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September 1, 2016

BY E-PORTAL

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

**Re: Docket No. 160001-EI: Fuel and Purchased Power Cost Recovery Clause with
Generating Performance Incentive Factor**

Dear Ms. Stauffer:

Attached for filing, please find the Petition for Approval of Fuel Adjustment and Purchase Power Cost Recovery Factors submitted on behalf of Florida Public Utilities Company, along with the Direct Testimony and Exhibit MC-2 of Mr. Mike Cassel, as well as the Direct Testimonies of Mr. Mark Cutshaw and Mr. Drane Shelley in support of the Company's request. The Company is providing a portion of Mr. Cassel's Exhibit MC-2 under separate cover, along with a Request for Confidential Classification.

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. 160001-EI

DATED: September 1, 2016

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

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

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

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

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

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

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

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

4) In accordance with Order PSC-16-0109-PCO-EI, issued March 17, 2016, in this Docket, as amended by Orders Nos. PSC-16-0109A-PCO-EI and PSC-16-0265-PCO-EI, the Company is also submitting, contemporaneously with this Petition, the Direct Testimony Mr. Mike Cassel, along with Exhibit MC-2, as well as the Direct Testimonies of Mr. Mark Cutshaw and Mr. Drane “Buddy” Shelley, in support of the Company's request for approval of the requested factors. FPUC notes that, consistent with the Commission’s approval allowing the Company to consolidate the fuel factors for its Northeast and Northwest Divisions, the schedules included in Exhibit MC-2 reflect that consolidation.¹

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

6) In addition, consistent with past requests of the Company, the Company seeks to recover certain legal and consulting costs associated with fuel and purchased power projects designed to reduce fuel and purchased costs for FPUC’s customers, which have not otherwise been included for recovery in base rates. These costs are consistent with Commission policy set forth in Order No. 14546, as well as Commission decisions allowing the Company to recover such costs in Order No. PSC-05-1252-FOF-EI, issued in Docket No. 050001-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

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

Docket No. 150001-EI. Again, the subject legal and consulting costs are not also 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 pursue with the objective of obtaining reduced fuel and purchased power costs for the benefit of its customers.

7) As set forth in the Testimony and Exhibit MC-2 of Witness Cassel, the Company's total true-up amounts that would be collected or refunded during the period January 2017 through December 2017 is an under-recovery of \$1,289,892 for the Consolidated Electric Division, reflecting an estimated consolidated under-recovery of \$1,261,783 for 2016. Based on estimated sales for January 2017 through December 2017 of 614,609,517 kwhs, an additional .20987¢ 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 2017 through December 2017, excluding demand cost recovery and adjusted for line loss multipliers and including taxes, are as follows:

<i>Rate Schedule</i>	<i>Adjustment</i>
RS	\$0.10417
GS	\$0.09975
GSD	\$0.09530
GSLD	\$0.09238
LS	\$0.07088

<u>Step rate for RS</u>	
RS Sales	\$0.10417
RS with less than 1,000 kWh/month	\$0.10055
RS with more than 1,000 kWh/month	\$0.11305

9) For the Consolidated Electric Division, the total fuel adjustment factor is 6.593¢ per kWh for "other classes." Thus, a customer in either Division using 1,000 kWh will pay \$138.97, a decrease of \$1.37 from the prior period.

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

Time of Use/Interruptible

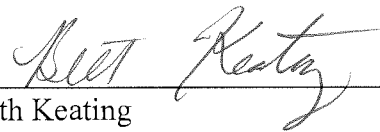
<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
RS	\$0.18455	\$0.06155
GS	\$0.13975	\$0.04975
GSD	\$0.13530	\$0.06280
GSLD	\$0.15238	\$0.06238
Interruptible	\$0.07738	\$0.09238

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.

Docket No. 160001-EI

WHEREFORE, FPUC respectfully requests that the Commission approve the Company's proposed fuel adjustment and purchased power cost recovery factors for January 2017 through December 2017.

RESPECTFULLY SUBMITTED this 1st day of September, 2016.



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 MC-2 of Mike Cassel, and the Direct Testimonies of Mark Cutshaw and Drane “Buddy” Shelley, have been furnished by Electronic Mail to the following parties of record this 1st day of September, 2016:

<p>Danijela Janjic Suzanne Brownless Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 djanjic@psc.state.fl.us 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/Laura Wynn 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>P. Christensen/C. Rehwinkel/E. Saylor Office of Public Counsel c/o The Florida Legislature 111 W. Madison Street, Room 812 Tallahassee, FL 32399-1400 Christensen.patty@leg.state.fl.us Rehwinkel.Charles@leg.state.fl.us Saylor.Eric@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>Michael Barrett Division of Accounting and Finance Florida Public Service Commission 2540 Shumard Oak Blvd. Tallahassee, Florida 32399-0850 mbarrett@psc.state.fl.us</p>

By: 
Beth Keating
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Docket No. 160001-EI

**DOCKET NO. 160001-EI: FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE
FACTOR**

TESTIMONY OF MICHAEL CASSEL

On behalf of

Florida Public Utilities Company

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 160001-EI: FUEL AND PURCHASED POWER COST RECOVERY CLAUSE
WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

2017 Projection Testimony of
Michael Cassel
On Behalf of
Florida Public Utilities Company

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

2 A. My name is Michael Cassel. I am the Director of Regulatory and
3 Governmental Affairs for Florida Public Utilities Company (including
4 both the electric and natural divisions), Florida Public Utilities Company
5 – Indiantown Division, and Florida Public Utilities Company-Fort Meade
6 (jointly, “FPUC”), the Florida Division of Chesapeake Utilities
7 Corporation (“CFG”), Peninsula Pipeline, and Eight Flags Energy, LLC
8 (Eight Flags), (herein, all FPUC divisions and CHPK, jointly,
9 “Companies”). FPUC has its administrative offices at 1750 S. 14th
10 Street, Suite 200, Fernandina Beach, Florida 32034

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

13 A. I received a Bachelor of Science Degree in Accounting from Delaware
14 State University in Dover, Delaware in 1996. I was hired by Chesapeake
15 Utilities Corporation (CUC) as a Senior Regulatory Analyst in March
16 2008. As a Senior Regulatory Analyst, I was primarily involved in the
17 areas of gas cost recovery, rate of return analysis, and budgeting for the
18 CUC’s Delaware and Maryland natural gas distribution companies. In

