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August 24, 2018

BY E-PORTAL

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

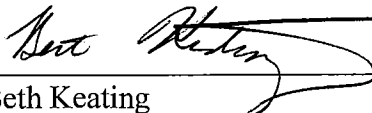
**Re: Docket No. 20180001-EI: Fuel and Purchased Power Cost Recovery Clause with
Generating Performance Incentive Factor**

Dear Ms. Stauffer:

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

Thank you for your assistance with this filing. As always, please don't hesitate to let me know if you have any questions whatsoever.

Sincerely,



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

MEK
cc:/(Certificate of Service)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Fuel and purchased power cost recovery
clause with generating performance incentive
factor.

DOCKET NO. 20180001-EI

DATED: August 24, 2018

**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 2019 through December 2019. 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-2018-0079-PCO-EI, issued February 24, 2018, in this Docket, as amended by Order No. PSC-2018-0164-PCO-EI, the Company is also submitting, contemporaneously with this Petition, the Direct Testimony Mr. Mike Cassel, along with Exhibit MC-2, as well as the Direct Testimony of Mr. Mark Cutshaw, in support of the Company's request for approval of the requested factors. FPUC notes that, consistent with the Commission's approval allowing the Company to consolidate the fuel factors for its Northeast and Northwest Divisions, the schedules included in Exhibit MC-2 reflect that consolidation.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. Notably, the new interconnection with FPL in the Company's Northeast Division, which has been a priority for the Company for some time, is now on-line and providing service to FPUC, as noted by witness Cutshaw. The Company also continues to pursue CHP and solar projects that demonstrate the greatest potential for success and to produce savings for FPUC's customers.

6) In addition, consistent with past requests of the Company, the Company seeks to recover certain legal and consulting costs associated with fuel and purchased power projects designed to reduce fuel and purchased costs for FPUC's customers, which have not otherwise been included for recovery in base rates. These costs are consistent with Commission policy set forth in Order No. 14546, as well as Commission decisions allowing the Company to recover such costs in Order No. PSC-2005-1252-FOF-EI, issued in Docket No. 20050001-EI, as well as similar such decisions by the Commission to allow similar costs to be recovered by the Company through the Fuel and Purchased Power Cost Recovery Clause, including, most recently, in

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

Docket No. 20170001-EI. Again, the subject legal and consulting costs are not being recovered through the Company's base rates. Moreover, without the legal and consulting assistance associated with these costs, the Company would be unable to identify, analyze, and implement the cost-saving projects that it has implemented thus far, nor similar such projects that it continues 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 2019 through December 2019 is an under-recovery of \$5,422,224 for the Consolidated Electric Division, reflecting an estimated consolidated under-recovery of \$3,176,245 for 2018. Based on estimated sales for January 2019 through December 2019 of 664,826,549 kWhs, an additional .81558¢ 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 2019 through December 2019, excluding demand cost recovery and adjusted for line loss multipliers and including taxes, are as follows:

<i>Rate Schedule</i>	<i>Adjustment</i>
RS	\$0.10106
GS	\$0.09785
GSD	\$0.09362
GSLD	\$0.09063
LS	\$0.07173

<u>Step rate for RS</u>	
RS Sales	\$0.10106
RS with less than 1,000 kWh/month	\$0.09747
RS with more than 1,000 kWh/month	\$0.10997

9) For the Consolidated Electric Division, the total fuel adjustment factor is 6.433¢ per kWh for "other classes." Thus, a customer in either Division using 1,000 kWh will pay \$139.95, an increase of \$6.09 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

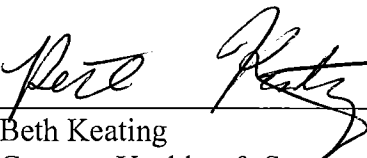
<i>Rate Schedule</i>	<i>Adjustment On Peak</i>	<i>Adjustment Off Peak</i>
RS	\$0.18147	\$0.05847
GS	\$0.13785	\$0.04785
GSD	\$0.13362	\$0.06112
GSLD	\$0.15063	\$0.06063
Interruptible	\$0.07563	\$0.09063

11) The Company attests that these factors have been calculated correctly and consistent with Commission requirements, including the requirement to refund \$221,415 to

customers through the Fuel Clause in accordance with Order No. PSC-2018-0028-FOF-EI. 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 2019 through December 2019.

RESPECTFULLY SUBMITTED this 24th day of August, 2018.


