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September 4, 2025

BY E-PORTAL

Mr. Adam Teitzman
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

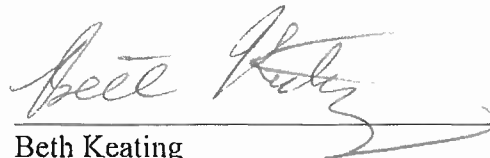
**Re: Docket No. 20250001-EI: Fuel and Purchased Power Cost Recovery Clause with
Generating Performance Incentive Factor**

Dear Mr. Teitzman:

Attached for filing, please find the Testimony of P. Mark Cutshaw in support of Florida Public Utilities Company's Petition for Approval of Fuel and Purchased Power Cost Recovery Factors for 2026.

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.
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MEK
cc:/ (certificate of service)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

**DOCKET NO. 20250001-EI: FUEL AND PURCHASED POWER COST RECOVERY
CLAUSE WITH GENERATING PERFORMANCE INCENTIVE FACTOR**

2026 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, 780 Amelia Island Parkway, Fernandina Beach,
3 Florida 32034.

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

5 A. I am employed by Florida Public Utilities Company ("FPUC" or "Company").

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

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

Commission as well as other regulatory issues. During January 2024, I moved into my current role as Manager, Electric Operations for the Northeast Florida Division.

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

A. Yes, I’ve provided testimony in a variety of Commission proceedings, including the Company’s 2014 rate case, addressed in Docket No. 20140025-EI, as well as rebuttal testimony in Docket No. 20180061-EI and numerous annual proceedings for Fuel and Purchased Power Cost Recovery. Most recently, I provided testimony in Docket No. 20250010 in the Storm Protection Plan and Cost Recovery proceedings.

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

A. My direct testimony addresses several aspects of the purchased power cost for our FPUC electric customers. This includes activities to investigate the potential for reduced purchase power costs, execution/amendment of purchased power agreement(s) with Florida Power & Light (“FPL”), billing of purchased power cost to our industrial customers, Combined Heat and Power (“CHP”) generation supply located on Amelia Island and investigation into the opportunities of energy provided from solar and battery installations.

Q. Do natural gas costs have a significant impact on the overall cost of purchased power for FPUC?

A. Yes, because FPUC does not own its own generation, it purchases the power it needs to serve its customers from larger, generating utilities. At present, FPUC purchases the majority of the power it needs to serve its customers from FPL. The majority of electricity generated in Florida is generated by natural gas fueled generating

1 facilities. As such, the cost of natural gas directly impacts the cost of power
2 purchased by FPUC.

3 **Q. Has FPUC taken steps to ensure more accurate cost projections based on**
4 **activity in the natural gas markets?**

5 A. Yes. FPUC, being predominately a natural gas utility, has utilized information from
6 both inside the Company and other external sources to carefully monitor the natural
7 gas markets. Based on the information gained, the Company forecasts 2026 natural
8 gas costs and includes that information in its purchased power cost projections.

9 **Q. What is the status of the purchase power agreements in place with FPL?**

10 A. The previous agreement for our Northwest Florida Division with FPL became
11 effective January 1, 2020, with a termination date of December 31, 2026, unless
12 extended by FPUC. The previous agreement for our Northeast Florida Division with
13 FPL became effective January 1, 2018, was amended in 2019 and was scheduled to
14 terminate December 31, 2026, unless extended by FPUC. During 2023, FPUC and
15 FPL engaged in discussions with a goal of combining the separate purchased power
16 agreements into a single agreement, which would continue to provide reliable, cost
17 effective purchased power to FPUC for its customers. The combined purchased
18 power agreement was developed, executed and became effective on July 1, 2024,
19 replacing the two prior agreements for the each of FPUC's divisions.

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

23 A. In addition to consolidation of the purchased power agreements, FPUC also engaged
24 with FPL in the review of the transmission agreements and infrastructure currently

1 in place between the two companies. These discussions led to opportunities to
2 change the delivery points at four of the five substations in the Northwest Florida
3 Division, which could reduce purchased power costs to FPUC.

4 **Q. What changes are anticipated to the transmission agreements in the Northwest**
5 **Florida Division?**

6 A. Under the current transmission agreement for the Northwest Florida Division, the
7 interconnection point between FPUC and FPL is located at the low voltage side of
8 the substation transformer. Based upon the location of the interconnection point, it
9 was necessary for FPL to pass along substation cost associated with providing
10 purchased power to FPUC in the form of a distribution charge which was
11 incorporated into the purchased power cost. In relocating the interconnection point
12 to the high voltage side of the substation transformer, the additional distribution cost
13 was no longer required for four of the five substations which helps reduce purchased
14 power cost. The fifth substation is configured in such a way that two customers are
15 provided service from the same transformer which would not allow the relocation
16 of the interconnection point. The distribution charge at this substation will continue.

17 **Q. Is FPUC proposing any changes to the way purchased power costs are allocated**
18 **to its two industrial customers?**

19 A. No. Changes occurred in 2025 which allowed a bill to be issued on the first business
20 day of every month. There are not additional changes planned during 2026.