1 2010, I moved to Florida in the role of Senior Tax Accountant for CUC's
2 Florida business units. Since that time, I have held various management
3 roles including Manager of the Back Office in 2011, Director of Business
4 Management in 2012. I am currently the Director of Regulatory and
5 Governmental Affairs for CUC's Florida business units. In this role, my
6 responsibilities include directing the regulatory and governmental affairs
7 for the Companies in Florida including regulatory analysis, and reporting
8 and filings before the Florida Public Service Commission (FPSC) for
9 FPU, FPU-Indiantown, FPU-Fort Meade, Central Florida Gas, and
10 Peninsula Pipeline Company. Prior to joining Chesapeake, I was
11 employed by J.P. Morgan Chase & Company, Inc. from 2006 to 2008 as
12 a Financial Manager in their card finance group. My primary
13 responsibility in this position was the development of client-specific
14 financial models and profit loss statements. I was also employed by
15 Computer Sciences Corporation as a Senior Finance Manager from 1999
16 to 2006. In this position, I was responsible for the financial operation of
17 the company's chemical, oil and natural resources business. This
18 included forecasting, financial close and reporting responsibility, as well
19 as representing Computer Sciences Corporation's financial interests in
20 contract/service negotiations with existing and potential clients. From
21 1996 to 1999 I was employed by J.P. Morgan, Inc. where I had various
22 accounting/finance responsibilities for the firm's private banking

1 clientele.

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

3 A. No, I have not, although I submitted prefiled testimony on August 4,
4 2016, in this proceeding addressing the Company's actual/estimated true-
5 up.

6 **Q. Have you provided testimony in other proceedings?**

7 A. Not in Florida. However, I did submit testimony in the Delaware
8 Commission's annual Gas Sales Service Rate dockets (GSR) in 2008 and
9 2009, Docket Nos. 08-269F and 09-398F, respectively.

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

11 A. I will briefly describe the basis for the computations that were made in
12 the preparation of the various Schedules that the Company has submitted
13 in support of the January 2017 - December 2017 fuel cost recovery
14 adjustments for its consolidated electric divisions. In addition, I will
15 explain the projected differences between the revenues collected under
16 the levelized fuel adjustment and the purchased power costs allowed in
17 developing the levelized fuel adjustment for the period January 2016 –
18 December 2016 and to establish a "true-up" amount to be collected or
19 refunded during January 2017 - December 2017.

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

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

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

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

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

7 A. Yes, included with our fuel and purchased power costs are charges for
8 contracted consultants and legal services that are directly fuel-related and
9 appropriate for recovery in the fuel clause. Mr. Cutshaw and Mr. Shelley
10 address these projects more specifically in their testimonies.

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

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

17 Specifically, consistent with item 10 of Order 14546, the costs the
18 Company has included are fuel-related costs that were not anticipated or
19 included in the cost levels used to establish the current base rates. To be
20 clear, these costs are not tied to the Company's internal staff involvement

1 in fuel and purchased power procurement and administration. Instead,
2 these costs are associated with external contracts which consequently,
3 tend to be more volatile depending upon the issue. Similar expenses paid
4 to Christensen and Associates associated with the design for a Request
5 for Proposals of Fuel costs, and the evaluation of those responses, were
6 deemed appropriate for recovery by FPUC through the fuel clause in
7 Order No. PSC-05-1252-FOF-EI, Item II E, issued in Docket No.
8 050001-EI. Additionally, in more recent Docket Nos. 120001-EI,
9 130001-EI, 140001-EI, 150001-EI and 160001-EI, the Commission
10 determined that many of the costs associated with the legal and
11 consulting work incurred by the Company as fuel related, particularly
12 those costs related to the purchase power agreement review and analysis,
13 were recoverable under the fuel clause. As the Commission has
14 recognized time and again, the Company simply does not have the
15 internal resources to pursue projects and initiatives designed to produce
16 fuel savings without engaging outside assistance for project analytics and
17 due diligence, as well as negotiation and contract development expertise.
18 Likewise, the Company believes that the costs addressed herein are
19 appropriate for recovery through the fuel clause.

1 **Q. Please explain what are the costs outside of purchased fuel costs**
2 **included in the 2016 true-up for Florida Public Utilities Company?**

3 A. Florida Public Utilities engaged Gunster, Yoakley & Stewart, P.A.
4 ("Gunster") King and Spalding ("King") and Pierpont and McClelland
5 ("Pierpont") for assistance in the development and enactment of
6 projects/programs designed to reduce their fuel rates to its customers.
7 The associated legal and consulting costs, included in the rate calculation
8 of the Company's 2017 Projection factors, were not included in expenses
9 during the last FPUC consolidated electric base rate proceeding and are
10 not being recovered through base rates. Pierpont has also been
11 performing due diligence in its review and analysis of the terms of the
12 current Purchased Power Agreement between FPUC and JEA in the
13 efforts of further discovering avenues towards minimizing cost increases
14 and/or negotiating cost reductions. Moreover, without this outside
15 assistance, the Company would be unable to adequately analyze potential
16 fuel savings opportunities, nor could we properly evaluate proposals to
17 meet our generation needs. And, again, these costs are consistent with
18 the standard set forth in Order No. 14546 in that they are incurred in the
19 pursuit of fuel and purchased power savings for our customers and are
20 not otherwise being recovered through the Company's base rates. The

1 Company will continue to engage legal and consulting assistance as it
2 explores additional fuel related savings options including other CHP
3 opportunities and solar/photovoltaic opportunities.

4 **Q. FPUC Witness Cutshaw addresses the status of the FPL**
5 **Interconnect in his testimony. Does the Company continue to expect**
6 **that this interconnect project will produce fuel and purchased power**
7 **savings for FPUC's customers?**

8 A. Absolutely. Consistent with the representations of FPUC's witnesses in
9 Docket No. 150001-EI, the Company still adheres to its savings
10 projections associated with the FPL interconnect project. While we
11 cannot accurately quantify the full extent of the savings until our next
12 purchase power agreement is in place, based upon the information
13 currently available regarding purchased power rates available in the
14 market as compared against payments made under our current purchased
15 power agreement with JEA, we continue to believe that we will see
16 significant purchased power savings following the expiration of our
17 current purchased power contract with JEA. Those savings will
18 ultimately benefit our customers. I have included in my Exhibit MC-2 as
19 additional Schedule A, which reflects our current projected savings
20 associated with the project. Without the FPL Interconnection project,

1 which will give the Company access to alternative power suppliers, we
2 do not believe we would be able to attain savings near this level in our
3 next purchased power agreement. Thus, the Company believes that
4 recovery of the project through the Fuel Clause is appropriate in that the
5 project is designed to achieve savings in the delivered price of purchased
6 power for our customers and is not otherwise being recovered through
7 our base rates. Moreover, it is my understanding that recovery of this
8 project is not inconsistent with prior Commission decisions to allow cost
9 recovery through the Fuel Clause of capital projects designed to produce
10 fuel savings.