Beth Keating
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215 South Monroe St., Suite 601
Tallahassee, FL 32301
(850) 521-1706

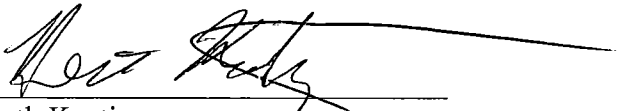
Attorneys for Florida Public Utilities Company

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 Testimony of Mark Cutshaw, have been furnished by Electronic Mail to the following parties of record this 24th day of August, 2018:

<p>Suzanne Brownless Johanna Nieves Florida Public Service Commission 2540 Shumard Oak Boulevard Tallahassee, FL 32399-0850 sbrownle@psc.state.fl.us JNIEVES@psc.state.fl.us</p>	<p>James D. Beasley/J. Jeffry Wahlen Ausley Law Firm Post Office Box 391 Tallahassee, FL 32302 jbeasley@ausley.com jwahlen@ausley.com</p>
<p>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>Maria Moncada Will Cox Florida Power & Light Company 700 Universe Boulevard Juno Beach, FL 33408-0420 Maria.Moncada@fpl.com Will.p.cox@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>

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By: 
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1 **BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

2 DOCKET NO. 20180001-EI: FUEL AND PURCHASED POWER COST RECOVERY

3 **CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

4 2019 Projection Testimony of Michael Cassel

5 On Behalf of

6 Florida Public Utilities Company

7

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

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

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

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

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

16 A. I received a Bachelor of Science Degree in Accounting from Delaware
17 State University in Dover, Delaware in 1996. I was hired by Chesapeake
18 Utilities Corporation (CUC) as a Senior Regulatory Analyst in March
19 2008. As a Senior Regulatory Analyst, I was primarily involved in the
20 areas of gas cost recovery, rate of return analysis, and budgeting for the
21 CUC’s Delaware and Maryland natural gas distribution companies. In
22 2010, I moved to Florida in the role of Senior Tax Accountant for CUC’s
23 Florida business units. Since that time, I have held various management
24 roles including Manager of the Back Office in 2011 and Director of
25 Business Management in 2012. I am currently the Director of Regulatory

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

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

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

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

21 A. I will briefly describe the basis for the computations that were made in
22 the preparation of the various Schedules that the Company has submitted
23 in support of the January 2019 - December 2019 purchased power cost
24 recovery adjustments for its consolidated electric divisions. In addition, I

1 will explain the projected differences between the revenues collected
2 under the levelized fuel adjustment and the purchased power costs
3 allowed in developing the levelized purchased power adjustment for the
4 period January 2018 – December 2018 and to establish a "true-up"
5 amount to be collected or refunded during January 2019 - December
6 2019.

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

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

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

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

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

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

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

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

1 costs included in the fuel clause are directly related to purchased power,
2 have not been recovered through base rates.
3 Specifically, consistent with item 10 of Order 14546, the costs the
4 Company has included are fuel-related costs that were not anticipated or
5 included in the cost levels used to establish the current base rates.
6 Similar expenses paid to Christensen and Associates associated with the
7 design for a Request for Proposals of purchased power costs, and the
8 evaluation of those responses, were deemed appropriate for recovery by
9 FPUC through the fuel and purchased power clause in Order No. PSC-
10 05-1252-FOF-EI, Item II E, issued in Docket No. 050001-EI.
11 Additionally, in more recent Docket Nos. 20140001-EI, 20150001-EI,
12 20160001-EI, 20170001-EI and 20180001-EI, the Commission
13 determined that many of the costs associated with the legal and
14 consulting work incurred by the Company as fuel related, particularly
15 those costs related to the purchase power agreement review and analysis,
16 were recoverable under the fuel clause. As the Commission has
17 recognized time and again, the Company simply does not have the
18 internal resources to pursue projects and initiatives designed to produce
19 purchased power savings without engaging outside assistance for project
20 analytics and due diligence, as well as negotiation and contract
21 development expertise. Likewise, the Company believes that the costs
22 addressed herein are appropriate for recovery through the fuel clause.

1 **Q. Please explain what are the costs outside of purchased power costs**
2 **included in the 2018 true-up for Florida Public Utilities Company?**

3 A. Florida Public Utilities engaged Sterling Energy Services, LLC.
4 ("Sterling") Christensen Associates Energy, LLC ("Christensen"), Locke
5 Lord, LLP ("Lord"), Pierpont and McClelland ("Pierpont") and Black
6 and Veatch Corporation ("B & V") for assistance in the development and
7 enactment of projects/programs designed to reduce their purchased
8 power rates to its customers. The associated legal and consulting costs,
9 included in the rate calculation of the Company's 2019 Projection
10 factors, were not included in expenses during the last FPUC consolidated
11 electric base rate proceeding and are not being recovered through base
12 rates.

