions)
Young	CDY-2 (Composite)	Estimated/Actual (Schedules E1-A, E1-B, and E1-B1)

<u>Witness</u>	<u>Exhibit</u>	<u>Title</u>
Young	CDY-3 (Composite)	Schedules E1, E1A, E2, E7, E8, E10 and Schedule A

c. FPUC's Statement of Basic Position

FPUC: The Commission should approve Florida Public Utilities Company's final net true-up for the period January through December 2014, the estimated true-up for the period January through December, 2015, and the purchase power cost recovery factor for the period January through December, 2016. In approving the recovery factors for the Company, the Commission should allow FPUC to recover the depreciation expense, taxes, and a return on its investment to build an interconnection between FPUC's Northeast Division and an FPL substation. The Commission should also allow the Company to recover specified legal and consulting expenses that were not accounted for in the Company's last rate case, but which have been incurred in the pursuit of fuel savings for FPUC's customers.

d. FPUC's Position on the Issues

COMPANY-SPECIFIC ISSUES – FLORIDA PUBLIC UTILITIES

**ISSUE 4A:** Should FPUC be permitted to recover the cost (depreciation expense, taxes, and return on investment) of building an interconnection between FPL's substation and FPUC's Northeast Division through the fuel recovery clause?

FPUC's Position: Yes. The Company should be allowed to recover the costs of this project through the fuel cost recovery clause. The project costs constitute unanticipated fuel-related costs not included in the computation of base rates for the Company. The project itself is designed to lower the delivered price of purchased power to the Company, which will produce savings for FPUC's customers. As such, the Company's request for recovery is consistent with prior cases in which similar types of project

costs have been allowed for recovery through the clause. Moreover, the costs for which FPUC seeks recovery are not indicative of an increase in costs that otherwise would have been recovered through base rates. Allowing recovery through the clause avoids regulatory lag that would be associated with a proceeding to recover the costs through base rates. In addition, allowing recovery through the clause provides a more appropriate match with regard to the incurrence of the costs and appropriately encourages the utility to avail itself of opportunities that will provide long-term fuel savings and additional benefits to customers.

*(Young/Cutshaw)*

**ISSUE 4B:** Should FPUC's request to recover consulting and legal fees through the fuel clause be approved?

FPUC's Position: Yes. These costs were not anticipated in the Company's last rate case and tend to fluctuate significantly from year to year. These costs are not associated with the day-to-day administration of existing contracts for power purchases from FPUC's wholesale providers, but are, instead, consulting and legal expenses incurred specifically for the purpose of pursuing projects and contracts that will inure to the benefit of FPUC's ratepayers. FPUC has historically recovered similar legal and consulting expenses through the fuel clause. Moreover, the costs for which FPUC seeks recovery are not indicative of an increase in costs that otherwise would have been recovered through base rates. As such, these costs are appropriate for recovery through the fuel cost recovery clause.

*(Young/Cutshaw)*

### **GENERIC FUEL ADJUSTMENT ISSUES**

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

FPUC's Position: No position.

**ISSUE 8:** What are the appropriate estimated benchmark levels for calendar year 2016 for gains on non-separated wholesale energy sales eligible for a shareholder incentive?

FPUC's Position: No position.

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

FPUC's Position: \$1,476,353 (Under-recovery) *(Young)*

**ISSUE 10:** What are the appropriate fuel adjustment actual/estimated true-up amounts for the period January 2015 through December 2015?

FPUC's Position: \$112,373 (Under-recovery) *(Young)*

**ISSUE 11:** What are the appropriate total fuel adjustment true-up amounts to be collected/refunded from January 2016 to December 2016?

FPUC's Position: \$1,588,726. (Under-recovery) *(Young)*

**ISSUE 12:** What are the appropriate projected total fuel and purchased power cost recovery amounts for the period January 2016 through December 2016?

FPUC's Position: The appropriate projected total fuel and purchased power cost recovery amounts for the period January 2016 through December 2016 is \$67,488,997. *(Young)*

### **FUEL FACTOR CALCULATION ISSUES**

**ISSUE 19:** What are the appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2016 through December 2016?

FPUC's Position: The appropriate projected net fuel and purchased power cost recovery and Generating Performance Incentive amounts to be included in the recovery factor for the period January 2016 through December 2016 is \$68,977,723, which includes prior period true-ups. *(Young)*

**ISSUE 20:** What is the appropriate revenue tax factor to be applied in calculating each investor-owned electric utility's levelized fuel factor for the projection period January 2016 through December 2016?

FPUC's Position: The appropriate tax revenue factor is 1.00072. *(Young)*

**ISSUE 21:** What are the appropriate levelized fuel cost recovery factors for the period January 2016 through December 2016?

FPUC's Position: The appropriate factor is 6.693¢ per kWh. (Young)

**ISSUE 22:** What are the appropriate fuel recovery line loss multipliers to be used in calculating the fuel cost recovery factors charged to each rate class/delivery voltage level class?

FPUC's Position: The appropriate line loss multiplier is 1.0000. (Young)

**ISSUE 23:** What are the appropriate fuel cost recovery factors for each rate class/delivery voltage level class adjusted for line losses?

FPUC's Position: The appropriate levelized fuel adjustment and purchased power cost recovery factors for the period January 2016 through December 2016 for the Consolidated Electric Division, 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

Consistent with the fuel projections for the 2016 period, the appropriate adjusted Time of Use (TOU) and Interruptible rates for the Northwest Division for 2016 period are:

*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

*(Young)***EFFECTIVE DATE**

**ISSUE 35:** What should be the effective date of the fuel adjustment factors and capacity cost recovery factors for billing purposes?

FPUC's Position: The effective date for FPUC's cost recovery factors should be the first billing cycle for January 1, 2016, which could include some consumption from the prior month. Thereafter, customers should be billed the approved factors for a full 12 months, unless the factors are otherwise modified by the Commission. *(Young)*

**TARIFF APPROVAL**

**ISSUE 36:** Should the Commission approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding?

FPUC's Position: Yes. The Commission should approve revised tariffs reflecting the fuel adjustment factors and capacity cost recovery factors determined to be appropriate in this proceeding. The Commission should direct staff to verify that the revised tariffs are consistent with the Commission's decision. (Agree with Commission staff.)

**ISSUE 37:** Should this docket be closed?

FPUC's Position: Yes.

e. Stipulated Issues

FPUC is not a party to any stipulations at this time.

f. Pending Motions

FPUC has no pending motions at this time.

g. Pending Confidentiality Claims or Requests

FPUC's Request for Confidential Classification for information contained in Exhibit CDY-3 to direct testimony of Curtis D. Young, filed September 1, 2015.

FPUC's Request for Confidential Classification and motion for a temporary protective order for information provided in response to staff's 2nd set of interrogatories, filed on October 2, 2015.

h. Objections to Witness Qualifications as an Expert

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

i. Compliance with Order No. PSC-15-0096-PCO-EI

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

RESPECTFULLY SUBMITTED this 9th day of October, 2015.

BY: 

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*Attorneys for Florida Public Utilities Company*

**CERTIFICATE OF SERVICE**

**I HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by Electronic Mail to the following parties of record this 9th day of October, 2015:

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