11

12

Summary Rates

13

**Q. What are the final remaining true-up amounts for the period
14 January – December 2015 for both Divisions?**

15

A. The final remaining consolidated true-up amount was an under-recovery
16 of \$28,109.

17

**Q. What are the estimated true-up amounts for the period of January –
18 December 2016?**

19

A. There is an estimated consolidated under-recovery of \$1,261,783.

20

Q. Please address the calculation of the total true-up amount to be

1 **collected or refunded during the January - December 2017 year?**

2 A. The Company has determined that at the end of December 2016, based
3 on six months actual and six months estimated, we will have a
4 consolidated electric under-recovery of \$1,289,892.

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

8 A. The total fuel adjustment factor as shown on line 43, Schedule E-1 is
9 6.593¢ per KWH.

10 **Q. Please advise what a residential customer using 1,000 KWH will pay**
11 **for the period January - December 2017 including base rates,**
12 **conservation cost recovery factors, gross receipts tax and fuel**
13 **adjustment factor and after application of a line loss multiplier.**

14 A. As shown on consolidated Schedule E-10 in Composite Exhibit Number
15 MC-2, a residential customer using 1,000 KWH will pay \$138.97. This is
16 a decrease of \$1.37 under the previous period.

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

18 A. Yes.

Docket No. 160001-EI

**DOCKET NO. 160001-EI: FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE
FACTOR**

EXHIBIT _____ (MC-2)

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

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

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)	23,503,028	463,800	5.06749
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)	27,383,173	463,800	5.90409
10a Demand Costs of Purchased Power	24,202,735 *		
10b Non-fuel Energy & Customer Costs of Purchased Power	3,180,438 *		
11 Energy Payments to Qualifying Facilities (E8a)	14,039,282	194,410	7.22148
12 TOTAL COST OF PURCHASED POWER (LINE 6 THRU 11)	64,925,483	658,210	9.86395
13 TOTAL AVAILABLE KWH (LINE 5 + LINE 12)	64,925,483	658,210	9.86395
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)	64,925,483	658,210	9.86395
21 Net Unbilled Sales	0 *	0	0.00000
22 Company Use	65,497 *	664	0.01026
23 T & D Losses	1,912,028 *	19,384	0.29961
24 SYSTEM MWH SALES	64,925,483	638,162	10.17382
25 Wholesale MWH Sales			
26 Jurisdictional MWH Sales	64,925,483	638,162	10.17382
26a Jurisdictional Loss Multiplier	1.00000	1.00000	
27 Jurisdictional MWH Sales Adjusted for Line Losses	64,925,483	638,162	10.17382
27a GSLD1 MWH Sales		23,553	
27b Other Classes MWH Sales		614,609	
27c GSLD1 CP KW		576,000 *	
28 Projected Unbilled Revenues	0	614,609	0.00000
29 GPIF **			
30 TRUE-UP (OVER) UNDER RECOVERY **	1,289,892	614,609	0.20987
31 TOTAL JURISDICTIONAL FUEL COST	66,215,375	614,609	10.77358
31a Demand Purchased Power Costs (Line 10a)	24,202,735 *		
31b Non-demand Purchased Power Costs (Lines 6 + 10b + 11)	40,722,748 *		
31c True up Over/Under Recovery (Line 29)	1,289,892 *		
31d Unbilled Revenues	0		

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

EXHIBIT NO. _____
DOCKET NO. 160001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 1 OF 10

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

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

<u>FLORIDA DIVISION-CONSOLIDATED</u>		(a)	(b)	(c)
		DOLLARS	MWH	CENTS/KWH
APPORTIONMENT OF DEMAND COSTS				
31	Total Demand Costs (Line 31a)	24,202,735		
32	GSLD1 Portion of Demand Costs (Line 31a) Including Line Losses(Line 27c x \$5.85)	3,585,384	576,000 (KW)	\$6.22 /KW
33	Balance to Other Classes	20,617,351	614,609	3.35455
APPORTIONMENT OF NON-DEMAND COSTS				
34	Total Non-demand Costs(Line 31b)	40,722,748		
35	Total KWH Purchased (Line 12)		658,210 KWH	
36	Average Cost per KWH Purchased			6.18689
37	Average Cost Adjusted for Line Losses (Line 36 x 1.03)			6.37250
38	GSLD1 Non-demand Costs (Line 27a x Line 37)	1,519,207	23,553	6.45016
39	Balance to Other Classes	39,203,541	614,609	6.37861
GSLD1 PURCHASED POWER COST RECOVERY FACTORS				
40a	Total GSLD1 Demand Costs (Line 32)	3,585,384	576,000 (KW)	\$6.22 /KW
40b	Revenue Tax Factor			1.00072
40c	GSLD1 Demand Purchased Power Factor Adjusted for Taxes & Rounded			\$6.22 /KW
40d	Total Current GSLD1 Non-demand Costs(Line 38)	1,519,207	23,553	6.45016
40e	Total Non-demand Costs Including True-up	1,519,207	23,553	6.45016
40f	Revenue Tax Factor			1.00072
40g	GSLD1 Non-demand Costs Adjusted for Taxes & Rounded			6.45480
OTHER CLASSES PURCHASED POWER COST RECOVERY FACTORS				
41a	Total Demand & Non-demand Purchased Power Costs of Other Classes(Line 33 + 39)	59,820,892	614,609	9.73316
41b	Less: Total Demand Cost Recovery	20,617,351 ***		
41c	Total Other Costs to be Recovered	39,203,541	614,609	6.37861
41d	Unbilled Revenue	0	614,609	0.00000
41e	Other Classes' Portion of True-up (Line 30c)	1,289,892	614,609	0.20987
41f	Total Demand & Non-demand Costs Including True-up	40,493,433	614,609	6.58849
42	Revenue Tax Factor			1.00072
43	Other Classes Purchased Power Factor Adjusted for Taxes & Rounded	40,522,589		6.593