13 More specifically, Pierpont has been engaged to perform analysis and
14 provide consulting services for FPUC as it relates to the structuring of,
15 and operation under, the Company's power purchase agreements with the
16 purpose of identifying measures that will minimize cost increases and/or
17 provide opportunities for cost reductions. Lord is a law firm with
18 particular expertise in the regulatory requirements of the Federal Energy
19 Regulatory Commission. Attorneys with the firm have provided legal
20 guidance and oversight regarding the contracts and regulatory
21 requirements for generation and transmission-related issues for the
22 Northeast Florida Division. The Company's in-house experience in these
23 areas is limited; thus, without this outside assistance, the Company's

1 ability to pursue potential purchased power savings opportunities would
2 be limited, as would its ability properly evaluate proposals to meet our
3 generation and transmission needs and ensure compliance with federal
4 regulatory requirements.

5 Sterling and Christensen have been hired to assist the Company in the
6 most cost-effective means of incorporating additional energy sources,
7 such as power available from certain industrial customers, including
8 customers with Combined Heat and Power (CHP) capability, to further
9 reduce the overall purchased power impact to all FPUC customers.

10 B & V designed a 20-year load forecast study for the Northwest Florida
11 Division. They performed a similar load study for our Northeast Florida
12 Division a couple of years ago. This forecast is being used to provide
13 information to our wholesale power supplier to assist with future
14 generation and transmission studies related to our system. Also, the
15 current transmission agreements currently in place with Southern
16 Company require that we provide a long range load forecast each year.
17 And, again, these costs are consistent with the standard set forth in Order
18 No. 14546 in that they are incurred in the pursuit of fuel and purchased
19 power savings for our customers and are not otherwise being recovered
20 through the Company's base rates. The Company intends to continue to
21 engage legal and consulting assistance as it explores additional purchased
22 power related savings options including other CHP opportunities and
23 solar/photovoltaic opportunities.

Summary Rates

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Q. What are the final remaining true-up amounts for the period January – December 2017 for both Divisions?

A. The final remaining consolidated true-up amount was an under-recovery of \$2,245,979.

Q. What are the estimated true-up amounts for the period of January – December 2018?

A. There is an estimated consolidated under-recovery of \$3,176,245.

Q. Please address the calculation of the total true-up amount to be collected or refunded during the January - December 2019 year?

A. The Company has determined that at the end of December 2018, based on six months actual and six months estimated, we will have a consolidated electric under-recovery of \$5,422,224.

Q. Does the Company have an explanation for this under-recovery?

A. As of December 2017, the Company’s Fuel and Purchased Power Costs were significantly under-recovered as a result of higher than anticipated under-recovery for 2017 than was estimated in our 2018 Projection filing as well as the early part of 2018. There were several factors that have changed since our original projection filing for 2018. First, the Company’s contract for purchased power, in its Northeast Division, changed effective January 2018 from JEA to FPL. In preparation for this contract change, the Company attempted to estimate purchased power costs under its new arrangement with FPL, which includes more

1 stratified billing components than prior providers. The Company's lack
2 of experience and familiarity with these components resulted in
3 miscalculation of the original projection. Second, the estimate received
4 by the Company for purchased power costs for the Company's Northwest
5 Division was somewhat lower than FPUC's ultimate bill. Third, the
6 Company's industrial customers began a concerted effort to more
7 efficiently manage their demand, so FPUC's estimate for that component
8 was lower than what was experienced.

9 **Q. As a result of the Supreme Court ruling in the case of Citizens v.**
10 **Graham, has FPUC properly refunded \$221,415 to customers**
11 **through the Fuel Clause in accordance with Order No. PSC-2018-**
12 **0028-FOF-EI?**

13 A. Yes, the \$221,415 was computed in Schedule E1-B from Exhibit MC-1
14 of the Company's Calculation of True-Up and Interest Provision for the
15 period January 2017 - December 2017 based on 6 Months Actual and 6
16 Months Estimated data. The amount was subsequently refunded back to
17 the customers through the Company's 2018 Purchased Power Recovery
18 Factors.

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

22 A. The total fuel adjustment factor as shown on line 43, Schedule E-1 is
23 6.433¢ per KWH.

1 **Q.** **Please advise what a residential customer using 1,000 KWH will pay**
2 **for the period January - December 2019 including base rates,**
3 **conservation cost recovery factors, gross receipts tax and fuel**
4 **adjustment factor and after application of a line loss multiplier.**

5 **A.** As shown on consolidated Schedule E-10 in Composite Exhibit Number
6 MC-2, a residential customer using 1,000 KWH will pay \$139.95. This is
7 an increase of \$6.09 over the previous period.

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

9 **A.** Yes.

