

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION
DOCKET NO. 050001-EI
CONTINUING SURVEILLANCE AND REVIEW OF
FUEL COST RECOVERY CLAUSES OF ELECTRIC UTILITIES

Direct Testimony of
Cheryl M. Martin
On Behalf of
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Cheryl M. Martin, 401 South Dixie Highway, West Palm Beach, FL
3 33401.
- 4 Q. By whom are you employed?
- 5 A. I am employed by Florida Public Utilities.
- 6 Q. Have you previously testified in this Docket?
- 7 A. Yes.
- 8 Q. What is the purpose of your testimony at this time?
- 9 A. I will briefly describe the basis for our computations that were
10 made in preparations of the various schedules that we have
11 submitted to support our calculation of the levelized fuel
12 adjustment factor for January 2006 - December 2006.
- 13 Q. Were the schedules filed by your Company completed under your
14 direction?
- 15 A. Yes
- 16 Q. Which of the Staff's set of schedules has your company completed
17 and filed?
- 18 A. We have filed Schedules E1-A, E1-B, and E1-B1 for Marianna and E1-
19 A, E1-B, and E1-B1 for Fernandina Beach. They are included in
20 Composite Prehearing Identification Number CMM-2. Schedule E1-B
21 shows the Calculation of Purchased Power Costs and Calculation of
22 True-Up and Interest Provision for the period January 2005 -
23 December 2005 based on 6 Months Actual and 6 Months Estimated data.
- 24 Q. Please address the calculations of the total true-up amount to be

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1 collected or refunded during January 2006 - December 2006.

2 A. We have determined that at the end of December 2005 based on six
3 months actual and six months estimated, we will under-recover
4 \$702,270 in purchased power costs in our Marianna division. In
5 Fernandina Beach we will have over-recovered \$469,636 in purchased
6 power costs.

7 Q. What are the final remaining true-up amounts for the period January
8 2004 - December 2004 for both divisions?

9 A. In Marianna, the final remaining true-up amount was an under-
10 recovery of \$966,951. The final remaining true-up amount for
11 Fernandina Beach was an under-recovery of \$466,181.

12 Q. What are the estimated true-up amounts for the period January 2005
13 - December 2005?

14 A. In Marianna, there is an estimated under-recovery of \$246,528.
15 Fernandina Beach has an estimated under-recovery of \$436,727.

16 Q. What other item do you want to address in this testimony?

17 A. In the audit report of our Fuel and Purchased Power Cost Recovery
18 Clause for the period January 1, 2004 - December 31, 2004, it was
19 disclosed that there were two items included in the cost of fuel
20 filings and true-up calculations that were not purchased power
21 costs. The items in question are a transformer agreement that
22 commenced in November 2004 and a consultant agreement.

23 Q. What is the nature of these agreements?

24 A. In the case of the transformer agreement, additional facilities
25 were needed to service a new "Family Discount Distribution Center".
26 Florida Public Utilities "FPUC" and Gulf Power Corp entered into an
27 agreement where Gulf Power provides a transformer and associated
28 equipment necessary to establish an additional delivery point at
29 our Marianna substation. The terms of the five year agreement calls
30 for Florida Public Utilities to pay Gulf Power \$3,678 a month

1 commencing November 2004. In the case of the consulting service,
2 FPUC entered into an agreement with Christensen Associates to
3 procure new fuel contracts and to assist with fuel surcharge
4 petition. Under the terms of the present fuel contracts with our
5 suppliers, we have been purchasing fuel at costs that are
6 considerably below the current market. In turn, we have passed on
7 these cost savings to our customers. However, we expect these costs
8 to rise significantly at the time that these contracts expire. The
9 sudden impact of these increases in fuel costs is anticipated to
10 create a financial burden for many of our customers. The current
11 contracts with our fuel suppliers will expire in December 2007.
12 Therefore we developed a plan to mitigate the effect of the
13 projected rise in prices on our customers by implementing a
14 surcharge.

15 Q. Why does FPUC believe that payments for the transformer and
16 associated equipment and for the consulting services are eligible
17 for recovery through the fuel clause?

18 A. These payments are not being recovered presently through our base
19 rates nor any other cost recovery clause. These charges are
20 associated with our fuel costs and directly relative to the fuel
21 docket. Based upon the fact that the new transformer and associated
22 equipment at the "South Marianna delivery point" are owned and
23 operated by Gulf Power Company who currently provides wholesale
24 capacity and energy, it seems reasonable that these costs to FPUC
25 should be included for recovery through the fuel clause. Since this
26 delivery point was not included in the existing wholesale power
27 contract and was not included in the development of those rates, it
28 was determined that the cost to provide power to this delivery
29 point was not justified by the current contract price. This

1 resulted in the necessity for a lease cost or facilities charge
2 being added to the current contract energy cost. In the case of the
3 consultant agreement, Florida Public Utilities hired a consultant
4 to help with the estimate of how much its present fuel contracts
5 are under market and what future increase is expected when
6 negotiating its new contracts. The consultant is also assisting
7 with the request for proposals and procurement of fuel contracts.
8 These services are also directly related to the procurement of fuel
9 and fuel rates within this docket.

10 Q. Does this conclude your testimony?

11 A. Yes.