

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION  
DOCKET NO. 090001-EI  
CONTINUING SURVEILLANCE AND REVIEW OF  
FUEL COST RECOVERY CLAUSES OF ELECTRIC UTILITIES

Direct Testimony of  
Mark Cutshaw  
On Behalf of  
Florida Public Utilities Company

- 1 Q. Please state your name and business address.
- 2 A. Mark Cutshaw, 911 South 8<sup>th</sup> Street, Fernandina Beach, FL 32034
- 3 Q. By whom are you employed?
- 4 A. I am employed by Florida Public Utilities Company.
- 5 Q. Have you previously testified in this Docket?
- 6 A. Yes.
- 7 Q. What is the purpose of your testimony at this time?
- 8 A. I will briefly describe the basis for the computations that
- 9 were made in the preparation of the various midcourse
- 10 Schedules that we have submitted in support of the April 2009
- 11 - December 2009 fuel cost recovery adjustments for our
- 12 Northeast Florida electric division. In addition, I will
- 13 advise the Commission of the projected difference between the
- 14 revenues collected under the levelized fuel adjustment and
- 15 the purchased power costs allowed in developing the levelized
- 16 fuel adjustment for the period January 2009 - March 2009 and
- 17 to establish a "true-up" amount to be collected or refunded
- 18 during April 2009 - December 2009.
- 19 Q. Were the schedules filed by your Company completed under your
- 20 direction
- 21 A. Yes.
- 22 Q. Which of the Staff's set of schedules has your company
- 23 completed and filed?
- 24 A. We have filed Schedules E1, E1-A, E2, E7, E8, E10 and F1 for

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1                   Fernandina Beach (Northeast division). They are included in  
2                   Composite Prehearing Identification Number MC-1. These  
3                   schedules support the calculation of the levelized fuel  
4                   adjustment factor for April 2009 - December 2009 (Midcourse  
5                   Correction). Schedule F1 shows the actual true-up amount for  
6                   January 2008 through December 2008 to be included in the  
7                   midcourse rates effective April 2009 through December 2009.

8                   Q.     In derivation of the projected cost factor for the April 2009  
9                   - December 2009 period, did you follow the same procedures  
10                  that were used in the prior period filings?

11                 A.     Yes.

12                 Q.     What is the reason for the midcourse correction?

13                 A.     The Company recently received notification from the power  
14                   supplier to our Northeast Florida division that fuel costs  
15                   will increase significantly beginning March 1, 2009, beyond  
16                   the projected rates in Docket 080001-EI. We expect that these  
17                   costs will be under recovered throughout the remainder of  
18                   2009 and thus creating a large under recovery by year end.  
19                   Without a midcourse adjustment, we project the under recovery  
20                   to approach the 10% threshold by year end. In order to avoid  
21                   the necessity to collect a large under-recovery in 2010, we  
22                   would like a midcourse correction to allow collection of the  
23                   fuel costs in the period when incurred and to avoid an even  
24                   higher increase in 2010 and mitigate an added financial  
25                   burden on our customers.

26                 Q.     Why has the GSLD1 rate class for Fernandina Beach (Northeast  
27                   division) been excluded from these computations?

28                 A.     Demand and other purchased power costs are assigned to the  
29                   GSLD1 rate class directly based on their actual CP KW and

1 their actual KWH consumption. That procedure for the GSLD1  
2 class has been in use for several years and has not been  
3 changed herein. Costs to be recovered from all other classes  
4 are determined after deducting from total purchased power  
5 costs those costs directly assigned to GSLD1.

6 Q. How will the demand cost recovery factors for the other rate  
7 classes be used?

8 A. The demand cost recovery factors for each of the RS, GS, GSD, GSLD, GSLD1  
9 and OL-SL rate classes will become one element of the total cost recovery factor  
10 for those classes. All other costs of purchased power will be recovered by the use  
11 of the levelized factor that is the same for all those rate classes. Thus the total  
12 factor for each class will be the sum of the respective demand cost factor and the  
13 levelized factor for all other costs.

14 Q. Please address the calculation of the total true-up amount to  
15 be collected or refunded during the April 2009 - December  
16 2009.

17 A. In our Northeast Division, the purchased power recovery as of  
18 the end of March 2009, as reflected on Schedule F-1 filed  
19 with this Petition is an overrecovery of \$1,637,098 which  
20 results in an adjustment of -0.64384 to the current factor if  
21 this were the final true-up. However, pursuant to the  
22 Purchased Power Agreement with JEA, there is an increase in  
23 the purchased power cost to be paid to JEA for purchased  
24 power by FPUC such that FPUC projects an underrecovery of  
25 \$2,671,081 as of the year end 2009. As reflected in the  
26 testimony of Mr. Mark Cutshaw and Schedule E-1 which  
27 accompanies this filing, the requested factor for the  
28 Northeast Division is 6.851 cents per kWh. The calculation of

1                   the projected factor incorporates the -0.64384 cents per kWh  
2                   for the overrecovery though March 2009.

3           Q.       What will the total fuel adjustment factor, excluding demand  
4                   cost recovery, be for the Northeast Florida division for the  
5                   period?

6           A.       In Fernandina Beach (Northeast division) the total fuel  
7                   adjustment factor for "other classes" for the mid course  
8                   correction, as shown on Line 43, Schedule E1, amounts to  
9                   6.851¢ per KWH.

10          Q.       Please advise what a residential customer using 1,000 KWH  
11                   will pay for the period April 2009 - December 2009  
12                   including base rates, conservation cost recovery factors,  
13                   and fuel adjustment factor and after application of a  
14                   line loss multiplier.

15          A.       In Fernandina Beach (Northeast division) a customer will  
16                   pay \$133.72, an increase of \$11.33 from the previous  
17                   period.

18          Q.       Does this conclude your testimony?

19          A.       Yes.