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

FLORIDA DIVISION-CONSOLIDATED

	(a) <u>DOLLARS</u>	(b) <u>MWH</u>	(c) <u>CENTS/KWH</u>
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	0.00000
6	Fuel Cost of Purchased Power (Exclusive of Economy) (E7)	22,731,550	4.43586
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)	23,487,823	4.58344
10a	Demand Costs of Purchased Power	21,847,005 *	
10b	Non-fuel Energy & Customer Costs of Purchased Power	1,640,818 *	
11	Energy Payments to Qualifying Facilities (E8a)	14,943,319	7.70870
12	TOTAL COST OF PURCHASED POWER (LINE 6 THRU 11)	61,162,693	8.65959
13	TOTAL AVAILABLE KWH (LINE 5 + LINE 12)	61,162,693	8.65959
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	0.00000
19	Net Inadvertent Interchange		
20	TOTAL FUEL & NET POWER TRANSACTIONS (LINE 5 + 12 + 18 + 19)	61,162,693	8.65959
21	Net Unbilled Sales	0 *	0.00000
22	Company Use	57,500 *	0.00839
23	T & D Losses	1,723,925 *	0.25140
24	SYSTEM MWH SALES	61,162,693	8.91938
25	Wholesale MWH Sales		
26	Jurisdictional MWH Sales	61,162,693	8.91938
26a	Jurisdictional Loss Multiplier	1.00000	1.00000
27	Jurisdictional MWH Sales Adjusted for Line Losses	61,162,693	8.91938
27a	GSLD1 MWH Sales		20,902
27b	Other Classes MWH Sales		664,827
27c	GSLD1 CP KW		90,000 *
28	Projected Unbilled Revenues	(750,000)	-0.11281
29	GPIF **		
30	TRUE-UP (OVER) UNDER RECOVERY **	5,422,224	0.81558
31	TOTAL JURISDICTIONAL FUEL COST	65,834,917	9.90257
31a	Demand Purchased Power Costs (Line 10a)	21,847,005 *	
31b	Non-demand Purchased Power Costs (Lines 6 + 10b + 11)	39,315,688 *	
31c	True up Over/Under Recovery (Line 29)	5,422,224 *	
31d	Unbilled Revenues	(750,000)	

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

EXHIBIT NO. _____
DOCKET NO. 20180001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 1 OF 8

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

FLORIDA DIVISION-CONSOLIDATED

	(a)	(b)	(c)
	DOLLARS	MWH	CENTS/KWH
APPORTIONMENT OF DEMAND COSTS			
31	Total Demand Costs (Line 31a)		
32	GSLD1 Portion of Demand Costs (Line 31a) Including Line Losses(Line 27c x \$5.85)	90,000 (KW)	\$3.89 /KW
33	Balance to Other Classes	664,827	3.23353
APPORTIONMENT OF NON-DEMAND COSTS			
34	Total Non-demand Costs(Line 31b)		
35	Total KWH Purchased (Line 12)	706,300 KWH	
36	Average Cost per KWH Purchased		5.56643
37	Average Cost Adjusted for Line Losses (Line 36 x 1.03)		5.73342
38	GSLD1 Non-demand Costs (Line 27a x Line 37)	20,902	5.99802
39	Balance to Other Classes	664,827	5.72510
GSLD1 PURCHASED POWER COST RECOVERY FACTORS			
40a	Total GSLD1 Demand Costs (Line 32)	90,000 (KW)	\$3.89 /KW
40b	Revenue Tax Factor		1.00072
40c	GSLD1 Demand Purchased Power Factor Adjusted for Taxes & Rounded		\$3.89 /KW
40d	Total Current GSLD1 Non-demand Costs(Line 38)	20,902	5.99802
40e	Total Non-demand Costs Including True-up	20,902	5.99802
40f	Revenue Tax Factor		1.00072
40g	GSLD1 Non-demand Costs Adjusted for Taxes & Rounded		6.00234
OTHER CLASSES PURCHASED POWER COST RECOVERY FACTORS			
41a	Total Demand & Non-demand Purchased Power Costs of Other Classes(Line 33 + 39)	664,827	8.95863
41b	Less: Total Demand Cost Recovery	21,497,349 ***	
41c	Total Other Costs to be Recovered	664,827	5.72510
41d	Unbilled Revenue	664,827	-0.11281
41e	Other Classes' Portion of True-up (Line 30c)	664,827	0.81558
41f	Total Demand & Non-demand Costs Including True-up	664,827	6.42788
42	Revenue Tax Factor		1.00072
43	Other Classes Purchased Power Factor Adjusted for Taxes & Rounded		6.433

* For Informational Purposes Only

** Calculation Based on Jurisdictional KWH Sales

*** Calculation on Schedule E1 Page 3

EXHIBIT NO. _____
DOCKET NO. 20180001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 2 OF 8