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

*** Calculation on Schedule E1 Page 3

EXHIBIT NO. _____
DOCKET NO. 160001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 2 OF 10

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

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

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	303,969,401	57.025%	60,850.0	1.089	1.030	66,265.7	313,088,483	56.89%	49.46%
45 GS	67,839,464	65.083%	11,899.0	1.089	1.030	12,958.0	69,874,648	11.13%	11.04%
46 GSD	149,642,467	75.900%	22,506.6	1.089	1.030	24,509.7	154,131,741	21.05%	24.35%
47 GSLD	86,498,273	85.182%	11,591.9	1.089	1.030	12,623.6	89,093,221	10.84%	14.07%
48 LS	6,659,912	782.723%	97.1	1.089	1.030	105.7	6,859,709	0.09%	1.08%
49	0	782.723%	0.0	1.089	1.030	0.0	0	0.00%	0.00%
TOTAL	614,609,517		106,944.6			116,462.7	633,047,802	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)	(13)/(1)	(14) * 1.00072 Demand Cost Recovery Adj for Taxes	Other Charges	(15) + (16)
Rate Schedule	12/13 Of 12 CP	1/13 Of Energy		Demand Dollars	Demand Cost Recovery			Levelized Adjustment
50 RS	52.53%	3.80%	56.33%	\$11,613,754	0.03821	0.03824	0.06593	0.10417
51 GS	10.27%	0.85%	11.12%	2,292,649	0.03380	0.03382	0.06593	0.09975
52 GSD	19.43%	1.87%	21.30%	4,391,496	0.02935	0.02937	0.06593	0.09530
53 GSLD	10.01%	1.08%	11.09%	2,286,464	0.02643	0.02645	0.06593	0.09238
54 LS	0.08%	0.08%	0.16%	32,988	0.00495	0.00495	0.06593	0.07088
TOTAL	92.32%	7.68%	100.00%	\$20,617,351				

Step Rate Allocation for Residential Customers

	(18)	(19)	(20)	(21)
				(19) * (20)
Rate Schedule	Allocation	Annual kWh	Levelized Adj.	Revenues
56 RS	Sales	303,969,401	\$0.10417	\$31,664,493
57 RS	<= 1,000kWh/mo.	216,022,772	\$0.10055	\$21,721,826
58 RS	> 1,000 kWh/mo.	87,946,629	\$0.11305	\$9,942,666
59 RS	Total Sales	303,969,401		\$31,664,493

(2) From Gulf Power 2012 Load Research results.

TOU Rates

	(22)	(23)	(24)	(25)
	On Peak Rate	Off Peak Rate	Levelized Adj. On Peak	Levelized Adj. Off Peak
Rate Schedule	Differential	Differential		
60 RS	0.0840	(0.0390)	\$0.18455	\$0.06155
61 GS	0.0400	(0.0500)	\$0.13975	\$0.04975
62 GSD	0.0400	(0.0325)	\$0.13530	\$0.06280
63 GSLD	0.0600	(0.0300)	\$0.15238	\$0.06238
64 Interruptible	(0.0150)	-	\$0.07738	\$0.09238

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

FLORIDA DIVISION-CONSOLIDATED

Under-recovery of purchased power costs for the period January 2016 - December 2016. (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 2016.)(Estimated)	\$ 1,289,892
Portion of 2016 Under-recovery to be collected for the period January 2017 - December 2017	\$ 1,289,892
Estimated kilowatt hour sales for the months of January 2016 - December 2017 as per estimate filed with the Commission. (Excludes GSLD1 customers)	614,609,517
Cents per kilowatt hour necessary to collect under-recovered purchased power costs over the period January 2017 - December 2017	0.20987

FLORIDA PUBLIC UTILITIES COMPANY
 FLORIDA DIVISION-CONSOLIDATED
 FUEL & PURCHASED POWER COST RECOVERY CLAUSE CALCULATION
 ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

LINE NO.		(a)	(b)	(c)	(d)	(e)	(f)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	LINE NO.
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	ESTIMATED JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL PERIOD	
1	FUEL COST OF SYSTEM GENERATION													0	1
1a	NUCLEAR FUEL DISPOSAL													0	1a
2	FUEL COST OF POWER SOLD													0	2
3	FUEL COST OF PURCHASED POWER	2,112,568	1,929,429	1,548,325	1,493,250	1,674,869	2,170,114	2,588,823	2,482,169	2,209,800	1,818,781	1,645,904	1,828,999	23,503,028	3
3a	DEMAND & NON FUEL COST OF PUR POWER	2,494,383	2,423,917	2,123,702	2,070,819	2,191,903	2,398,657	2,393,505	2,421,680	2,309,833	2,112,762	2,003,063	2,097,950	27,042,173	3a
3b	QUALIFYING FACILITIES	1,170,781	1,095,984	1,199,795	1,136,202	1,199,795	1,165,216	1,170,781	1,199,795	1,165,216	1,170,781	1,165,141	1,199,795	14,039,282	3b
4	OTHER FUEL RELATED COSTS	27,850	27,850	29,300	27,850	27,850	29,300	27,850	27,850	29,300	27,850	27,850	30,300	341,000	4
5	TOTAL FUEL & NET POWER TRANSACTIONS (SUM OF LINES A-1 THRU A-4)	5,805,582	5,477,179	4,901,121	4,728,121	5,094,416	5,763,287	6,180,958	6,131,493	5,714,148	5,130,174	4,841,957	5,157,044	64,925,483	5
5a	LESS: TOTAL DEMAND COST RECOVERY	1,967,212	1,875,830	1,634,877	1,602,910	1,686,810	1,833,140	1,782,670	1,817,817	1,733,858	1,568,161	1,502,618	1,611,449	20,617,351	5a
5b	TOTAL OTHER COST TO BE RECOVERED	3,838,370	3,601,350	3,266,245	3,125,211	3,407,607	3,930,147	4,398,289	4,313,677	3,980,291	3,562,013	3,339,340	3,545,595	44,308,132	5b
6	APPORTIONMENT TO GSLD1 CLASS	432,030	504,061	475,263	384,366	423,820	382,151	487,112	393,009	380,962	370,452	434,268	437,077	5,104,591	6
6a	BALANCE TO OTHER CLASSES	3,406,339	3,097,288	2,790,981	2,740,825	2,983,787	3,547,996	3,911,177	3,920,668	3,599,329	3,191,560	2,905,072	3,108,519	39,203,541	6a
6b	SYSTEM KWH SOLD (MWH)	54,857	53,992	47,663	43,596	46,458	54,844	68,365	65,548	61,406	48,291	45,474	47,668	638,162	6b
7	GSLD1 MWH SOLD	2,080	3,230	2,630	1,280	1,890	1,316	3,076	1,513	1,304	1,131	2,047	2,056	23,553	7
7a	BALANCE MWH SOLD OTHER CLASSES	52,777	50,762	45,033	42,316	44,568	53,528	65,289	64,035	60,102	47,160	43,427	45,612	614,609	7a
7b	COST PER KWH SOLD (CENTS/KWH) APPLICABLE TO OTHER CLASSES	6.45421	6.10159	6.19764	6.47704	6.69491	6.6283	5.99056	6.1227	5.9887	6.76752	6.68955	6.81513	6.37861	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)	6.45421	6.10159	6.19764	6.47704	6.69491	6.62830	5.99056	6.12270	5.98870	6.76752	6.68955	6.81513	6.37861	9
10	PROJECTED UNBILLED REVENUES(CENT/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)	1,289,892	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	0.20987	12
13	TOTAL	6.66408	6.31146	6.40751	6.68691	6.90478	6.83817	6.20043	6.33257	6.19857	6.97739	6.89942	7.02500	6.58848	13
14	REVENUE TAX FACTOR	0.00072	0.00480	0.00454	0.00461	0.00481	0.00497	0.00492	0.00446	0.00456	0.00446	0.00502	0.00497	0.00506	14
15	RECOVERY FACTOR ADJUSTED FOR TAXES	6.66888	6.31600	6.41212	6.69172	6.90975	6.84309	6.20489	6.33713	6.20303	6.98241	6.90439	7.03006	6.59322	15
16	RECOVERY FACTOR ROUNDED TO NEAREST .001 CENT/KWH	6.669	6.316	6.412	6.692	6.91	6.843	6.205	6.337	6.203	6.982	6.904	7.03	6.593	16

