

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 - Revised 2/24/2009

- 1 Q. Please state your name and business address.
- 2 A. Mark Cutshaw, 911 South 8th 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 were
- 9 made in the preparation of the various midcourse Schedules that we
- 10 have submitted in support of the April 2009 - December 2009 fuel
- 11 cost recovery adjustments for our Northeast Florida electric
- 12 division. In addition, I will advise the Commission of the
- 13 projected difference between the revenues collected under the
- 14 levelized fuel adjustment and the purchased power costs allowed in
- 15 developing the levelized fuel adjustment for the period January
- 16 2009 - March 2009 and to establish a "true-up" amount to be
- 17 collected or refunded during April 2009 - December 2009.
- 18 Q. Were the schedules filed by your Company completed under your
- 19 direction?
- 20 A. Yes.
- 21 Q. Which of the Staff's set of schedules has your company completed
- 22 and filed?
- 23 A. We have filed Schedules E1, E1-A, E2, E7, E8, E10 and F1 for
- 24 Fernandina Beach (Northeast division). They are included in

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

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

10 A. Yes.

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

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

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

26 A. Demand and other purchased power costs are assigned to the GSLD1
27 rate class directly based on their actual CP KW and their actual
28 KWH consumption. That procedure for the GSLD1 class has been in
29 use for several years and has not been changed herein. Costs to be

1 recovered from all other classes are determined after deducting
2 from total purchased power costs those costs directly assigned to
3 GSLD1.

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

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

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

15 A. In our Northeast Division, the purchased power recovery as of the
16 end of March 2009, as reflected on Schedule F-1 filed with this
17 Petition is an overrecovery of \$2,138,436 which results in an
18 adjustment of -0.84101 to the current factor if this were the final
19 true-up. However, pursuant to the Purchased Power Agreement with
20 JEA, there is an increase in the purchased power cost to be paid to
21 JEA for purchased power by FPUC such that FPUC projects an
22 underrecovery of \$2,671,081 as of the year end 2009. As reflected
23 in the testimony of Mr. Mark Cutshaw and Schedule E-1 which
24 accompanies this filing, the requested factor for the Northeast
25 Division is 6.654 cents per kWh. The calculation of the projected
26 factor incorporates the -0.84101 cents per kWh for the overrecovery
27 though March 2009.

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

1 A. In Fernandina Beach (Northeast division) the total fuel adjustment
2 factor for "other classes" for the mid course correction, as shown
3 on Line 43, Schedule E1, amounts to 6.654¢ per KWH.
4 Q. Please advise what a residential customer using 1,000 KWH will pay
5 for the period April 2009 - December 2009 including base rates,
6 conservation cost recovery factors, and fuel adjustment factor and
7 after application of a line loss multiplier.
8 A. In Fernandina Beach (Northeast division) a customer will pay
9 \$131.70, an increase of \$9.31 from the previous period.
10 Q. Does this conclude your testimony?
11 A. Yes.