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

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	303,920,317	57.542%	60,293.2	1.089	1.030	65,659.3	313,037,927	52.40%	45.71%
45 GS	62,958,424	63.463%	11,324.7	1.089	1.030	12,332.6	64,847,177	9.84%	9.47%
46 GSD	183,214,449	73.488%	28,460.3	1.089	1.030	30,993.3	188,710,883	24.73%	27.56%
47 GSLD	107,169,523	82.761%	14,782.3	1.089	1.030	16,097.9	110,384,609	12.85%	16.12%
48 LS	7,563,835	416.653%	207.2	1.089	1.030	225.6	7,790,750	0.18%	1.14%
49	0	416.653%	0.0	1.089	1.030	0.0	0	0.00%	0.00%
TOTAL	664,826,549		115,067.7			125,308.7	684,771,346	100.00%	100.00%

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	12/13 * (8)	1/13 * (9)	(10) + (11)	Tot. Col. 13 * (9)	(13)/(1)	(14) * 1.00072		(15) + (16)
Rate Schedule	12/13 Of 12 CP	1/13 Of Energy	Demand Allocation Percentage	Demand Dollars	Demand Cost Recovery	Demand Cost Recovery Adj for Taxes	Other Charges	Levelized Adjustment
50 RS	48.36%	3.52%	51.88%	\$11,152,825	0.03670	0.03673	0.06433	0.10106
51 GS	9.08%	0.73%	9.81%	2,108,890	0.03350	0.03352	0.06433	0.09785
52 GSD	22.83%	2.12%	24.95%	5,363,589	0.02927	0.02929	0.06433	0.09362
53 GSLD	11.86%	1.24%	13.10%	2,816,153	0.02628	0.02630	0.06433	0.09063
54 LS	0.17%	0.09%	0.26%	55,893	0.00739	0.00740	0.06433	0.07173
TOTAL	92.30%	7.70%	100.00%	\$21,497,349				

Step Rate Allocation for Residential Customers

	(18)	(19)	(20)	(21)
Rate Schedule	Allocation	Annual kWh	Levelized Adj.	Revenues
56 RS	Sales	303,920,317	\$0.10106	\$30,714,187
57 RS	<= 1,000kWh/mo.	216,582,092	\$0.09747	\$21,109,791
58 RS	> 1,000 kWh/mo.	87,338,225	\$0.10997	\$9,604,397
59 RS	Total Sales	303,920,317		\$30,714,187

(2) From Gulf Power 2015 Load Research results.

TOU Rates

	(22)	(23)	(24)	(25)
Rate Schedule	On Peak Rate Differential	Off Peak Rate Differential	Levelized Adj. On Peak	Levelized Adj. Off Peak
60 RS	0.0840	(0.0390)	\$0.18147	\$0.05847
61 GS	0.0400	(0.0500)	\$0.13785	\$0.04785
62 GSD	0.0400	(0.0325)	\$0.13362	\$0.06112
63 GSLD	0.0600	(0.0300)	\$0.15063	\$0.06063
64 Interruptible	(0.0150)	-	\$0.07563	\$0.09063

FLORIDA PUBLIC UTILITIES COMPANY
CALCULATION OF TRUE-UP SURCHARGE
APPLICABLE TO LEVELIZED FUEL ADJUSTMENT PERIOD
JANUARY 2018 - DECEMBER 2018
BASED ON SIX MONTHS ACTUAL AND SIX MONTHS ESTIMATED OPERATIONS

FLORIDA DIVISION-CONSOLIDATED

Under-recovery of purchased power costs for the period January 2018 - December 2018. (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 2018.)(Estimated)	\$	5,422,224
Portion of 2018 Under-recovery to be collected for the period January 2019 - December 2019	\$	5,422,224
Estimated kilowatt hour sales for the months of January 2019 - December 2019 as per estimate filed with the Commission. (Excludes GSLD1 customers)		664,826,549
Cents per kilowatt hour necessary to collect under-recovered purchased power costs over the period January 2019 - December 2019		0.81558

FLORIDA PUBLIC UTILITIES COMPANY
 FLORIDA DIVISION-CONSOLIDATED
 FUEL & PURCHASED POWER COST RECOVERY CLAUSE CALCULATION
 ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