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

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

(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 2017	JEA/GULF	
FEBRUARY 2017	JEA/GULF	MS	38,547,000			38,547,000	5.005392	11.365853	1,929,429
MARCH 2017	JEA/GULF	MS	30,107,000			30,107,000	5.142740	12.293907	1,548,325
APRIL 2017	JEA/GULF	MS	28,498,000			28,498,000	5.239842	12.604111	1,493,250
MAY 2017	JEA/GULF	MS	32,802,000			32,802,000	5.105996	11.873122	1,674,869
JUNE 2017	JEA/GULF	MS	43,247,000			43,247,000	5.017953	10.632116	2,170,114
JULY 2017	JEA/GULF	MS	51,896,000			51,896,000	4.988482	9.654265	2,588,823
AUGUST 2017	JEA/GULF	MS	49,837,000			49,837,000	4.980574	9.895656	2,482,169
SEPTEMBER 2017	JEA/GULF	MS	44,261,000			44,261,000	4.992656	10.277518	2,209,800
OCTOBER 2017	JEA/GULF	MS	36,529,000			36,529,000	4.979005	10.839039	1,818,781
NOVEMBER 2017	JEA/GULF	MS	32,156,000			32,156,000	5.118496	11.434309	1,645,904
DECEMBER 2017	JEA/GULF	MS	34,874,000			34,874,000	5.244593	11.347277	1,828,999
TOTAL			463,800,000	0	0	463,800,000	5.067492	10.971583	23,503,028

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

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

(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 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS	
FEBRUARY 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		15,098,000			15,098,000	7.259134	7.259134	1,095,984
MARCH 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.286057	7.286057	1,199,795
APRIL 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,011,000			16,011,000	7.096384	7.096384	1,136,202
MAY 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.286057	7.286057	1,199,795
JUNE 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,011,000			16,011,000	7.277597	7.277597	1,165,216
JULY 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.109862	7.109862	1,170,781
AUGUST 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.286057	7.286057	1,199,795
SEPTEMBER 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,011,000			16,011,000	7.277597	7.277597	1,165,216
OCTOBER 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.109862	7.109862	1,170,781
NOVEMBER 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,010,000			16,010,000	7.277583	7.277583	1,165,141
DECEMBER 2017	WEST-ROCK/RAYONIER/EIGHT FLAGS		16,467,000			16,467,000	7.286057	7.286057	1,199,795
TOTAL			194,410,000	0	0	194,410,000	7.221481	7.221481	14,039,282

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 DOCKET NO. 160001-EI
 FLORIDA PUBLIC UTILITIES COMPANY
 (MC-2)
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**FLORIDA PUBLIC UTILITIES COMPANY
FLORIDA DIVISION-CONSOLIDATED
RESIDENTIAL BILL COMPARISON**

ESTIMATED FOR THE PERIOD: JANUARY 2017 THROUGH DECEMBER 2017

JANUARY 2017	FEBRUARY 2017	MARCH 2017	APRIL 2017	MAY 2017	JUNE 2017	JULY 2017
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BASE RATE REVENUES ** \$	34.95	34.95	34.95	34.95	34.95	34.95	34.95
FUEL RECOVERY FACTOR CENTS/KWH	10.06	10.06	10.06	10.06	10.06	10.06	10.06
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
FUEL RECOVERY REVENUES \$	100.55	100.55	100.55	100.55	100.55	100.55	100.55
GROSS RECEIPTS TAX	3.47	3.47	3.47	3.47	3.47	3.47	3.47
TOTAL REVENUES *** \$	138.97	138.97	138.97	138.97	138.97	138.97	138.97

AUGUST 2017	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	DECEMBER 2017
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PERIOD TOTAL

BASE RATE REVENUES ** \$	34.95	34.95	34.95	34.95	34.95	419.40
FUEL RECOVERY FACTOR CENTS/KWH	10.06	10.06	10.06	10.06	10.06	
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	
FUEL RECOVERY REVENUES \$	100.55	100.55	100.55	100.55	100.55	1,206.60
GROSS RECEIPTS TAX	3.47	3.47	3.47	3.47	3.47	41.64
TOTAL REVENUES *** \$	138.97	138.97	138.97	138.97	138.97	1,667.64

