

FLORIDA
PUBLIC
SERVICE
COMMISSION

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ANNUAL REPORT



CHAIRMAN'S MESSAGE

Florida's Public Service Commission (FPSC) helped consumers coping with tight budgets this year by employing strategies to keep utility rates down and holding outreach workshops. In March, the FPSC held a workshop for social service organizations and state agencies to share resources for residents needing assistance. And, in September we held a workshop to expand partnerships and participation in the Lifeline Assistance (Lifeline) discount telephone program for low-income residents.

To ensure that ratepayers—and utilities—receive fair consideration, each case before the FPSC endures an extensive diagnostic review to make sure we uphold our mission to facilitate reasonable utility rates and safe, reliable service. This year the Commission:

- ◆ Approved a Settlement Agreement for the state's second largest electric utility that provides continuous, reliable service and rate continuity and includes strategies to keep its nuclear project rates down.
- ◆ Reduced the revenue request by more than \$35 million, mitigating customer impact, for an electric utility serving Florida's panhandle.
- ◆ Addressed pipeline safety concerns due to aging infrastructure by allowing three Florida natural gas companies to recover costs for hastening pipeline replacement.
- ◆ Approved an Amended Settlement Agreement, after an evidentiary hearing, which reduced the rate increase petition by Florida's largest electric utility by \$166.5 million and provides rate stability through 2016.

By promoting and encouraging energy diversity, the FPSC is making sure Florida's energy supply is dependable and cost effective. The FPSC's net metering rule, expediting customer-owned renewable systems' interconnection with the utility's grid, facilitated a 40 percent increase in residential solar generation. An FPSC study on electric vehicle charging stations, as directed by the Legislature's 2012 Energy Bill, found that the vehicles' electric consumption will not significantly impact the grid over the next 10 years. Traditional energy generation was assisted by this year's low natural gas prices, keeping rates down for consumers.

Recognizing that small investor-owned water and wastewater systems face maintenance and rate issues, the 2012 Legislature established a Study Committee, chaired by the FPSC, to investigate utility and customer concerns. Including 16 representatives from the Florida Legislature, state agencies, state and local governments, and investor-owned water utilities and their customers, the Committee will supply a report on its findings to the Governor, the Senate President, and the Speaker of the House in February.

Through the FPSC's oversight of Florida Telecommunications Relay, Inc., a new Relay Call Center created 44 jobs to help facilitate telephone calls between people with hearing loss or speech disabilities. This year, the Federal Communications Commission modified Lifeline program rules to curb abuse. Already recognized as a leader in eliminating program fraud, the FPSC reinforced efforts to assist consumers needing Lifeline.

As my first year as Chairman ends, I am grateful for this collegial body that works together to make tough decisions in the public interest, and I look forward to the challenges in the coming year.

Sincerely,



Ronald A. Brisé

Chairman, January 1, 2012 - January 1, 2014

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CONTACT INFORMATION

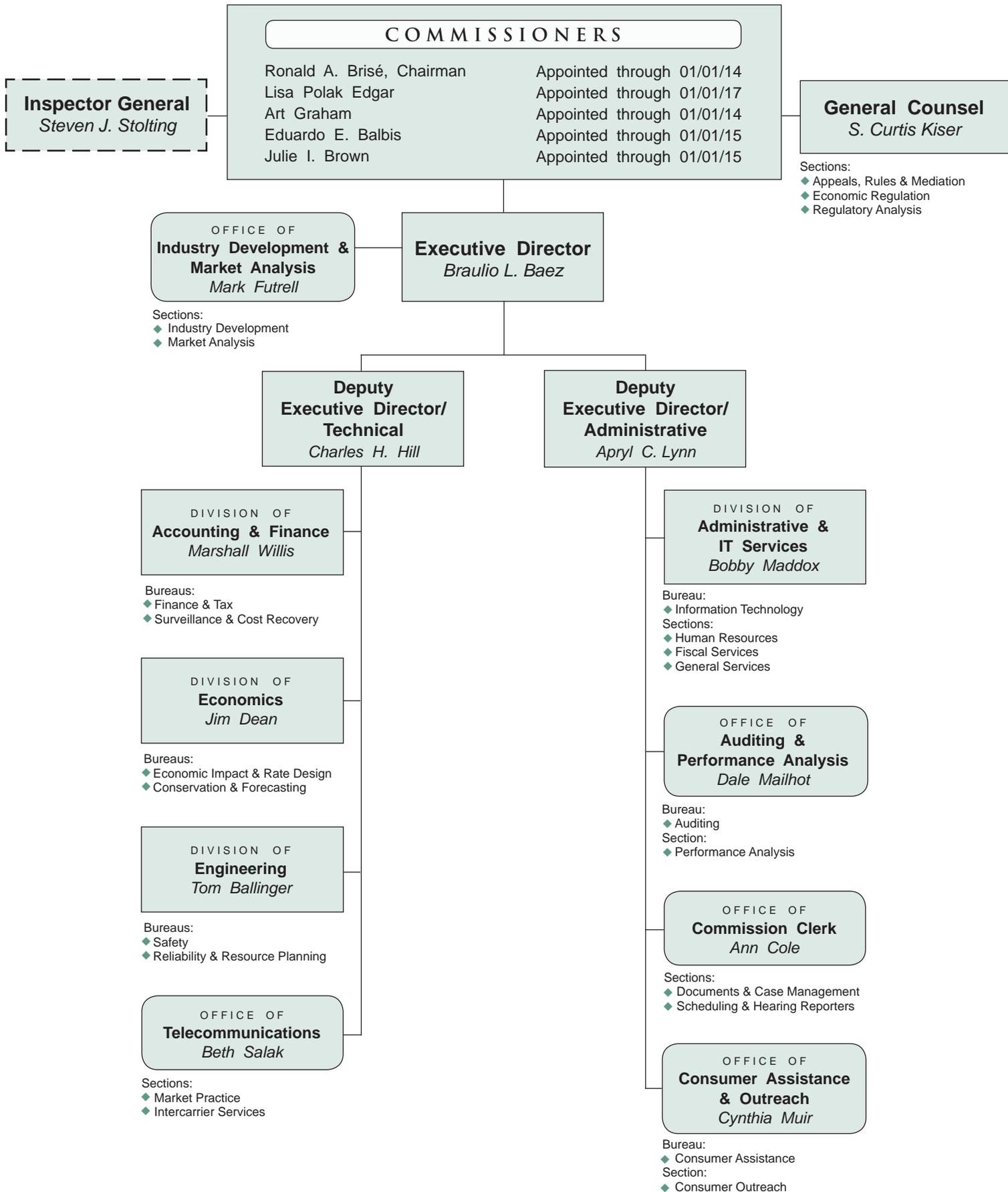
The Florida Public Service Commission's (FPSC or Commission) responsibilities in utility regulation directly affect the public. The FPSC welcomes requests for information about utility regulation or utility-related matters. Inquiries may be made in writing to the address below or by telephone, e-mail, or toll-free fax.

Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850
Toll-Free: 1-800-342-3552 (Nationwide)
Toll-Free Fax: 1-800-511-0809 (Florida)

E-mail address: contact@psc.state.fl.us
Internet home page: www.floridapsc.com

(Detailed telephone contact information is available at <http://www.floridapsc.com/about/contact/phonedirectory.aspx>)

FPSC ORGANIZATIONAL CHART



FPSC COMMISSIONERS



Ronald A. Brisé was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 and was reappointed by Governor Rick Scott for a term through January 2014. In December 2011, he was elected to Chair the Commission through January 1, 2014. ♦ Chairman Brisé is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Board of Directors, the Task Force on Federalism and Telecommunications, the Committee on Telecommunications, the Committee on International Relations, and the Subcommittee on Utility Market Access. Chairman Brisé also serves on the Board of Directors of the Universal Service Administrative Company and the Federal Communications Commission's Intergovernmental Advisory Committee. Before this appointment, he served the citizens of North East Miami-Dade (District 108) in the Florida House of Representatives for four years. ♦ As a Representative, Chairman Brisé was named Democratic Whip from 2006 to 2008 and served as Vice Chairman of the Florida Conference of Black State Legislators. He served on the Education & Economic Development Appropriations, General Government & Health Care Appropriations, and Select Strategic & Economic Planning Councils, was the Ranking Member on the State & Community Colleges and Workforce Appropriation Committee and served on the State Universities & Private Colleges Policy Committee. He also served on the Transportation & Economic Development Appropriations and the Energy & Utilities Policy Committees. Most notably as a legislator, Chairman Brisé sponsored successful legislation to expand broadband deployment throughout the State of Florida making it possible for underserved areas to have access to broadband technology. He was also successful in passing legislation to provide relief from garnishment to heads of families by increasing the amount of retainable earnings before garnishment. ♦ Recently, Chairman Brisé was the Chief Executive Officer of Strategic Partner Consulting, LLC, which provides leadership and development strategies for corporate clients. Until 2008, Chairman Brisé was also the Chief Operating Officer for IPIP Corporation, a VoIP telecommunications carrier. Prior to this, he was the Science Department Chairperson at Miami Union Academy from 2000 to 2005 and was also the Academy's Director of Development, Marketing, and Recruitment from 2003 to 2005. ♦ Chairman Brisé served as a member of the North Miami Planning Commission and is a past president of the Albert C. Pierre Community Center. He is a member of the NAACP and a member on the boards of the Haitian-American Scholarship Fund and Miami Union Academy. ♦ Chairman Brisé received a bachelor's degree in biology education from Oakwood University in Huntsville, Alabama and received MBA degrees in management and marketing from American Intercontinental University in Illinois. He and his wife, JoAn, have a son and a daughter, Ronald Brisé II and Elizabeth Christiane Brisé, and together are faithful members of Tabernacle Seventh-day Adventist Church.