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						ESTIMATED							0	1
1a	NUCLEAR FUEL DISPOSAL													0	1a
2	FUEL COST OF POWER SOLD													0	2
3	FUEL COST OF PURCHASED POWER	1,798,546	1,715,603	1,338,061	1,534,312	1,531,255	2,180,377	2,532,472	2,525,127	2,514,626	1,975,881	1,592,752	1,492,537	22,731,550	3
3a	DEMAND & NON FUEL COST OF PUR POWER	2,064,673	1,886,181	1,839,904	1,771,245	1,862,996	2,051,078	2,046,854	2,071,402	1,978,567	1,914,391	1,891,251	1,888,280	23,266,823	3a
3b	QUALIFYING FACILITIES	1,333,624	1,209,830	1,362,083	1,259,666	1,380,014	1,209,830	1,075,508	1,089,482	1,067,404	1,325,520	1,287,424	1,342,940	14,943,319	3b
4	OTHER FUEL RELATED COSTS	17,850	17,850	19,300	17,850	17,850	19,300	17,850	17,850	19,300	17,850	17,850	20,300	221,000	4
5	TOTAL FUEL & NET POWER TRANSACTIONS (SUM OF LINES A-1 THRU A-4)	5,214,693	4,829,464	4,559,348	4,583,073	4,792,115	5,460,585	5,672,683	5,703,861	5,579,896	5,233,642	4,789,277	4,744,057	61,162,693	5
5a	LESS: TOTAL DEMAND COST RECOVERY	1,918,293	1,745,917	1,704,284	1,631,973	1,721,083	1,896,381	1,884,695	1,909,528	1,818,227	1,767,829	1,751,760	1,747,378	21,497,349	5a
5b	TOTAL OTHER COST TO BE RECOVERED	3,296,400	3,083,547	2,855,064	2,951,099	3,071,032	3,564,204	3,787,989	3,794,333	3,761,669	3,465,812	3,037,517	2,996,679	39,665,344	5b
6	APPORTIONMENT TO GSLD1 CLASS	118,155	82,824	127,489	138,723	146,473	95,076	66,898	138,885	134,646	175,169	213,598	165,411	1,603,348	6
6a	BALANCE TO OTHER CLASSES	3,178,244	3,000,722	2,727,575	2,812,377	2,924,559	3,469,128	3,721,090	3,655,447	3,627,023	3,290,643	2,823,919	2,831,268	38,061,996	6a
6b	SYSTEM KWH SOLD (MWH)	56,403	52,053	45,914	48,915	50,934	63,388	69,781	69,594	69,020	59,612	50,450	49,664	685,728	6b
7	GSLD1 MWH SOLD	1,480	870	1,490	1,748	1,870	1,170	710	2,048	1,970	2,450	2,939	2,158	20,902	7
7a	BALANCE MWH SOLD OTHER CLASSES	54,923	51,183	44,424	47,167	49,064	62,218	69,071	67,546	67,050	57,162	47,511	47,507	664,827	7a
7b	COST PER KWH SOLD (CENTS/KWH) APPLICABLE TO OTHER CLASSES	5.78671	5.86269	6.13992	5.96258	5.96066	5.57572	5.38738	5.41175	5.40941	5.7567	5.94378	5.95972	5.7251	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)	5.78671	5.86269	6.13992	5.96258	5.96066	5.57572	5.38738	5.41175	5.40941	5.75670	5.94378	5.95972	5.72510	9
10	PROJECTED UNBILLED REVENUES(CENT/KWH)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	(0.1128)	10
11	GPIF (CENTS/KWH)														11
12	TRUE-UP (CENTS/KWH)	5,422,224	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	0.81558	12
13	TOTAL	6.48948	6.56546	6.84269	6.66535	6.66343	6.27849	6.09015	6.11452	6.11218	6.45947	6.64655	6.66249	6.42787	13
14	REVENUE TAX FACTOR	0.00072	0.00467	0.00473	0.00493	0.00480	0.00452	0.00438	0.00440	0.00440	0.00465	0.00479	0.00480	0.00463	14
15	RECOVERY FACTOR ADJUSTED FOR TAXES	6.49415	6.57019	6.84752	6.67015	6.66823	6.28301	6.09453	6.11892	6.11658	6.46412	6.65134	6.66729	6.43250	15
16	RECOVERY FACTOR ROUNDED TO NEAREST .001 CENT/KWH	6.494	6.57	6.848	6.67	6.668	6.283	6.095	6.119	6.117	6.464	6.651	6.667	6.433	16

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

(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)		(9) TOTAL \$ FOR FUEL ADJ. (7) x (8) (A)
							CENTS/KWH (A) FUEL COST	(B) TOTAL COST	
JANUARY 2019	FPL / GULF POWER	MS	40,695,224			40,695,224	4.419551	9.493054	1,798,546
FEBRUARY 2019	FPL / GULF POWER	MS	37,914,965			37,914,965	4.524870	9.499637	1,715,603
MARCH 2019	FPL / GULF POWER	MS	29,741,055			29,741,055	4.499037	10.685449	1,338,061
APRIL 2019	FPL / GULF POWER	MS	34,182,031			34,182,031	4.488650	9.670453	1,534,312
MAY 2019	FPL / GULF POWER	MS	34,662,413			34,662,413	4.417625	9.792312	1,531,255
JUNE 2019	FPL / GULF POWER	MS	49,590,143			49,590,143	4.396795	8.532855	2,180,377
JULY 2019	FPL / GULF POWER	MS	57,773,961			57,773,961	4.383414	7.926280	2,532,472
AUGUST 2019	FPL / GULF POWER	MS	57,581,767			57,581,767	4.385290	7.982613	2,525,127
SEPTEMBER 2019	FPL / GULF POWER	MS	57,090,877			57,090,877	4.404602	7.870247	2,514,626
OCTOBER 2019	FPL / GULF POWER	MS	44,100,291			44,100,291	4.480427	8.821420	1,975,881
NOVEMBER 2019	FPL / GULF POWER	MS	35,363,272			35,363,272	4.503973	9.852039	1,592,752
DECEMBER 2019	FPL / GULF POWER	MS	33,754,149			33,754,149	4.421790	10.016006	1,492,537
TOTAL			512,450,148	0	0	512,450,148	4.435856	0.000000	22,731,550