* MONTHLY AND CUMULATIVE TWELVE MONTH ESTIMATED DATA

** BASE RATE REVENUES PER 1000 KWH:

CUSTOMER CHARGE	14.00
CENTS/KWH	19.60
CONSERVATION FACTOR	<u>1.35</u>
	<u><u>34.95</u></u>

EXHIBIT NO. _____

DOCKET NO. 160001-EI

FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)

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*** EXCLUDES FRANCHISE TAXES

Florida Public Utilities Company
 FPL Interconnect
 Calculation of the Actual Revenue Requirements
 Projected 2017

Schedule A
 Exhibit _____
 Michael Cassel (MC-2)
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<u>Item</u>	<u>Beginning Balance</u>	<u>Projected Jan</u>	<u>Projected Feb</u>	<u>Projected Mar</u>	<u>Projected Apr</u>	<u>Projected May</u>	<u>Projected Jun</u>	<u>Projected Jul</u>	<u>Projected Aug</u>	<u>Projected Sep</u>	<u>Projected Oct</u>	<u>Projected Nov</u>	<u>Projected Dec</u>	<u>Year End Total/Balance</u>
Qualified Investment														
Qualified Investment - Interconnect CWIP Activity	\$0	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$105,855	\$1,270,260
Qualified Investment - Interconnect CWIP Activity to Plant														\$0
Qualified Investment - Mains - Current 1010 Activity														\$0
Total Qualified Investment - Interconnect 1070 Activity	\$919,270	\$1,025,125	\$1,130,980	\$1,236,835	\$1,342,690	\$1,448,545	\$1,554,400	\$1,660,255	\$1,766,110	\$1,871,965	\$1,977,820	\$2,083,675	\$2,189,530	\$2,189,530
Total Qualified Investment - Interconnect 1010	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Qualified Investment	\$919,270	\$1,025,125	\$1,130,980	\$1,236,835	\$1,342,690	\$1,448,545	\$1,554,400	\$1,660,255	\$1,766,110	\$1,871,965	\$1,977,820	\$2,083,675	\$2,189,530	\$2,189,530
Less: Accumulated Depreciation		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Book Value	\$919,270	\$1,025,125	\$1,130,980	\$1,236,835	\$1,342,690	\$1,448,545	\$1,554,400	\$1,660,255	\$1,766,110	\$1,871,965	\$1,977,820	\$2,083,675	\$2,189,530	\$2,189,530
Average Net Qualified Investment		\$972,198	\$1,078,053	\$1,183,908	\$1,289,763	\$1,395,618	\$1,501,473	\$1,607,328	\$1,713,183	\$1,819,038	\$1,924,893	\$2,030,748	\$2,136,603	
Depreciation Rates														
Approved Depreciation Rate														
Return on Average Net Qualified Investment														
Equity - Cost of Capital, inclusive of Income Tax Gross-up		6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%	6.4700%
Debt - Cost of Capital		1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%	1.2500%
Equity Component - inclusive of Income Tax Gross-up		\$5,242	\$5,813	\$6,383	\$6,954	\$7,525	\$8,095	\$8,666	\$9,237	\$9,808	\$10,378	\$10,949	\$11,520	\$100,570
Debt Component		\$1,013	\$1,123	\$1,233	\$1,344	\$1,454	\$1,564	\$1,674	\$1,785	\$1,895	\$2,005	\$2,115	\$2,226	\$19,431
Return Requirement		\$6,255	\$6,936	\$7,616	\$8,298	\$8,979	\$9,659	\$10,340	\$11,022	\$11,703	\$12,383	\$13,064	\$13,746	\$120,001
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		\$6,255	\$6,936	\$7,616	\$8,298	\$8,979	\$9,659	\$10,340	\$11,022	\$11,703	\$12,383	\$13,064	\$13,746	\$120,001
Net Revenue Requirements / (Surplus)		\$6,255	\$6,936	\$7,616	\$8,298	\$8,979	\$9,659	\$10,340	\$11,022	\$11,703	\$12,383	\$13,064	\$13,746	\$120,001
Surcharge Revenues Collected Month		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$0
Beginning True-Up (Over) and Under Recovery for the Month		\$ 6,255	\$ 6,936	\$ 7,616	\$ 8,298	\$ 8,979	\$ 9,659	\$ 10,340	\$ 11,022	\$ 11,703	\$ 12,383	\$ 13,064	\$ 13,746	\$ -
Monthly Interest (Expense)/Income		\$ 1	\$ 3	\$ 5	\$ 7	\$ 10	\$ 12	\$ 15	\$ 18	\$ 22	\$ 25	\$ 29	\$ 33	\$ 180
Ending (Over) and Under Recovery		\$ -	\$ 6,256	\$ 13,195	\$ 20,816	\$ 29,121	\$ 38,110	\$ 47,781	\$ 58,136	\$ 69,176	\$ 80,901	\$ 93,309	\$ 106,402	\$ 120,181
Beg of Month Annual Interest Rate		0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	
End of Month Annual Interest Rate		0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	0.35%	
Average Monthly Interest Rate		0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	0.029%	

Florida Public Utilities Company

FPL Interconnect

Calculation of the Customer Savings

Projected 2017 - 2025

Schedule A

Exhibit _____

Michael Cassel (MC-2)

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

	2017	2018	2019	2020	2021	2022	2023	2024	2025	
JEA Costs	[REDACTED]									*
FPL	[REDACTED]									*
Price Differenti	23.15	23.93	16.64	16.26	15.06	14.49	12.56	14.65	11.23	

Indicative Net Benefits to Customers (\$ 000)

Purchase Quantity Scenario (MW)	2017	2018	2019	2020	2021	2022	2023	2024	2025
10 MW	1,324	1,369	952	930	861	829	718	838	642
20 MW	2,649	2,738	1,904	1,861	1,722	1,658	1,437	1,676	1,284

**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."

Docket No. 160001-EI

**DOCKET NO. 160001-EI: FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE
FACTOR**

TESTIMONY OF MARK CUTSHAW

On behalf of

Florida Public Utilities Company

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 160001-EI
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING
PERFORMANCE INCENTIVE FACTOR

2017 Projection Testimony of P. Mark Cutshaw
On Behalf of
Florida Public Utilities Company

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

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

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

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

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

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

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

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

7 A. Yes. I have also testified in other proceedings before the Commission,
8 including rate case and storm hardening proceedings.