Lisa Polak Edgar was appointed to the Florida Public Service Commission (PSC) by Governor Jeb Bush for a four-year term beginning January 2005. Governor Charlie Crist reappointed Commissioner Edgar to a second four-year term in 2008, and Governor Rick Scott reappointed her to a third four-year term in 2012. From January 2006 to January 2008, she served as Chairman and participated as a member of the Florida Energy Commission and the Governor's Action Team on Energy and Climate Change. ♦ Commissioner Edgar is a member and Second Vice President of the National Association of Regulatory Utility Commissioners (NARUC). She serves on NARUC's Executive Committee, Board of Directors, the Committees on Electricity and Consumer Affairs, and the Task Force on Environmental Regulation and Generation. From 2005 through 2009, she served on the Federal Communications Commission Universal Service Joint Board working for efficient, accountable and fiscally responsible use of universal service funds. ♦ Commissioner Edgar has worked to develop policies to strengthen the state's electric infrastructure to better prepare for, and withstand, storm events; to establish net metering and interconnection rules that encourage customer participation and renewable energy development; to further the diversification of Florida's fuel supply; to effectively reform the collection and distribution of universal service funds; and to improve customer satisfaction and broaden stakeholder participation. ♦ Prior to joining the PSC, Commissioner Edgar served as Deputy Secretary for the Florida Department of Environmental Protection (DEP). Her responsibilities at DEP included executive management oversight of the agency's \$2.1 billion budget, fiscal and strategic planning, accountability measures, information technology, administrative services, Florida Geological Survey, and coordination between the state and federal government on environmental issues, including proposed and existing oil and gas drilling on the Outer Continental Shelf. Commissioner Edgar represented the State of Florida on the Minerals Management Service Outer Continental Shelf (OCS) Policy Committee from 1993-2004, and on the Subcommittees on Environmental Studies in OCS Areas under Moratoria and OCS Hard Minerals. ♦ Commissioner Edgar received her Bachelor of Science and Juris Doctorate degrees from Florida State University and

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FPSC COMMISSIONERS

is a member of the Florida Bar. She is a member of Leadership Florida and the Capital Tiger Bay Club, and serves on the Board of Directors of Sustainable Florida. ♦ Commissioner Edgar and her husband are members of Killearn United Methodist Church and are raising their two active children in Tallahassee.

Art Graham was appointed to the Florida Public Service Commission by Governor Charlie Crist in July 2010 and was reappointed by Governor Rick Scott to serve a term through January 2014. From October 2010 through January 1, 2012, Commissioner Graham served as Commission Chairman and worked with his colleagues and industry representatives to find ways to hold down rates for Florida's consumers and businesses. ♦ Commissioner Graham is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Committee on Water. Prior to his appointment, Commissioner Graham served on the Jacksonville City Council. Among his duties as Council Member, Commissioner Graham helped oversee the budget of JEA, a publicly owned electric, water, and wastewater utility, and chaired the Transportation, Energy, and Utilities Committee. He also served on the Jacksonville Beach City Council from 1998 to 2002. ♦ He is a past chair of the North Florida Transportation Planning Organization and vice president of the Northeast Florida Regional Planning Association. He was President of ART Environmental Consulting Services from 2005 to 2009 and was a recovery engineer with Georgia Pacific Pulp and Paper from 1995 to 2002. A sales engineer with Betz PaperChem from 1991 to 1995, Commissioner Graham was a regional sales manager from 1989 to 1991 for Goodyear Tire and Rubber, where he also held an application engineer position from 1988 to 1989. ♦ Commissioner Graham received a bachelor's degree in chemical engineering from the Georgia Institute of Technology in Atlanta. He is also a 2001 graduate of Leadership Jacksonville and a 2008 graduate of Leadership Florida.

Eduardo E. Balbis was appointed by Governor Charlie Crist to the Florida Public Service Commission (PSC) and reappointed by Governor Rick Scott to serve a four-year term through January 1, 2015. Commissioner Balbis began serving on the PSC in November 2010, when Governor Crist appointed him to fill an unexpired term through January 1, 2011. ♦ A member of the National Association of Regulatory Utility Commissioners (NARUC), Commissioner Balbis serves on the Committees on Gas and on Critical Infrastructure. Prior to serving on the PSC, Commissioner Balbis was the Assistant City Administrator for the City of West Palm Beach, where he managed the Public Utilities, Public Works, and Engineering Departments, comprising more than 400 employees. He oversaw major upgrades to the City's Water Treatment Plant that significantly improved the City's drinking water quality, and he coordinated the planning efforts for long term improvements to the City's water treatment plant to bring important operational and capital savings. ♦ As Assistant City Administrator, Commissioner Balbis was also responsible for the management of Grassy Waters Preserve. This pristine, 20-square-mile wetland ecosystem serves as a habitat for many protected species, including the Everglades Snail Kite, and is the primary source of drinking water for the City of West Palm Beach and the Towns of Palm Beach and South Palm Beach. ♦ Commissioner Balbis previously served as Chairman of the Board of the East Central Regional Wastewater Reclamation Facility, which benefits more than 239,000 customers in Palm Beach County. As Chairman, he helped bring to fruition one of the largest conservation projects in Florida: a 27 million gallon-per-day water reuse project that provides treated wastewater in lieu of groundwater to cool a 3,750 MW power plant. ♦ Previously appointed by Governor Crist to the Treasure Coast Regional Planning Council, Commissioner Balbis worked with other council members on complex regional development issues and projects affecting Palm Beach, Martin, Indian River and St. Lucie Counties. His prior experience also includes working in the private sector for national engineering firms specializing in the design of large utility infrastructure projects. ♦ A lifelong Florida resident, Commissioner Balbis graduated from the University of Florida with a degree in Environmental Engineering and is a Licensed Professional Engineer. As a hobby, he enjoys officiating football and is a NCAA Division 1 football official with the Sun Belt Conference.

Julie Imanuel Brown was appointed to the Florida Public Service Commission by Governor Charlie Crist and reappointed by Governor Rick Scott for a four-year term beginning January 2, 2011. Prior to her appointment, she was Associate Legal Counsel of First American Corporation, a Fortune 500 company, where she handled a variety of legal issues in the Eastern, Midwest and Mid-Atlantic Regions, including corporate compliance with regulatory authorities. ♦ Previously an Assistant City Attorney for the City of Tampa, Commissioner Brown specialized in contract, regulatory and administrative law while acting as legal advisor to the City of Tampa for wastewater, stormwater, land development coordination, and other matters. Commissioner Brown also worked as a corporate attorney at Shumaker, Loop & Kendrick, LLP in Tampa, Florida, specializing in mergers and acquisitions and securities law. ♦ Commissioner Brown is a member of the National Association of Regulatory Utility Commissioners (NARUC) and serves on the Committee on Energy Resources and the Environment and the Subcommittee on Nuclear Issues – Waste Disposal. She serves by appointment as Chair of the Florida Legislature's Study Committee on Investor-Owned Water and Wastewater Utility Systems, and on the New Mexico State University's Center for Public Utilities Advisory Council. Her civic affiliations have included the City of Tampa's Architectural Review Commission, the Board of Directors for the Tampa Firefighters Museum, the Florida Bar's 13th Judicial Circuit Bar Grievance Committee, and acting as Vice Chair of the Hillsborough County Bar Association's Judicial Campaign Practices Committee. ♦ Commissioner Brown graduated magna cum laude with a Bachelor of Science from the University of Florida, where she was the recipient of the Outstanding Female Leader award, President of Florida Blue Key, inducted into the Hall of Fame, and received the Dean's Cup for the College of Journalism and Communications. She earned a Juris Doctorate from the University of Florida Levin College of Law and is a member of the Florida Bar. Her graduate education included study abroad at the University of Montpellier College of Law in France. ♦ Commissioner Brown and her husband have two children.

EXECUTIVE MANAGEMENT



EXECUTIVE
DIRECTOR

BRAULIO L. BAEZ

The Executive Director is responsible for directing, planning, and administering the overall activities of the Commission staff, except the Office of General Counsel. He consults with and advises the Commissioners on regulatory, internal management, and budgetary matters, and acts as an interagency liaison. Reporting directly to him are the Deputy Executive Director-Administrative, the Deputy Executive Director-Technical, and the Director of the Office of Industry Development & Market Analysis.



DEPUTY
EXECUTIVE
DIRECTOR-
ADMINISTRATIVE

APRYL C. LYNN

The Deputy Executive Director-Administrative supervises and directs the Commission's administrative staff and counsels the Executive Director on FPSC personnel, media relations, consumer assistance, and auditing matters. The Division of Administrative & Information Technology Services, the Office of Commission Clerk, the Office of Auditing & Performance Analysis, and the Office of Consumer Assistance & Outreach are under her direction.



DEPUTY
EXECUTIVE
DIRECTOR-
TECHNICAL

CHARLES H. HILL

The Deputy Executive Director-Technical provides direction and leadership for the technical staff and advises the Executive Director in all technical issues pending or presently before the Commission. He has direct authority over the Division of Accounting & Finance, the Division of Engineering, the Division of Economics, and the Office of Telecommunications. The Docket Manager also reports directly to him.



GENERAL
COUNSEL

S. CURTIS KISER

The General Counsel is the Commission's chief legal counsel. He supervises the FPSC's legal personnel and is charged with the administration and delegation of responsibilities to the lead attorneys in his office. The General Counsel advises the FPSC on the legal aspects of its regulatory responsibilities, providing legal representation in court and before federal agencies, offering legal counsel to the Office of Executive Director, and assisting in interagency liaison activities.