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

(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 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS	
FEBRUARY 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,700,000			15,700,000	7.705921	7.705921	1,209,830
MARCH 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		17,550,000			17,550,000	7.761154	7.761154	1,362,083
APRIL 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		16,200,000			16,200,000	7.775713	7.775713	1,259,666
MAY 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		17,800,000			17,800,000	7.752885	7.752885	1,380,014
JUNE 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		15,700,000			15,700,000	7.705921	7.705921	1,209,830
JULY 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,100,000			14,100,000	7.627713	7.627713	1,075,508
AUGUST 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,100,000			14,100,000	7.726819	7.726819	1,089,482
SEPTEMBER 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		14,000,000			14,000,000	7.624311	7.624311	1,067,404
OCTOBER 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		17,300,000			17,300,000	7.661963	7.661963	1,325,520
NOVEMBER 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		16,600,000			16,600,000	7.755563	7.755563	1,287,424
DECEMBER 2019	WEST-ROCK / RAYONIER / EIGHT FLAGS		17,400,000			17,400,000	7.718043	7.718043	1,342,940
TOTAL			193,850,000	0	0	193,850,000	7.708702	7.708702	14,943,319

EXHIBIT NO. _____
DOCKET NO. 20180001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 7 OF 8

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

ESTIMATED FOR THE PERIOD: JANUARY 2019 THROUGH DECEMBER 2019

JANUARY 2019	FEBRUARY 2019	MARCH 2019	APRIL 2019	MAY 2019	JUNE 2019	JULY 2019
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BASE RATE REVENUES ** \$	38.98	38.98	38.98	38.98	38.98	38.98	38.98
FUEL RECOVERY FACTOR CENTS/KWH	9.75	9.75	9.75	9.75	9.75	9.75	9.75
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
FUEL RECOVERY REVENUES \$	97.47	97.47	97.47	97.47	97.47	97.47	97.47
GROSS RECEIPTS TAX	3.50	3.50	3.50	3.50	3.50	3.50	3.50
TOTAL REVENUES *** \$	139.95	139.95	139.95	139.95	139.95	139.95	139.95

AUGUST 2019	SEPTEMBER 2019	OCTOBER 2019	NOVEMBER 2019	DECEMBER 2019
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PERIOD TOTAL

BASE RATE REVENUES ** \$	38.98	38.98	38.98	38.98	38.98	467.76
FUEL RECOVERY FACTOR CENTS/KWH	9.75	9.75	9.75	9.75	9.75	
GROUP LOSS MULTIPLIER	1.00000	1.00000	1.00000	1.00000	1.00000	
FUEL RECOVERY REVENUES \$	97.47	97.47	97.47	97.47	97.47	1,169.64
GROSS RECEIPTS TAX	3.50	3.50	3.50	3.50	3.50	42.00
TOTAL REVENUES *** \$	139.95	139.95	139.95	139.95	139.95	1,679.40

* MONTHLY AND CUMULATIVE TWELVE MONTH ESTIMATED DATA

** BASE RATE REVENUES PER 1000 KWH:

CUSTOMER CHARGE	15.12
CENTS/KWH	21.17
CONSERVATION FACTOR	0.97
STORM SURCHARGE	1.72

38.98

EXHIBIT NO. _____
DOCKET NO. 20180001-EI
FLORIDA PUBLIC UTILITIES COMPANY
(MC-2)
PAGE 8 OF 8

*** EXCLUDES FRANCHISE TAXES

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 20180001-EI: FUEL AND PURCHASED POWER COST RECOVERY

CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR

2019 Projection Testimony of P. Mark Cutshaw

On Behalf of

Florida Public Utilities Company

Q. Please state your name and business address.

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

Q. By whom are you employed?

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

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

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

1 included involvement with Cost of Service Studies and Rate Design in other
2 rate proceedings before the Commission as well as other regulatory issues.
3 During 2015 I moved into my current role as Director, Business
4 Development and Generation.