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

11 A. Yes. The Company has aggressively sought opportunities to engage its
12 current base load providers for both electric divisions in discussions for
13 an arrangement that would be more beneficial for the FPUC customers.
14 Since 2007, when purchased power rates began to increase significantly
15 from both providers, FPUC has been very assertive in challenging each
16 cost determination performed by Jacksonville Energy Authority (“JEA”) and
17 Southern Company that resulted in an increase to the purchased
18 power rate. These very focused and steady efforts have resulted in the
19 mitigation of the rate of increase in purchased power costs for FPUC and
20 its customers. In January 2011, the Company was also successful in
21 reaching an agreement with Gulf Power for an Amendment to the

1 Company's purchased power contract with Gulf Power, which resulted
2 in reduced costs to customers in its Northwest Florida Division.

3 These same focused and steady efforts are continuing today and, in our
4 opinion, have resulted in a reduced rate of increase in fuel costs for
5 FPUC and its customers.

6 The Company also continues to investigate other opportunities to reduce
7 purchased power costs, including the contractual relationships with other
8 wholesale power suppliers. As a result of this ongoing investigation into
9 new opportunities, relationships were developed with other suppliers,
10 informal studies of generation and transmission capacity arrangements
11 were reviewed and contract possibilities were discussed. Although
12 realization of some of these opportunities is not possible until the
13 expiration of the existing contracts, the information gathered will provide
14 FPUC with invaluable resources that will enhance the Company's ability
15 to achieve further savings in the negotiation of its next purchased power
16 agreements. For instance, among the notable information gleaned in the
17 early stages of these discussions was the fact that a transmission system
18 interconnection with Florida Power & Light ("FPL") in our Northeast
19 Florida Division will provide enhanced opportunities to save customer
20 fuel costs and increase the reliability in this division.

21 Most recently, FPUC provided a "Solicitation for Proposals to Provide
22 Power Supply and Ancillary Services for Florida Public Utilities

1 Company” to selected wholesale power suppliers for the purpose of
2 providing all requirements wholesale service to the Northeast Florida
3 Division effective January 1, 2018. The Company anticipates a new
4 contract to be in place by early 2017. Although these proposals have
5 not yet been evaluated, it is anticipated that the new contract will provide
6 benefits to all FPUC customers.

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

9 A. Yes. For instance, the Northeast Florida Division provides service to
10 two paper mills on Amelia Island that have significant on site generation
11 capabilities. Our relationships with these two large customers have
12 created further opportunities for some limited purchased power for
13 FPUC. FPUC has entered into arrangements with these alternative
14 power providers that have thus far proven advantageous. FPUC is
15 continuing to look at these types of arrangements and all other avenues
16 for reducing purchased power costs.

17 **Q. What arrangements with “alternative power providers” do you refer**
18 **to?**

19 A. The first very successful arrangement that I am referring to is the
20 renewable energy contract with Rayonier Performance Fibers, LLC
21 (“Rayonier”), which was entered into in early 2012 and approved by the
22 Commission in Docket No. 120058-EQ. Through a cooperative effort,

1 FPUC and Rayonier were able to develop a purchased power agreement
2 that allows Rayonier to produce renewable energy and sell that energy to
3 FPUC at a cost below that of the current wholesale power provided while
4 still being beneficial to Rayonier. Not only did this increase the amount
5 of renewable energy in the area, it provides lower cost energy that is
6 passed directly through to FPUC customers in the form of reduced power
7 cost.

8 Secondly, as discussed in the testimony of witness Drane Shelley, FPUC
9 has completed the development of a partnership with Eight Flags
10 Energy, LLC to provide additional, lower cost energy to its Northeast
11 Florida Division customers, and that project is now delivering low cost
12 energy to FPUC.

13 **Q. How have these two new arrangements proven beneficial to the**
14 **Company?**

15 A. In addition to significant cost savings, these projects have been
16 beneficial to the Company's electric customers by securing additional
17 service reliability for the Northeast Florida Division. Also, due to the
18 consolidated fuel factor, customers in both of the Company's electric
19 divisions will benefit from the fuel and purchased power savings.
20 Moreover, the Eight Flags project produces all these benefits, while
21 doing so with a lower environmental profile than would be associated

1 with locating traditional generation on the island or with FPUC's
2 purchased power options.

3 **Q. Can you provide background on the transmission interconnect**
4 **project with FPL?**

5 A. Yes. This is a significant project for FPUC, one that the Company has
6 embarked upon specifically because we anticipate it will directly
7 improve our ability to negotiate increased savings for our customers in
8 our next purchased power agreement, as well as improve the system
9 reliability in our Northeast Florida Division. Historically, FPUC's
10 ability to secure competitive wholesale power quotations has been
11 hindered by the limitation on the transmission interconnections providing
12 power to FPUC's Northeast Florida Division (Amelia Island).

13 At present, the FPU 138 KV transmission is directly connected to the
14 JEA 138 KV transmission system. Extending from the current
15 interconnection with JEA, the FPUC 138 KV transmission line is a dual
16 circuit, single pole line, which includes several miles of line located in
17 relatively inaccessible marshy areas. This transmission line serves as the
18 only off-island power supply to Amelia Island. In order to help mitigate
19 the issues for upcoming wholesale power proposals, FPUC proposed an
20 interconnection with the FPL transmission system, which is located in
21 very close proximity to the existing FPUC transmission system. Not
22 only will this additional interconnection provide access to more

1 competitive wholesale power options, this will provide much needed
2 redundancy to the power supply on Amelia Island which will have a
3 positive impact on the overall system reliability.

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

6 A. Yes. The FPUC-owned 138 KV transmission line is located
7 approximately 750 feet (0.14 miles) from the FPL substation and runs in
8 the existing right-of-way along with the FPL 230 KV transmission line.
9 Originally, the proposed construction was to include expansion of the
10 existing FPL substation in which the necessary transmission and system
11 protection equipment will be placed in order to allow for the
12 interconnection of the FPUC 138 KV transmission line. The FPUC 138
13 KV transmission was to be re-routed to parallel the FPL 230 KV
14 transmission line into the expanded substation. However, during the
15 planning process, unexpected local opposition was raised based on the
16 original design. As a result, numerous meetings and discussions
17 occurred which identified other alternatives that would alleviate the
18 public opposition. At present, the final design is nearing completion.
19 We anticipate that the new design will be approved within a reasonable
20 time frame, which will allow us to meet the goals and objectives of the
21 interconnection.