THE ROLE OF FLORIDA'S PUBLIC SERVICE COMMISSION

MISSION STATEMENT:

*To facilitate the efficient provision of
safe and reliable utility services at fair prices.*

The Commission's work is a balancing act, weighing the needs of consumers with the needs of a utility and its shareholders. For electric, natural gas, and water and wastewater utility companies, the Commission oversees service territories, regulates rates and earnings, and requires utilities to provide service to all who request it. For telecommunications companies, the Commission is responsible for encouraging and promoting fair and reasonable growth within the industry.

Florida's economy is slowly recovering from several years of an economic downturn that continues to affect the state's utility companies. Public utilities play a major role in the state's economy and in our society. Water and wastewater, energy, and telephone services are necessities. The Florida Public Service Commission (FPSC) ensures that Florida's residents receive these essential services in a safe, reasonable, and reliable manner. In doing so, the FPSC exercises regulatory authority over utilities in three key areas: rate base/economic regulation; competitive market oversight; and the monitoring of safety, reliability, and service.

- ◆ Rate base/economic regulation involves analyzing requested rate changes and conducting earnings surveillance to ensure that regulated utilities are not exceeding their authorized rates of return.
- ◆ Competitive market oversight entails facilitating the development of competitive markets and managing issues associated with them.
- ◆ Safety, reliability, and service monitoring promotes an uninterrupted supply of utility services to the general public and confirms that such services are provided in a reasonable and timely manner with minimal risks.

In each of these areas, the Commission provides consumer assistance, protection, and education services which include responding to consumer questions and complaints and distributing information about using utility services.

A more detailed description of the FPSC's role in these key areas follows.

RATE BASE/ECONOMIC REGULATION

Earnings levels for regulated electric, natural gas, and water and wastewater companies are established and regularly monitored by the FPSC. Companies file annual reports which are reviewed to determine their earnings for the prior year. If it appears that a company will experience excessive earnings in the coming year, the FPSC fully analyzes the company's books and records and, when appropriate, reduces its rates. The FPSC may determine earnings are subject to refund if the review indicates possible overearnings.

When a company believes its earnings are below a reasonable level, the company can petition the FPSC for a change in rates. After an extensive review of the company's earnings, the Commission determines the company's fair rates and earnings to decide a reasonable rate of return. The Commission also analyzes the actual rates charged by the company, allocates revenue requirements between classes of customers, and develops appropriate rate structures within rate classes.

ENERGY

In addition to annual reports, the investor-owned electric and natural gas companies also file earnings information monthly, quarterly, or semi-annually, depending upon each company's size. The more frequent company filings allow the FPSC to monitor earnings levels on an ongoing basis. Customer rates can be quickly adjusted if a company appears to be overearning.

Annually, the FPSC thoroughly reviews each regulated utility's fuel, capacity, conservation, and environmental costs and authorizes recovery of the prudently incurred expenses. Other areas of economic regulation for the energy industry include special contracts, new tariff offerings, conservation program approvals and revisions, depreciation, amortization, nuclear decommissioning studies, and fossil fuel dismantlement studies.

WATER & WASTEWATER

In the water and wastewater industries, the FPSC processes a significant number of cases. The majority of these cases involve requests for rate

increases or limited proceeding increases resulting from the increased costs of providing service. Other cases involve overearnings investigations to determine if a rate reduction is necessary.



The Commission processes water and/or wastewater certification requests, with the majority involving the transfer or amendment of certificates of authorization to provide service. Other cases can involve certifying a new utility and setting its initial rates and charges. The Commission also acknowledges abandonments and cancels certificates for systems transferred to exempt entities.

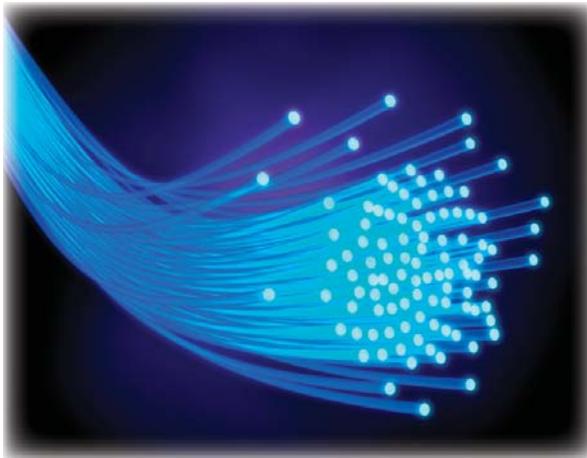
Reuse (using effluent water for a beneficial purpose, such as irrigation) impacts rate base/economic regulation. The Legislature has recognized the benefit of reuse to Florida and has enacted provisions in the governing statutes for the Florida Department of Environmental Protection (DEP), the five water management districts (WMD), and wastewater utilities to employ reuse as a means of effluent disposal and as a method of water conservation. The FPSC's charge is to identify reuse issues related to its jurisdiction and to establish policies that are consistent with the statewide goals. In meeting this charge, Commission staff participates on a Reuse Coordinating Committee along with staff from the DEP, the WMDs, the Florida Department of Agriculture and Consumer Services, the Florida Department of Health, and the Florida Department of Transportation.

Water conservation is vital to Florida's economy. As an economic regulator, the FPSC is actively involved in demand-side water conservation through rates and rate structure review. Rates and rate structure have a direct bearing on water usage and water resource allocation. The FPSC has a Memorandum of Understanding with the DEP and the five WMDs to coordinate efforts to improve statewide water quality and meet statewide conservation

goals. Both agencies are frequently called upon to testify on water quality and conservation issues in rate cases before the FPSC. When feasible, the FPSC allows utilities to recover expenses related to conservation programs and establish conservation rates to reduce water consumption.

COMPETITIVE MARKET OVERSIGHT

The FPSC addresses competitive market structure and regulatory issues in the telecommunications industry, an industry previously considered a monopoly. The telecommunications industry, however, has transitioned to competitive markets. Two catalysts for the change to competition are innovative technologies that add new markets to established regulated companies and increased service options that benefit customer choices. The FPSC must ensure that regulatory barriers are removed and that telecommunications companies do not act in an anticompetitive manner.



A key focus of the FPSC is facilitating the development of competition in the local telephone market, which includes arbitrating agreements between incumbent local exchange companies (ILECs) and competitive local exchange companies (CLECs) when negotiations fail. After interconnection agreements are executed, the FPSC is then charged with interpreting and enforcing the agreements if requested by one of the affected carriers. The FPSC is also responsible for resolving other intercarrier disputes including, but not limited to, federal law addressing resale of services, local interconnection, unbundling,

number portability, dialing parity, access to rights-of-way, access to poles and conduits, and reciprocal compensation. The FPSC is also active in monitoring and assessing the status of local competition, processing negotiated agreements, and providing input on legislative and Federal Communications Commission (FCC) initiatives.

By conducting regular reviews of industry practices, the FPSC determines whether entities are engaging in actions that could impede the development of competition. Other major responsibility areas involve oversight of numbering resources, the Lifeline Assistance Program which enables low-income residents to have access to telephone service, and the Relay Program which enables the deaf, hard of hearing, or speech impaired to use telephone service.

Another critical aspect of competitive market oversight in the telecommunications industry is the certification process. Most landline telecommunications companies (not including interexchange companies) conducting business in Florida are required by state law to be certificated by the FPSC.

RELIABILITY, SAFETY, & SERVICE ISSUES

Through performance and operations investigations, the FPSC obtains information on reliability, service quality, and service availability for review and enforcement.

ENERGY

ELECTRIC RELIABILITY

In the electric industry, the FPSC reviews regulated utilities' Ten-Year Site Plans to assess how utilities will meet Florida's energy needs over a ten-year planning horizon. The FPSC considers petitions for the determination of need for electric power plants, transmission lines, and intrastate natural gas pipelines so that adequate generation and transmission facilities will be available to meet the state's power needs.

The FPSC also participates in formal and informal proceedings relating to long-range electric utility bulk power supply operations and planning;

electric and natural gas safety and service quality, including complaints; electric utility conservation goals and programs; and emergencies due to operational events or weather.

ELECTRIC DISTRIBUTION RELIABILITY AND INFRASTRUCTURE HARDENING

The FPSC also monitors investor-owned utilities' (IOUs) performance through review of each company's Electric Distribution Reliability Report, filed annually on or before March 1. In this filing, each IOU reports the latest available data on its various reliability indices, such as System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). The reliability indices are based on statistical data that measure each IOU's service quality and reliability. The reports also describe the status of each IOU's storm hardening efforts related to ten ongoing initiatives established by the FPSC, including such programs as vegetation management, hardening of existing structures, joint-use agreements, auditing pole attachments, and natural disaster preparedness. The Commission reviews these reports to verify the utilities' compliance with Commission requirements and ensure that Florida's utilities are maintaining quality service that is safe and reliable.

ELECTRIC SAFETY

By statute, the FPSC is responsible for electric safety. The Commission has adopted the National Electrical Safety Code as the applicable safety standard for transmission and distribution facilities subject to the FPSC's safety jurisdiction. In addition, Commission rules set requirements for accident reports, quarterly utility compliance reports, and FPSC facility inspections. Electric safety engineers inspect utility electric transmission and distribution construction sites that are selected from utility work orders. Any variances from the National Electrical Safety Code are corrected through a quality control program.