1 **Q. Are there other efforts underway to identify projects that will lead to energy**
2 **resiliency and lower cost energy for FPUC customers?**

3 A. Yes. FPUC continues to work with consultants, as well as project developers, to
4 identify new projects and opportunities that can lead to increased energy resiliency
5 and reduced fuel costs for our customers. We also continue to analyze the feasibility
6 of energy production and supply opportunities that have been on our planning
7 horizon for some time and noted in prior fuel clause proceedings, namely additional
8 Combined Heat and Power (CHP) projects, potential Solar Photovoltaic (“PV”) projects
9 and associated utility scale battery projects. More specifically, Pierpont &
10 McLelland has been engaged to perform analysis and provide consulting services
11 for FPUC as it relates to the structuring of, and operation under, the Company’s
12 power purchase agreements with the purpose of identifying measures that will
13 minimize cost increases and/or provide opportunities for cost reductions. They have
14 also been involved in the structuring of the most effective measures to ensure a
15 reliable and resilient system on Amelia Island which may include additional
16 transmission lines to the Island as well as using existing generation and the addition
17 of new natural gas fired generation. Locke Lord is a law firm with particular
18 expertise in the regulatory requirements of the Federal Energy Regulatory
19 Commission. Attorneys with the firm have provided legal guidance and oversight
20 regarding the contracts and regulatory requirements for generation and transmission-
21 related issues for the Northeast Florida Division. The Company’s in-house
22 experience in these areas is limited; thus, without this outside assistance, the

Company's ability to pursue potential purchased power savings opportunities would be limited, as would its ability to properly evaluate proposals to meet our generation and transmission needs and ensure compliance with federal regulatory requirements. Sterling Energy and Christensen Associates have been involved to assist the Company in the most cost-effective means of incorporating additional energy sources, such as power available from certain industrial customers, existing and new Combined Heat and Power ("CHP") capability and improvements in the transmission system to Amelia Island to improve the reliability/resiliency on Amelia Island and further reduce the overall purchased power impact to all FPUC customers. In addition to CHP possibilities, FPUC has been investigating how the use of Renewable Natural Gas (RNG) and Hydrogen as future fuel sources for generation assets may provide benefits in the future. The markets for both RNG and Hydrogen are still developing, however, both have the potential to provide environmental benefits compared to existing fuel sources. Although there are currently some operational and cost challenges being addressed within the generation community, it is important that FPUC continue to be involved in the investigation and development of these resources and the long term benefits that are possible.

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

A. Yes. At the moment, FPUC has put on hold any movement on additional CHP projects awaiting information on what ITC and PTC legislation may be issued. Both of these are important components of making a CHP facility viable. However, the success of the Eight Flags project has sparked interest in other CHP opportunities

on Amelia Island and nearby. When coupled with industrial expansion, the already quantifiable benefits of the existing projects have piqued the interest of others to contemplate development of a new CHP-based projects. FPUC was actively involved in the initial analysis, development and engineering of a possible new projects that would support the existing industry. Significant efforts went into the evaluation of a CHP project, similar to Eight Flags, would be located on Amelia Island and would allow the customer, along with transmission line upgrades, to have additional reliability and resilience to its electricity supply for industry and possibly supply customer on Amelia Island. A second CHP project would provide electricity, high pressure steam and hot water for an area industrial customer which is a critical component to the success of the customer. Preliminary engineering, financial modeling and Florida Department of Environmental Protection permitting for one of the projects were completed for these possible CHP units. Although the final agreements and structure of the proposed CHP projects have not yet been finalized.

Q. Can you provide additional information on the PV and battery projects you referenced above?

A. Yes. FPUC continues to assess the feasibility of smaller PV systems within the FPUC electric service territory. Based on the results from the analysis, the economic feasibility of smaller PV installations has been difficult to achieve due to many different factors but work continues to investigate alternatives to improve the feasibility. At this time, FPUC is investigating opportunities involving larger PV installations which have proved to be more economically feasible. Not only will this increase the renewable energy available to FPUC, the cost is expected to

1 complement the overall purchased power portfolio which will provide additional
2 benefits to FPUC customers. The new “Agreement” with FPL does have provisions
3 that allow for the development of PV installations by FPUC and provides for the
4 possibility of a partnership between the parties that would allow for the development
5 of a PV project.

6 Additionally, exploration into the inclusion of battery storage capacity in
7 conjunction with the PV installation is being considered. These projects have been
8 difficult to justify economically at this point but are still under consideration by
9 FPUC. Nonetheless, the potential benefits of the PV and battery projects under
10 consideration will be continued.

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

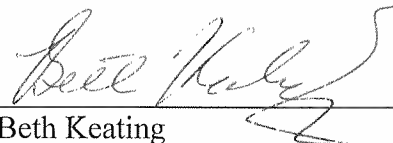
12 **A. Yes.**

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing Testimony of P. Mark Cutshaw in support of FPUC's Petition for Approval of Fuel Adjustment and Purchased Power Cost Recovery Factors has been furnished by Electronic Mail to the following parties of record this 4th day of September, 2025:

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