1 As with the original design of the interconnect, the new design will
2 provide for improved system reliability on the transmission system and
3 will afford FPUC the opportunity to reach other less expensive
4 generation sources while avoiding additional transmission wheeling
5 costs.

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

8 A. Based on the most recent information construction will begin in fourth
9 quarter of 2016 with the in-service date during the last quarter of 2017.

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

12 A. Consistent with my testimony in Docket No. 150001-EI, at this time, we
13 cannot specifically define what those savings will be, nor will we be able
14 to do so until the final design and negotiations for future agreements are
15 completed. FPUC witness Mike Cassel addresses our continued faith in
16 our projected savings associated with the FPL interconnection.

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

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

1 on our planning horizon for some time and noted in prior fuel clause
2 proceedings, namely additional Combined Heat and Power (CHP)
3 projects and potential Solar Photovoltaic (“PV”) projects.

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

5 A. Yes. The success of the Rayonier project and the Eight Flags project has
6 sparked interest in other CHP opportunities on Amelia Island. When
7 coupled with some anticipated industrial expansion in the area, the
8 already quantifiable benefits of these existing projects has piqued the
9 interest of others to contemplate partnering with a new CHP-based
10 qualifying facility (“QF”). Given that FPUC would again be the
11 recipient of any QF power generated by such project, FPUC has been
12 involved in the analysis and feasibility study for this potential new
13 project. The project is still in the planning stages, but the early
14 indications are that the project would not only be feasible, but would
15 provide benefits to all involved, including FPUC.

16 **Q. Can you provide additional information on the PV projects you
17 referenced above?**

18 A. Yes. FPUC has determined that the development of smaller PV systems
19 within the FPUC electric service territory may be economically feasible
20 and could provide benefits to the rate payers. Based on this analysis,
21 FPUC is working to acquire access to the necessary property to construct
22 small scale (one to five megawatts) PV installations. Not only will this

1 increase the renewable energy available to FPUC, the cost is expected to
2 be less than the current wholesale power cost which will provide
3 additional benefits to FPUC customers. Additionally, exploration into
4 the inclusion of battery storage capacity in conjunction with the PV
5 installation is being considered. These projects are still in the early
6 stages of analysis and development. At present, it is contemplated that
7 any PV facility would be a utility asset and would not be in-service until
8 after the relevant, existing full requirements purchase power agreements
9 have expired. Nonetheless, even in these early analysis and planning
10 stages, the potential benefits of the PV projects under consideration have
11 been very encouraging.

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

13 **A. Yes.**

Docket No. 160001-EI

**DOCKET NO. 160001-EI: FUEL AND PURCHASED POWER COST
RECOVERY CLAUSE WITH GENERATING PERFORMANCE INCENTIVE
FACTOR**

TESTIMONY OF DRANE SHELLEY

On behalf of

Florida Public Utilities Company

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 160001-EI:
FUEL AND PURCHASED POWER COST RECOVERY CLAUSE WITH GENERATING
PERFORMANCE INCENTIVE FACTOR

2017 Projection Testimony of
Drane A. Shelley
On Behalf of
Florida Public Utilities Company

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

2 A. My name is Drane A. Shelley, 1750 South 14th Street, Fernandina
3 Beach, Florida 32034.

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

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

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

9 A. I graduated from Murray State University in 1976 with a B.S. in
10 Electrical Engineering Technology and began my career with Big Rivers
11 Electric Company in May, 1976. I spent 15 years with Big Rivers
12 Electric Company and held positions of increasing responsibility that
13 involved substation, transmission, distribution and power plant electrical
14 design, as well as operations and maintenance activities. After leaving
15 Big Rivers, I worked 14 years for three (3) different Engineering
16 Consultant Firms providing services to several Electric Utility
17 Companies including IOU’s, Municipals, and Cooperatives. I joined
18 FPUC in December, 2006 as Operations Manager in the Marianna

1 (Northwest Florida) Division. In February, 2009, I was promoted to
2 General Manager of the Northwest Florida Division, and in 2013, I
3 moved into my current position of Director, Electric Operations. In my
4 current position I am responsible for the Electric Operations of the
5 Northwest and Northeast Divisions plus the Eight Flags CHP Generation
6 Facility. Since joining FPUC, my responsibilities have included all
7 aspects of budgeting, customer service, operations and maintenance in
8 both the Northeast and Northwest Florida Divisions.

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

10 A. No, I have not.

11 **Q. Have you provided testimony in other proceedings?**

12 A. Yes, I submitted pre-filed testimony in the Company's last base rate
13 proceeding, Docket No. 140025-EI.

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

15 A. To give an update on the Eight Flags, LLC ("Eight Flags") Combined
16 Heat and Power ("CHP") project that was being developed between
17 Rayonier Advance Materials ("Rayonier"), Eight Flags and FPUC.

18 **Q. Could you provide a short background on this CHP project?**

19 A. Yes. In Docket No. 140185-EQ, the Florida Public Service Commission
20 reviewed and approved an agreement between Eight Flags and FPUC
21 whereby a CHP facility was to be constructed on the Rayonier Site in

1 Fernandina Beach. This CHP facility, owned by Eight Flags, a
2 subsidiary of Chesapeake Utilities Corporation (Chesapeake), is a
3 FERC-certified qualifying facility that provides steam to Rayonier, as
4 well as approximately 20 megawatts (“MW”) of energy to FPUC’s
5 northeast electric division. This CHP generation facility provides lower
6 cost energy to the Company’s Northeast division electric customers on a
7 more reliable basis given the location of the facility on Amelia Island.

8 **Q. Has the project been completed?**

9 A. Yes. The Eight Flags CHP facility began commercial operation in June
10 2016.

11 **Q. What is the current electrical output associated with the Eight Flags
12 Facility?**

13 A. Currently the Eight Flags facility is putting out approximately 20MW of
14 energy for use by FPUC Northeast division customers.

15 **Q. Is the Eight Flags CHP facility producing the results that were
16 anticipated?**

17 A. Yes. Although the project is in the early stages of commercial
18 operations, it is already operating at the output level planned and the
19 Company anticipates that the both the savings and reliability will remain
20 consistent with what was indicated in Docket No. 140085.

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

Docket No. 160001-EI

1 A. Yes it does.