NATURAL GAS PIPELINE SAFETY

Safety compliance evaluations are conducted annually on all natural gas systems. These evaluations focus on corrosion control, leak surveys, leak repairs, emergency response, drug testing, employee training and qualification, maintenance, operation, and new construction.

The Commission's pipeline safety staff evaluates natural gas systems covering thousands of miles of pipeline and customer service lines. These evaluations generally result in written notifications of gas safety violations such as failure to repair gas leaks, failure to odorize natural gas, or failure to use qualified welders. All violations must be corrected or scheduled for corrective action pursuant to the Commission's enforcement procedures.



The Commission is evaluating and working with a Pipeline and Hazardous Materials Safety Administration (PHMSA) rule that became effective in August 2011. Over the past several years, PHMSA has implemented integrity management regulations for hazardous liquid and gas transmission, and the new rule now includes distribution pipeline systems. These regulations are intended to help assure pipeline integrity and improve the pipeline safety record. Inspections for compliance with this rule requirement began this year.

In April 2011, the U.S. Department of Transportation (USDOT)/PHMSA urged states to replace all bare unprotected steel and cast iron pipelines due to recent accidents involving the aging infrastructure. The Bureau of Safety requested all companies in Florida with aged infrastructure to provide a replacement plan. Florida has 10 companies with a total of 253 miles of cast iron pipe and 1,200 miles of unprotected bare steel pipeline in need of replacement. In September 2012, the Commission approved replacement programs for Peoples Gas System in Docket 110320-GU and a similar program for Chesapeake Utilities and Florida Public Utilities Company in Docket 120036-GU. These two programs provide for the replacement of the subject pipeline within 10 years. The remaining gas systems have submitted, or are still finalizing replacement plans.

EMERGENCY OPERATIONS CENTER

The Commission is designated as the Lead Response Agency for power and natural gas emergencies for the Office of the Governor. Through the Division of Emergency Management at the state's Emergency Operations Center (EOC), the FPSC provides 24 hours/7 days a week staffing for Emergency Support Function-12 Energy (ESF-12) during state emergencies. ESF-12 coordinates responses to electric and natural gas energy emergencies and provides information and assistance to a variety of federal and state agencies at the EOC.



The Commission also maintains contact with electric and natural gas utilities serving the affected areas to assess damage and service restoration efforts. Data collected and maintained from these coordination efforts include areas affected, number of customers without electrical power or natural gas, status of generation fuel, and estimated restoration time for normal service. This information is used by the EOC to determine the most efficient allocation of resources in response to regional recovery efforts.

WATER & WASTEWATER

In the water and wastewater industries, the FPSC monitors quality-of-service issues such as water pressure and capacity. When a consumer complaint regarding water and/or wastewater quality of service is received, if warranted, a staff engineer is assigned to work with the consumer and utility personnel to determine the cause of the concern.

Service quality issues are also addressed when a utility files an application for a rate change. The Commission conducts customer meetings or service hearings as a part of the rate case process.

Consumer comments at these meetings typically include service quality issues. The FPSC reviews consumer concerns and works with the utility to resolve service issues. When a complaint results from possible violations of DEP public health rules, FPSC staff works with the DEP to resolve the issue.

CONSUMER ASSISTANCE, PROTECTION, & EDUCATION

By providing effective consumer assistance, protection, and education, the FPSC accomplishes its mission of assisting consumers and educating the public about the changing regulatory environment.

The FPSC participates in a variety of outreach events such as consumer forums, community meetings, and customer meetings and hearings, by presenting pertinent information and distributing a variety of consumer publications. Making sure that consumers have easy access to information ensures that they can make informed decisions about utility services.

With Florida's volatile hurricane season and fluctuating fuel costs, consumers have concerns about storm damage and energy expenses, which impact the natural gas and electric industry. The FPSC website and publications highlight the Commission's statutory obligation to protect consumers by ensuring public safety and explain the rules that keep utilities prepared for storms and fuel costs reasonable.

Another aspect of consumer assistance relates to customer issues such as billing. The FPSC assists consumers with analyzing their utility bills and verifying the accuracy of charges to help resolve disputes between regulated companies and their customers in a fair and efficient manner.

The Commission's Transfer Connect system is one way the FPSC resolves consumer complaints. When a consumer calls the FPSC's toll-free consumer assistance line (1-800-342-3552) with a question or a complaint regarding utility services, an FPSC staff member, with the customer's approval, will transfer the call directly to the utility for handling. Once the consumer's call is transferred,

the utility pays for the call until completion. Each company subscribing to Transfer Connect must provide live customer service personnel to handle the transferred calls. Consumers benefit when they can have all of their needs met with a single toll-free call. The Transfer Connect option also allows FPSC staff to consult with a utility representative and pass on caller information, so the caller doesn't have to repeat information.

— COMPLAINT ACTIVITY —

Assisting consumers is an FPSC priority, and a variety of fact sheets, brochures, and consumer tips are available by request on the website. Residential and business customers needing additional assistance to resolve complaints with Florida's regulated utilities can receive help from the FPSC's experienced analysts, who can also provide information on utility payment plans, statutes and rules governing utility companies, and the status of pending cases before the Commission.

See the following five ways to contact the FPSC:

- ◆ Complete an online complaint form
- ◆ E-mail correspondence to contact@psc.state.fl.us
- ◆ Call the toll-free number at 1-800-342-3552
- ◆ Fax information toll-free at 1-800-511-0809
- ◆ Send mail to:
 Florida Public Service Commission
 Office of Consumer Assistance & Outreach
 2540 Shumard Oak Boulevard
 Tallahassee, Florida 32399-0850

For more information, visit the FPSC's website at:

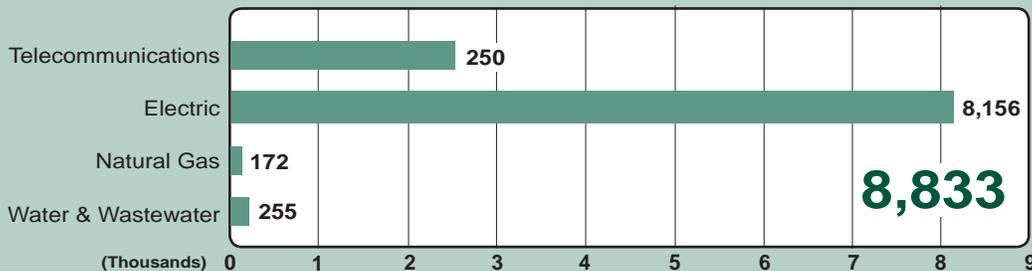
www.floridapsc.com

Since consumer service and protection are integral to the FPSC's mission, the Commission encourages early, continuous, and meaningful public participation throughout its regulatory process. As part of the FPSC's education program, information is compiled and relayed to consumers who are offered many opportunities to express comments and ideas to the Commissioners before final decisions occur.

The FPSC closely monitors informal consumer inquiries and complaints to identify trends affecting consumers and then produces related outreach materials to address those needs. The FPSC provides consumers with the information they need to understand the benefits of competition and to know their rights as utility customers.

Consumers receive information in a variety of ways, including the FPSC website, news releases and Twitter, toll-free phone and fax numbers, consumer publications, brochures, scheduled FPSC meetings open to the public, and community events. The FPSC's home page, www.floridapsc.com, is continually updated to keep information current and make the site more user-friendly. The website contains information about the regulated industries, press releases, and agency publications. In addition to obtaining information, consumers may file online complaints and inquiries about their utility services. Commission events and meetings are usually accessible online as live video and/or audio broadcasts.

During 2012, 8,833 complaints were logged with the FPSC against utility companies. The following chart identifies those complaints received by industry.



Note: Includes non-certificated complaints logged, complaints transferred via the telephone transfer-connect or e-transfer process, and complaints logged and resolved under the three-day rule. Effective July 1, 2012, FPSC jurisdiction over telecommunications companies changed. Telecommunications complaints include, Lifeline Assistance Program, Florida Relay, and payphone service.

— CONSUMER OUTREACH —

More than 330 Florida public and branch libraries participated in the FPSC's 2012 Library Outreach Program to educate consumers across the state. Through the program, a variety of FPSC publications highlighting practical energy and water conservation measures are distributed to library patrons throughout the year.

National Consumer Protection Week (NCPW), highlighting consumer protection and education efforts around the country, was important to the FPSC's conservation education efforts. For the 14th Annual NCPW, FPSC Chairman Ronald A. Brisé hosted a Super Tuesday Consumer Forum. Representatives from participating Cabinet offices and other state and social service agencies joined Chairman Brisé and staff to arm consumer agencies throughout Florida with helpful information for Florida residents. Chairman Brisé's goal for the Forum was to share some effective ways for Floridians to make wise spending choices, avoid scams, and conserve water and energy to help lower their utility bills. More than 15 consumer groups and state agencies attended the event, where they shared consumer needs and discussed ways to raise consumer awareness. Also during NCPW, FPSC staff made presentations to seniors in Fort Walton Beach, Jacksonville, and Tampa, showing them how to save money on their water and energy bills and helping them sign up for Lifeline Assistance, a telephone discount program.