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

7 A. Yes, I’ve provided testimony in a variety of Commission proceedings,
8 including the Company’s 2014 rate case, addressed in Docket No. 20140025-
9 EI. Most recently, I provided written, pre-filed testimony in Docket No.
10 20170001-EI, the Commission’s regular fuel cost recovery proceeding, and
11 also provided both pre-filed and live testimony the prior year, in Docket No.
12 20160001-EI, the Commissions’ regular fuel cost recovery.

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

14 A. My direct testimony addresses several aspects of the purchased power cost
15 for our FPUC electric customers. This includes activities to investigate the
16 potential for reduced purchase power costs, construction of a transmission
17 line interconnection with FPL, execution of the new purchased power
18 agreement with Florida Power & Light (“FPL”), generation supply located on
19 Amelia Island and investigation into the deployment of solar and battery
20 storage assets.

21 **Q. What new opportunities has the Company implemented with the intent**
22 **of reducing costs for its customers in its consolidated electric divisions?**

23 A. The Company regularly pursues opportunities to achieve reduced purchased
24 power costs for the benefit of our customers. The most recent significant
25 opportunity came to fruition with the completion of the construction of a 138

1 KV transmission line interconnection with Florida Power & Light (FPL) and
2 the new purchased power agreement with FPL that became effective January
3 1, 2018.

4 **Q. When was construction of the FPL transmission interconnection**
5 **completed?**

6 A. As mentioned above, the transmission interconnection between FPL and
7 FPUC was in-service on January 1, 2018. However, the total project, which
8 included significant modifications to the transmission systems of FPL, JEA
9 and FPUC, was not completed until the third quarter of 2018.

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

12 A. Consistent with my testimony in Docket No. 20170001-EI, at this time, we
13 cannot specifically define the savings attributed to the FPL transmission line
14 interconnection. However, FPUC witness Mike Cassel will address the
15 overall impact that project had on our overall rate.

16 **Q. What is the status of the existing purchase power agreements in place**
17 **with Gulf Power and FPL?**

18 A. The existing agreement with Gulf is effective through December 31, 2019.
19 FPU has begun investigation of the possible wholesale power solutions for
20 the Northwest Florida Division (Marianna), which is currently served by Gulf
21 Power Company. Information regarding the generation and transmission
22 aspects of the agreement have been collected in order to make a
23 determination of the most prudent energy supply. The agreement will be in
24 place prior to the December 31, 2019 expiration date of the current
25 agreement.

1 The existing agreement with FPL will continue in place until the December
2 31, 2024 expiration date.

3 **Q. Can you provide background on the new purchased power agreement**
4 **with FPL that became effective January 1, 2018?**

5 A. Yes. The “Solicitation for Proposals to Provide Power Supply and
6 Ancillary Services” (SPPS) for the Northeast Florida Division was issued to
7 selected parties on June 20, 2016 with responses requested by August 1,
8 2016. Proposals were received from three parties and the evaluation and
9 discussions began immediately thereafter. Based on the differences in the
10 bids submitted, the evaluation became fairly complex and required additional
11 time for soliciting additional information to allow for further evaluation.
12 After the evaluation was completed, FPL was determined to be the most
13 appropriate selection and additional negotiations were conducted in order to
14 develop a comprehensive purchased power agreement. On April 10, 2017 the
15 “Native Load Firm All Requirements Power and Energy Agreement”
16 (Agreement) was executed by both parties with an effective date of January
17 1, 2018 and continuing in effect through December 31, 2024.

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

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

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

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

5 A. Yes. The success of the Eight Flags project has sparked interest in other CHP
6 opportunities on Amelia Island. When coupled with industrial expansion in
7 the area and the ability to do so within the context of the Agreement with
8 FPL, the already quantifiable benefits of these existing projects has piqued
9 the interest of others to contemplate partnering with a new CHP-based
10 project. Given that FPUC would again be the recipient of any power
11 generated by such project, FPUC has been involved in the analysis and
12 discussions with potential new project partners. These projects are still in the
13 early stages, but the early indications are that the projects would not only be
14 feasible, but would provide benefits to all parties involved.

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

17 A. Yes. FPUC has identified and analyzed that the development of specific,
18 smaller PV systems within the FPUC electric service territory. However, due to
19 many variables, the economic feasibility has been difficult to achieve due to
20 many different factors. Based on this analysis, FPUC is investigating
21 opportunities involving larger PV installations which should prove to be more
22 economically feasible. Not only will this increase the renewable energy
23 available to FPUC, the cost is expected to complement the overall purchased
24 power portfolio which will provide additional benefits to FPUC customers.
25 Additionally, exploration into the inclusion of battery storage capacity in

1 conjunction with the PV installation is being considered. These projects are still
2 in the early stages of analysis and development. Nonetheless, even in these
3 early analysis and planning stages, the potential benefits of the PV projects
4 under consideration have been very encouraging.

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

6 A. Yes.