The FPSC participates in consumer programs and distributes conservation-related materials through partnerships with governmental entities, consumer groups, and many other organizations. Events where conservation information was shared during 2012 include: Ambassadors for Aging Day; Active Living Expo; Earth Day at the Capitol; Tampa Housing Authority Outreach Meeting; Community Days in Hillsborough County and the cities of Hialeah, Melbourne, Sweetwater, Miami Gardens, Lake Park, Palatka, and Brooksville; Senior Days in Jacksonville, Tampa, Orlando, and Tallahassee; Special Program Days with Elder Care Services, Seniors in Service of Tampa Bay, Inc., Elder Affairs SHINE in Putnam County, Senior Solutions of Southwest Florida, Senior Friendship Centers, Inc., and Alliance for Aging, Inc.; informational meetings with Orange County Consumer Fraud Unit, Community Legal Services of Mid-Florida, Inc., Brevard Health

Alliance in Melbourne, Palm Beach County Health Department, and Miami-Dade County Department of Human Services, and Tampa Housing Authority; and several senior center meetings at Lane Wiley Senior Center, Leroy Clemons Senior Center, Maxville Senior Center, Orange Park Senior Center, Wiegel Senior Center, and Mid-County Senior Center.

Events to promote energy efficiency and conservation education are annually observed during October's Energy Action Month. Highlighting 2012's

Energy Action Month, Chairman Brisé (pictured below) and senior staff participated in a locally-sponsored Habitat for Humanity build. By assisting in the build, the FPSC highlighted Habitat's mission to construct energy-efficient, affordable homes for low-income consumers in the community, fully supporting the Energy Action Month's energy efficiency and conservation message. The



event also recognized NARUC's partnership established with a Habitat for Humanity branch in January as part of its "Anybody Can Serve, So Let's Conserve" campaign. In another Energy Action Month event, Chairman Brisé and the City of Tallahassee's Mayor toured a local resident's home receiving some much-needed, energy-efficiency improvements through the City's Neighborhood REACH Program. Sponsored annually by the U.S. Department of Energy, Energy Awareness Month was rebranded this year as Energy Action Month to reinforce the need to act on implementing energy efficiencies.

To help consumers who might need assistance paying their utility bills, the FPSC has compiled *A Guide to Utility Assistance in Florida* that includes contact information for all electric utilities in the state. The booklet gives consumers a way to call their utility to tap into the large network of social service organizations located throughout their area. Many of Florida's electric utilities also have company programs designed to provide

emergency assistance funds to customers unable to pay their electric bill, so consumers in need can benefit by contacting their utilities.

To assist Florida legislators and other government officials whose constituents might be affected by a specific case before the FPSC, the Commission produces an informational report, the *Florida Public Service Commission Bulletin*. The Bulletin provides a background for cases where customer input is considered and helps answer constituent inquiries.

Throughout the year, FPSC Commissioners and/or staff attend customer hearings and meetings around the state. Public meetings provide an inclusive process that allows Florida consumers to participate and share their views with Commissioners. For each hearing or meeting, customers receive a *Special Report* that explains the case being reviewed and encourages their participation. In 2012, FPSC staff organized and attended 21 customer hearings and meetings, where they addressed citizen questions and concerns and distributed relevant brochures. Brochures can also be downloaded from the FPSC's website.



HIGHLIGHTS OF THE FPSC'S REGULATORY EFFORTS FOR CALENDAR YEAR 2012

In 2012, the FPSC regulated 5 investor-owned electric companies, 7 investor-owned natural gas utilities, and 140 investor-owned water and/or wastewater utilities and had competitive market oversight for 419 telecommunications companies in Florida.

The number of certificated telecommunications companies as of December 2012 was as follows:

- ◆ 10 incumbent local exchange companies (ILECs)
- ◆ 282 competitive local exchange companies (CLECs)
- ◆ 84 pay telephone companies (PATs)
- ◆ 24 alternative access vendors (AAVs)
- ◆ 19 shared tenant service providers (STS)

The FPSC does not regulate the rates and service quality of publicly owned municipal or cooperative electric utilities; however, the Commission does have jurisdiction regarding rate structure, territorial boundaries, bulk power supply operations, and power supply planning over 35 municipally owned electric systems and 18 rural electric cooperatives. The FPSC has jurisdiction regarding territorial boundaries and safety, over 27 municipally owned natural gas utilities and 4 gas districts. In addition, the Commission exercises safety authority over all electric and natural gas systems operating in the state.

During 2012, a number of significant issues presented challenges for the Commission and are summarized as follows.

Chapter 364, Florida Statutes, was changed in 2011 to no longer allow new AAV or STS certificates to be issued.

ENERGY

ELECTRIC RATE CASES

Florida Power & Light Company

Florida Power & Light Company (FPL) operated under a Settlement Agreement (Agreement) this year that was approved by the Commission on February 1, 2011. The Agreement included the following terms: a base rate freeze through December 2012, unless the return on equity (ROE) falls below 9 percent; the discretion to record a depreciation expense credit up to \$267 million each calendar year in 2010, 2011, and 2012, not to exceed a total of \$776 million; specified recovery of storm damage costs and storm damage reserve replenishment; and recovery of the West County Unit 3 non-fuel revenue requirements equal to the unit's projected fuel savings until the next rate proceeding. The Agreement signatories included FPL, Office of Public Counsel (OPC), Office of Attorney General (OAG), Florida Industrial Power Users Group (FIPUG), Florida Retail Federation (FRF), South Florida Hospital and Healthcare Association (SFHHA), Federal Executive Agencies (FEA), and Associated Industries of Florida.

On March 19, 2012, FPL filed a petition for an annual \$516.5 million base rate increase, effective January 2013, and a \$173.9 million step increase for the Cape Canaveral Modernization Project, effective June 2013. FPL's requested base rate increases were based on a requested 11.5 percent ROE. The PSC held nine customer hearings, May–August 2012, in FPL's service territory, where Commissioners heard from hundreds of customers.

On August 15, 2012, FPL, FIPUG, SFHHA, and FEA filed a Motion to Approve Settlement Agreement (2012 Agreement) and a Motion to Suspend the Procedural Schedule. The PSC denied the Motion to Suspend the Procedural Schedule, and the hearing on FPL's petition was held on August 20–24 and August 27–31, 2012. The hearing was continued on November 19–20, 2012 to take supplemental testimony on issues specific to the 2012 Agreement.

On December 13, 2012, the FPSC approved a new version of the 2012 Agreement submitted by the signatories at a Special Commission Conference. The new Agreement includes a base rate increase of \$350 million and a 10.5 percent ROE, effective January 2013. Step increases will occur as three power plant modernizations come online: approximately \$164 million in June 2013 for the Cape Canaveral plant; \$234 million in June 2014 for the Riviera plant; and \$216 million in June 2016 for the Port Everglades plant. Residential customers will receive a direct benefit, with \$72 million of the lowered revenue increase over the Agreement term allocated as savings for this customer class only.



The approved Agreement also allows FPL discretion to record a depreciation expense credit up to a total of \$400 million over the Agreement term, specified recovery of storm damage costs and storm damage reserve replenishment, recovery of the West County Unit 3 non-fuel revenue requirements through the Capacity Cost Recovery Clause, and implementation of an asset optimization incentive pilot program. Any party can petition the Commission to review FPL's base rates if the company's reported ROE exceeds 11.5 percent.

Absent a major storm that results in significant damage to FPL's service territory or the company earning an ROE above 11.5 percent or below 9.5 percent, FPL should not petition the Commission for rate relief effective before January 1, 2017.

Progress Energy Florida

Progress Energy Florida, Inc. (PEF) operated under a Settlement Agreement this year approved by the Commission on June 18, 2010. Signatories to the Agreement were PEF, Office of Public

Counsel (OPC), OAG, FIPUG, FRF, White Springs Agriculture Chemicals, Inc. d/b/a PCS Phosphates (White Springs), and the Navy, and included the following terms: a base rate freeze through December 2012, unless the ROE fell below 9.5 percent; the discretion to record a depreciation expense credit of up to \$150 million in 2010, up to \$250 million in 2011, and up to any remaining depreciation reserve surplus in 2012; the discretion to accelerate the amortization of certain regulatory assets; and specified recovery of storm damage costs and storm damage reserve replenishment. In addition, any party can petition the Commission to review PEF's base rates if the company's reported ROE exceeds 11.5 percent.

On January 20, 2012, PEF filed a Petition for Limited Proceeding to Approve Settlement Agreement (Agreement) that resolved certain outstanding issues in several existing and continuing dockets, including Docket No. 120009-EI, Nuclear Cost Recovery Clause, and Docket No. 100437-EI, the PSC's oversight of PEF's engineering analyses and investigation of the extent of Crystal River 3's (CR3) extended outage and its replacement fuel and projected repair costs. A crack occurred in the concrete containment building that surrounds CR3's nuclear reactor during a maintenance and upgrade project in 2009. The Agreement provides a framework for ongoing PSC status conferences to gather further information on the decision to repair or retire CR3. The Agreement's signatories included PEF, OPC, FIPUG, FRF, White Springs, and FEA.

On February 22, 2012 the PSC approved the Agreement, providing rate continuity for PEF's 1.6 million residential and business customers, eliminating the need for a base rate case before the PSC, providing a \$288 million customer refund of replacement power costs associated with the CR3 outage (beginning January 2013-2016), removing CR3 from base rates while PEF analyzes options for the plant, limiting customer costs through 2017 for the proposed Levy County nuclear project, and providing a base rate increase of \$150 million in January 2013.

Absent a major storm that results in significant damage to PEF's service territory or the company earning an ROE above 11.5 percent or below 9.5 percent, PEF should not petition the PSC for rate relief effective before January 1, 2017.

Gulf Power Company

On July 8, 2011, Gulf Power Company (Gulf) filed a petition for an annual base rate increase of \$101.6 million, effective April 2012, and a step increase of \$4.3 million for Gulf's Crist Units 6 and 7 turbine upgrade projects, effective January 2013. Gulf's requested rate increases were based on a 11.7 percent ROE. Two customer service hearings were held in September in Pensacola and Panama City, and a technical hearing was held December 12–15, 2011 in Tallahassee.

On February 27, 2012, the Commission reduced Gulf's revenue request by \$37.5 million, approving an annual base rate increase of \$64.1 million based on a 10.25 percent ROE, effective April 2012. The PSC also approved a \$4 million step increase to include Gulf's Turbine Upgrade Projects for Crist Units 6 and 7 in rate base rather than through the Environmental Cost Recovery Charge on the bill, effective January 2013.

On April 18, 2012, Gulf filed a Motion for Reconsideration of the decision to exclude the costs associated with the North Escambia site from Property Held for Future Use; it was denied on July 17, 2012.

NATURAL GAS RATE CASES

The Commission did not process any rate cases involving natural gas distribution companies during 2011, and no rate cases involving natural gas distribution companies were filed in 2012.

DEPRECIATION & NUCLEAR DECOMMISSIONING STUDIES

Depreciation rates for regulated utilities are set by the Commission to ensure that cost recovery is provided for categories of assets while they are in service. Depreciation studies are required to be filed every four years by electric companies, and every five years by gas distribution companies. St. Joe Natural Gas Company was the only utility to file a study in 2012.

Decommissioning studies for electric utilities that own and operate nuclear generating units are required to be filed with the Commission every five years. These studies provide updated estimates of the cost to decommission a nuclear unit at the end of its useful life; the information in these studies is

also used to determine whether a company needs to recover funds, in current customer rates, that will be needed to pay for decommissioning. No decommissioning studies were scheduled to be filed in 2012.

POWER PLANT, TRANSMISSION LINE, AND NATURAL GAS PIPELINE NEED DETERMINATIONS

The Commission approved two need determination petitions in 2012. No new transmission line or natural gas pipeline need determinations were filed in 2012.

On November 21, 2011, FPL filed a petition for a determination of need for the modernization of its existing Port Everglades Plant in Broward County. The facility will include a natural gas-fired combined cycle unit with 1,429 megawatts (MW) of capacity and associated energy in winter, beginning commercial operation in June 2016. The Commission approved the petition on April 9, 2012.

On September 12, 2012, TECO filed a petition for a determination of need for the Polk 2-5 natural gas combined cycle conversion in Polk County, including the addition of waste heat recovery systems. The facility will provide 1,195 MW of capacity and associated energy in winter, with commercial operation beginning in January 2017. The Commission approved the petition on December 12.

FUEL DIVERSITY

During the late 1990s, utilities across the nation and within Florida selected natural gas-fired generation as the predominant source of new generating capacity. As a result, the use of natural gas to produce electricity in Florida has increased significantly, from 19.3 percent in 1995 to 57.7 percent in 2011. Given the historic volatility of natural gas prices, the FPSC has required electric utilities to explore the feasibility of improving the State's fuel diversity. Both FPL and PEF are currently planning the construction of a total of four new nuclear generating units in Florida. In August 2009, PEF received approval for site certification by the Power Plant Siting Board for its two planned nuclear units in Levy County. FPL is currently proceeding through site certification for its two planned units, Turkey Point 6 and 7, and

is scheduled to go before the state's Power Plant Siting Board in 2013. PEF and FPL also have both submitted applications to the Nuclear Regulatory Commission (NRC) for a Combined Operating License (COL) to begin construction and operation of the new nuclear power units. NRC's approvals of the COLs are anticipated in the 2014-2015 timeframe.

Fuel diversity will continue to be a critical issue for the FPSC as it monitors potential climate change legislation, fuel price variability, the changing capital cost of generating units, and the expansion and integration of renewable energy resources.

NUCLEAR COST RECOVERY

In 2006, the Florida Legislature enacted Section 366.93, Florida Statutes (F.S.), to encourage utility investment in nuclear electric generation by creating an alternative cost recovery mechanism. The statute directed the Commission to allow investor-owned utilities (IOU) to recover certain construction costs in a manner that reduces the overall financial risk associated with building a nuclear power plant. In 2007, the statute was amended to include integrated coal-gasification combined cycle plants, and in 2008, it was again amended to include new, expanded, or relocated transmission lines associated with the plants. The statute required the Commission to adopt rules that provide for annual reviews and cost recovery for nuclear plant construction through the existing capacity cost recovery clause (CCRC). By Order No. PSC-07-0240-FOF-EI, the Commission adopted Rule 25-6.0423, Florida Administrative Code (F.A.C.), fulfilling the requirements of, and implementing, Section 366.93, F.S.

Pursuant to Rule 25-6.0423, F.A.C., all prudently incurred preconstruction costs and carrying charges on prudently incurred construction costs will be recovered directly through the CCRC. The rule also allows a utility to request an alternative cost recovery mechanism for site selection costs. Once a utility obtains an affirmative need determination for a power plant covered by Section 366.93, F.S.,

the affected utility may petition for cost recovery using this alternative mechanism.

On March 1, 2012, PEF filed a petition seeking a prudence review and true-up of 2011 costs associated with increasing the capacity of the existing nuclear generating plant, Crystal River Unit 3 (CR3), and the construction of newly proposed nuclear power plant, Levy Units 1 and 2, pursuant to rule and statute. On April 30, 2012, PEF filed a petition to recover estimated 2012 and projected 2013 costs for both projects. Completion of these approved projects will add approximately 2,380 megawatts (MW) of new nuclear base load generation to PEF's system.

FPL filed a petition on March 1, 2012 seeking prudence review and true-up of 2011 costs for uprate activities at its existing nuclear generating plants, Turkey Point Units 3 and 4 and St. Lucie Units 1 and 2 (Extended Power Uprate Project), as well as the proposed nuclear power plant, Turkey Point Units 6 and 7, pursuant to rule and statute. On April 27, 2012, FPL filed a petition to recover estimated 2012 and projected 2013 costs for both projects. Completion of these projects will add approximately 2,722 MW of new nuclear base load generation to FPL's system.

Docket No. 120009-EI was opened to address the 2012 petitions of PEF and FPL. The Commission held an evidentiary hearing for the Nuclear Cost Recovery Clause (NCRC) docket on September 5, 10-11, 2012. During the September hearing, the Commission approved a PEF motion which modified the requested recovery of PEF's CR3 uprate costs. Per the motion, uprate costs incurred after December 31, 2011, are deferred from current recovery and are not included in the 2013 CCRC. At the October 26, 2012 Commission Conference, the Commission voted to approve \$143 million of PEF's originally requested \$152 million; the balance may be considered for recovery in future NCRC proceedings. The Commission also approved FPL's request of \$151 million.

FUEL COST RECOVERY

At the FPSC annual fuel hearing in November, the Commission addressed 2013 fuel rates for the five IOUs. Lower forecasted fuel prices for 2013 caused lower fuel rates for FPL and TECO. Gulf had slightly higher fuel rates based on an underre-

covery of fuel costs in 2011 and 2012. Issues specific to PEF and Florida Public Utilities Company (FPUC) were also addressed during the fuel hearing. PEF filed fuel rates pursuant to a settlement agreement approved by the Commission in February 2012, which addressed several issues associated with the CR3 outage caused by delamination events with the reactor containment structure. The Florida Industrial Power Users Group raised a specific issue for PEF involving the calculation of insurance recoveries for replacement power costs associated with the CR3 outage.

As addressed in the Electric Rate Cases section of this report, PEF filed a petition on January 20, 2012, seeking approval of a Settlement Agreement relating to the CR3 outage. The Agreement included a provision for a refund of \$288 million of replacement fuel costs to PEF's customers. The Commission voted to approve the Agreement in February 2012. Pursuant to the Agreement, PEF calculated the 2013 refund by including a \$129 million reduction in the fuel factor calculation. The Commission approved PEF's inclusion of \$327.6 million in estimated insurance reimbursements for CR3, based on one delamination event which resulted in reduced fuel factors. When the final Nuclear Electric Insurance Limited reimbursements are determined, the difference between that amount and the \$327.6 million estimate, if any, would be applied to fuel costs.

FPUC proposed a new methodology to allocate its wholesale demand charges to the various rate classes. The Commission approved a stipulated methodology to allocate demand costs for FPUC's Northeast division (Fernandina Beach) using Gulf's load research data. FPUC also proposed to recover legal and consulting fees associated with renegotiation of a power supply agreement in the fuel rates for its Northwest Division (Marianna). OPC and the FRF opposed FPUC's initial position. FPUC subsequently proposed a stipulation, and the parties took no position. The Commission approved the stipulation, which removes the legal and consulting fees from the fuel costs and allows FPUC to treat the fees as a regulatory asset.

FPL had three specific issues in the fuel clause: incremental security costs, treatment of the West County Energy Center Unit 3 revenue requirement, and the Canaveral Modernization Project. These issues, all related to FPL's 2012 rate case,

were Commission-approved through stipulations negotiated by the parties to the fuel docket. The stipulations provided for the continued inclusion in FPL's capacity factors of the revenue requirement associated with its West County Unit 3, capped at projected 2013 fuel savings, as well as incremental security costs. The Canaveral Modernization Project will be reviewed in the fuel docket, and any differences from the capacity factors approved in FPL's 2012 rate case will be handled through the regular true-up process or by mid-course correction.



RENEWABLE ENERGY INITIATIVES

Renewable Energy Standard Offer Contracts

Section 366.91, F.S., requires the utilities subject to the Florida Energy Efficiency and Conservation Act (FEECA) to continuously provide a standard contract for purchasing capacity and energy from renewable energy resources. Contracts are filed annually on April 1 and are based on each generating technology type in a utility's Ten-Year Site Plan. In 2012, the Commission approved standard contracts for each IOU for the purchase of renewable energy.

Currently there are approximately 1,400 MW of renewable generation resources in Florida from non-utility and utility-owned renewable generating facilities. The majority, approximately 855 MW, are municipal solid waste (MSW) or biomass facilities. Over the next 10 years, the utilities project an increase of approximately 957 MW of new renewable facilities, primarily from non-firm solar generation facilities.

Customer-Owned Renewables

In 2008, the Florida Legislature enacted legislation emphasizing customer-owned renewable energy resources. In April 2008, the Commission amended Rule 25-6.065, F.A.C., on interconnection and net metering to facilitate customer-owned renewable generation. The rule requires the IOUs to offer a standard interconnection agreement with an expedited interconnection process and net metering for all types of renewable generation up to 2 MW in capacity. Customers benefit from renewable systems by reducing their energy purchases from the utility. Under the Commission's rule, net metering provides an additional benefit for IOU customers by allowing excess renewable energy production to be credited to monthly bills, thereby reducing future energy purchases from the utility.

Reports submitted in April 2012 by the IOUs and municipal and rural electric utilities show that the number of customers owning renewable generation systems in Florida is growing. As of December 31, 2011, 3,994 customers owned renewable energy systems with an electric capacity of 29.3 MW, up from 537 systems with a capacity of 2.8 MW in 2008. Small customer-owned renewable facilities are primarily solar photovoltaic (PV) installations. Between 2008 and 2011, the number of these small solar installations increased at an average annual growth rate of approximately 106 percent. The FPSC will continue to enforce existing renewable policies and explore additional policies to benefit Florida's consumers.

To further encourage development of solar energy in Florida, the FPSC approved solar energy pilot programs to be offered by IOUs. The pilot programs provide customer rebates to offset a portion of the installation costs for solar photovoltaic and solar hot water heating systems, and also provide solar energy equipment to low-income customers and to schools. As the cost of these pilot programs, including rebates, are paid for by all IOU customers, the FPSC established an annual expenditure cap to limit the rate impact.

IMPLEMENTATION OF 2012 ENERGY BILL STATUTORY CHANGES

House Bill 7117, a broad energy bill enacted during the 2012 Regular Session of the Florida Legislature, became effective on July 1, 2012. The bill in

part addresses renewable energy, energy efficiency and conservation, and electric vehicles. Some specific areas impacting the FPSC:

- ◆ Existing and proposed renewable energy resources must be reported to the FPSC in electric utility Ten-Year Site Plans, filed annually.
- ◆ Contract for an independent evaluation of the Florida Energy Efficiency and Conservation Act to determine if the Act remains in the public interest. The report must be submitted to the Governor and to the Legislature by January 31, 2013. The University of Florida and the National Regulatory Research Institute will conduct the study and prepare the report.
- ◆ Prepare a report to the Governor and to the Legislature, by December 31, 2012, on the impact of electric vehicle charging stations on the electric grid and energy consumption. Also, the feasibility of using off-grid solar photovoltaic facilities as a source of charging for electric vehicles must be addressed.
- ◆ Consult with the Department of Agriculture and Consumer Services in the development of its web-based clearinghouse with information on energy efficiency and conservation.

Non-utility providers of electric vehicle charging are exempted from FPSC's ratesetting authority.

CONSERVATION ACTIVITIES FOR ELECTRIC UTILITIES

During the 2008 legislative session, the Legislature amended the Florida Energy Efficiency and Conservation Act (FEECA) to place greater emphasis on the pursuit, through utility sponsored incentives, of all cost-effective customer conservation and energy efficiency measures including demand-side renewable energy systems. Under FEECA, the FPSC must establish numeric conservation goals for each FEECA utility, at least every five years. FEECA goals were set by the FPSC in 2004 and were reset in 2009 to reflect the provisions of the revised FEECA statutes.

Hearings to establish new conservation and energy efficiency goals were held on August 10-13, 2009. Intervenors in the hearing included FIPUG, the Florida Solar Coalition, the National Resources

Defense Council, and the Southern Alliance for Clean Energy. On December 30, 2009, the PSC established aggressive new goals for the FEECA utilities that were more robust than those proposed by the utilities. These new goals were based on an Enhanced Total Resource Cost (E-TRC) test that includes total system costs and benefits and estimates of the potential impact of environmental regulations to control green-house gas emissions. In addition, the Commission increased the goals to include estimates of certain measures that have a payback of two years or less to the participating customer.



See the FPSC's "Conservation House" at www.floridapsc.com.

To implement the new goals, each FEECA utility was required to file plans and programs designed to meet the goals. The Commission approved plans submitted by Gulf, TECO, FPUC, JEA, and the Orlando Utilities Commission in early 2010. The Commission approved modified plans for FPL and PEF in early 2011 due to concerns over the rate impact of the plans.

New goals proceedings are anticipated to begin in 2013, with a Commission decision required by the end of 2014.

TERRITORIAL AGREEMENTS & DISPUTES FOR ELECTRIC & GAS UTILITIES

Section 366.04, F.S., gives the Commission authority to approve territorial agreements and resolve disputes between utilities with respect to service territories. In 2012, the Commission approved

territorial agreements between FPL and the JEA, TECO and Peace River Electric Cooperative, and Central Florida Electric Cooperative and the City of Newberry Utility Department.

TELECOMMUNICATIONS

ILEC WHOLESALE PERFORMANCE MEASURES

The Commission is responsible for ensuring that incumbent local exchange carriers (ILECs) are meeting their obligation to provide unbundled access, interconnection, and resale to competitive local exchange companies (CLECs) in a nondiscriminatory manner. To ensure that ILECs are meeting their obligations, the Commission adopted wholesale performance measurement plans for the three largest ILECs operating in the state of Florida: AT&T, CenturyLink, and Verizon. The plans establish a minimum level of acceptable wholesale service quality that the three ILECs must provide to the CLECs. Wholesale service quality is measured in such areas as ordering, provisioning, and repair timeliness.

Each ILEC furnishes monthly performance reports to the Commission for review and assessment. Commission staff applies trending analysis to detect and correct any degradation in the quality of wholesale service provided to CLECs. Additionally, each ILEC's performance measurement plan is reviewed by staff at recurring intervals to address necessary revisions.

INTERCARRIER RELATIONS AND RULEMAKINGS

The FPSC is authorized by state and federal law to arbitrate and enforce interconnection agreements (ICAs). When carriers cannot agree to the terms or an interpretation of their ICA, they file a complaint with the FPSC for dispute resolution. Often during this process, the FPSC will facilitate an agreement among the parties, and their complaint will be withdrawn before the FPSC reaches its final decision. Bright House Networks Information Services reached agreement with Verizon Florida and Verizon Business Services in a major complaint regarding intrastate access charges. The FPSC also received a notice that Budget Prepaid Services and AT&T Florida reached a conceptual

agreement on their Florida promotional credit and billing issues, part of a multi-state billing dispute. The final terms of the settlement are still pending. FPSC staff also processed and/or facilitated the resolution of a number of informal intercarrier complaints and inquiries.

Several other intercarrier disputes needed some or all of their issues decided by the FPSC. EarthLink Business and AT&T Florida disputed Operations Support Systems issues. AT&T Florida also had billing and payment issues in separate proceedings against Halo Wireless, Express Phone Service, American Dial Tone/Lifeconnex, and FLATEL. The FPSC also heard a dispute involving Qwest Communications Company and several other CLECs. While Qwest settled with over a dozen companies that were parties to the complaint, a final decision regarding five remaining companies is currently pending.

The FPSC continued to implement the regulatory reforms passed by the Florida Legislature in 2011 by initiating and/or completing rulemakings for the repeal, consolidation, or amendment of 30 additional rules. These rulemakings will meet the standards of the FPSC's statutory responsibilities while further streamlining and eliminating company requirements that are obsolete or unnecessary.

LIFELINE ASSISTANCE FOR LOW-INCOME CONSUMERS

The Tele-Competition Innovation and Infrastructure Enhancement Act of 2003 requires that a statewide cooperative effort support the Lifeline Assistance (Lifeline) program in Florida, which is part of the federal Universal Service Program (USP) designed for low-income households to obtain a \$12.75 discount on their monthly phone bills or receive a free Lifeline cell phone and monthly minutes. Link-Up Florida (Link-Up), a companion program, provides a 50 percent installation charge reduction for traditional landline phone service or for wireless phone activation, up to a maximum of \$30. As of April 1, 2012, the Federal Communications Commission (FCC) eliminated Link-Up except for recipients on Tribal lands.

Sixty-seven local, state, and federal agencies, organizations, and businesses, and 27 telecommunications companies were involved in the collaborative effort to increase awareness and participation in the Lifeline program in 2012.

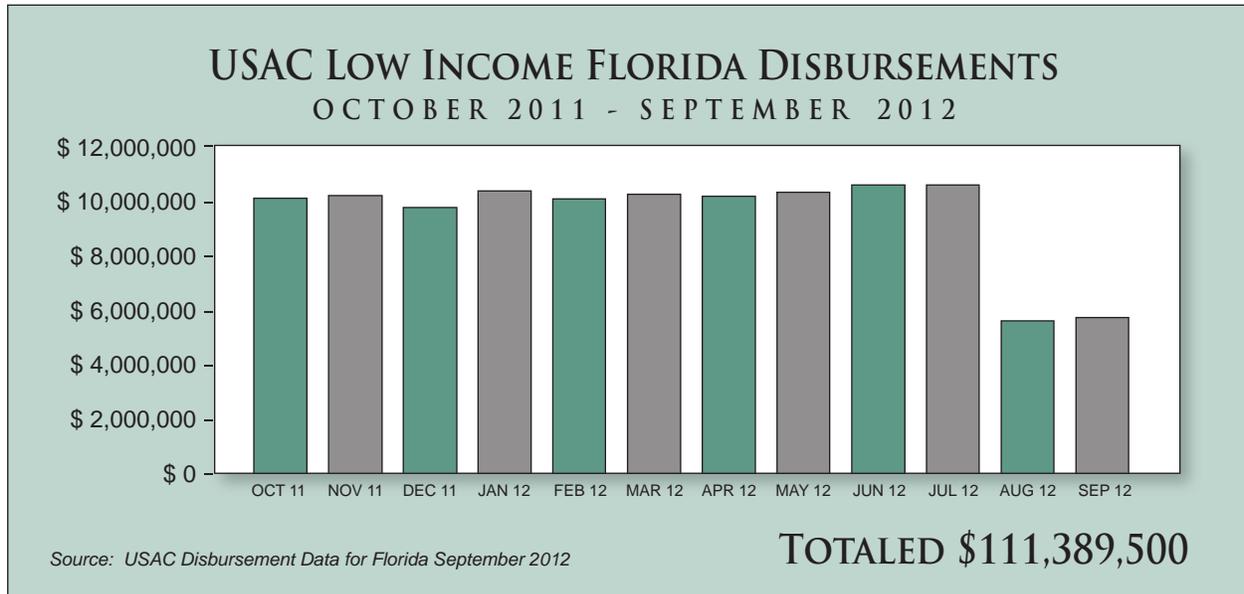
Promotional activities featured National Lifeline Awareness Week, National Consumer Protection Week, the Connect Florida Campaign, and ongoing grassroots efforts to increase awareness and enrollment in the programs. Each month, the FPSC sends a cover letter and informational packet to two organizations to encourage continued Lifeline outreach to their eligible clientele. In addition, the FPSC attends as least two community events each month to promote Lifeline.

Stay Connected Florida was the slogan selected for National Lifeline Awareness Week (LAW), September 10-14, 2012. In addition to increasing awareness among eligible citizens, in 2012, Florida's LAW aimed to educate FPSC partners on recent FCC rule changes to curb program abuse that limit benefits to one per eligible household, with annual recertification required to continue receiving the benefit. The FPSC's Chairman Ronald A. Brisé kicked off the week by hosting an informal workshop in Tallahassee with representatives from social service agencies whose clients benefit from the Lifeline program and state agencies facilitating Lifeline's promotion and application process. Now in its fourth year, LAW events were also held throughout Florida to help seniors and low-income Floridians, as well as unemployed residents in Workforce centers, learn about and apply for the program.

The number of eligible customers participating in the Lifeline program in Florida grew 9.7 percent during the July 2011 through June 2012 annual review period. As of June, 1,035,858 eligible customers participated in the Lifeline program. The five companies with the highest Lifeline enrollment in Florida are SafeLink, Assurance Wireless, AT&T, CenturyLink, and Verizon. As of June, SafeLink had 430,048 Lifeline customers; Assurance Wireless had 428,830; AT&T had 102,363; CenturyLink had 35,154; and Verizon had 18,496 Lifeline customers. The table below shows the number of Lifeline subscribers from June 2009 through June 2012.

LIFELINE SUBSCRIBERS			
June 2009	June 2010	June 2011	June 2012
618,744	642,129	943,854	1,035,858
% Net Gain 2011 - 2012			9.7%

The table below shows Universal Service Administrative Company (USAC) Florida Lifeline disbursements at an all time high for the 12-month period ending September 2012, totaling \$111,389,500 and averaging \$9,282,458 per month. These dollars enabled Florida citizens qualifying for Lifeline benefits to receive discounted monthly bills with a \$12.75 credit or a free Lifeline wireless phone with free monthly minutes.



Additional information about the FPSC’s 2012 Lifeline activities and a complete list of the Lifeline Partners assisting with promotional efforts are available in the FPSC’s report, *Number of Customers Subscribing to Lifeline Service and the Effectiveness of Procedures to Promote Participation*. A printed copy of the report may be requested from the FPSC or accessed on the website at <http://www.floridapsc.com/publications/pdf/telecomm/tele-lifelinereport2012.pdf>.

On February 6, 2012, the FCC released its Lifeline Reform Order 12-11 making significant changes to the Lifeline program to reduce waste, fraud, and abuse.

Included among the changes were the following:

- ◆ The Federal portion of the Lifeline credit has been reduced from \$10.00 to \$9.25.
- ◆ Link-Up has been eliminated from the low-income program except on Tribal lands.¹
- ◆ Toll Limitation Service is being phased out from the Universal Service Fund (USF) effective January 1, 2014.
- ◆ A Lifeline applicant must now show proof of participation in a qualifying program (such as Medicaid, SNAP, etc.) if using this criteria to qualify. As a result, the Florida Lifeline simplified certification/self-certification application process has been eliminated.²

¹ The Link-Up program has helped low-income consumers by reducing the telephone service installation charge by one-half (up to a maximum of \$30) of the initial installation fee for a traditional wireline telephone or an activation fee for a wireless telephone, if applicable.

² The simplified certification process allowed eligible customers to enroll in Lifeline and Link-Up by simply signing a document certifying, under penalty of perjury, that the customer participates in one of the Florida Lifeline and Link-Up qualifying assistance programs.

- ◆ A 60-day non-usage rule has been initiated for Lifeline Prepaid Service Providers that do not charge for service on a monthly basis and do not have a regular billing relationship with the subscriber. Now, if a Lifeline customer's account is considered inactive following non-usage in any 60-day time period, service is deactivated. The FCC recognized Florida for raising awareness to this problem.
- ◆ USAC will establish a National Lifeline Accountability Database by February 2013 to determine if a prospective subscriber is already receiving Lifeline support from another eligible telecommunications carrier (ETC). As soon as possible, USAC will also establish an automated means to determine Lifeline eligibility.

Actions taken by the FPSC:

- ◆ On February 6, 2012, the FCC released a Report and Order and Further Notice of Proposed Rulemaking addressing Lifeline and Link-Up Reform and Modernization. The FPSC opened Docket No. 120052 to address Florida's Lifeline program changes as a result of the FCC Order. By Order PSC-12-0205-PAA-TP, issued April 17, 2012, the FPSC eliminated the Florida Link-Up program for non-tribal areas, reduced the monthly ETC reimbursable Lifeline amount from \$10.00 to \$9.25, and eliminated the Florida Lifeline Simplified Certification application process.
- ◆ The FPSC worked with the Florida Department of Children and Families (DCF) to modify the Lifeline enrollment process to comply with the FCC Order. The Lifeline simplified certification application process was replaced by a Lifeline coordinated enrollment process between the FPSC and DCF. The FPSC is now able to confirm that an applicant participates in a Lifeline qualifying program (Medicaid, SNAP, or TANF) through an electronic interface with DCF's computer. As soon as an applicant completes the Lifeline application with an electronic signature, the FPSC computer completes a query to the DCF computer to verify the applicant is actually participating in a qualifying program.
- ◆ Initiation of Lifeline Service rulemaking began for Rule 25-4.0665, F.A.C., to update the rule in accordance with the FCC Order.
- ◆ The FPSC monitors Lifeline disbursements from the USF monthly to determine if reported and reimbursed funds are consistent with the number of actual Lifeline customers. Additionally, the FPSC monitors Lifeline customer lines that are purchased from another carrier as "resale" to make sure the USF is accurately distributing funds.
- ◆ By participating in the National ETC Coordinating Group to monitor prospective and existing ETCs across the country, Florida has been one of the front-runners in enforcing safeguards to prevent waste, fraud, and abuse of the USF. This information sharing has enabled other states in the Group to monitor new ETC petitioners and existing ETCs to prevent waste, fraud, and abuse of the USF on a national basis.
- ◆ The FPSC granted two CLEC ETC petitions.
- ◆ Florida was one of two states personally commended by FCC Chairman Julius Genachowski for formidable efforts to identify and eliminate fraud in the Lifeline Assistance program. In his December 12, 2011 letter, Chairman Genachowski praised the states' efforts to end any potential fraud in the USF, specifically recognizing actions by Florida and Wisconsin, and also urged state commissions to join the FCC's national effort "to reform the Lifeline program...and to take swift and strong action when necessary to protect the program."

FLORIDA RELAY SERVICE

Request for Proposal

Section 427.704, F.S., charges the Commission with overseeing the administration of a statewide telecommunications access system to provide access to Telecommunications Relay Services by persons who are deaf, hard of hearing or speech impaired, or others who communicate with them. On May 31, 2012, the existing contract for the provider of Florida Relay Service expired.

Based on a competitive bid evaluation process, the Commission awarded the new Relay provider contract to AT&T, effective June 1, 2012, for a period of three years ending May 31, 2015. The contract contains options to extend the contract for four ad-

ditional one-year periods, with mutual consent by both parties. It is estimated the new contract will save \$1.5 million over the initial three year contract period. The winning AT&T bid included a new Relay Call Center in Miami, which opened August 14, 2012, bringing 44 new jobs to Florida.

Recertification

States must seek recertification of their Relay programs from the FCC every five years. The state certification process is intended to ensure that Telecommunications Relay Service is provided in a uniform manner throughout the United States and territories. On September 25, 2012, the Commission submitted Florida’s recertification application to the FCC, which contained documentation that Florida meets or exceeds all of the applicable mandatory minimum standards set forth in Code of Federal Regulations Section 64.604. An FCC response is expected this spring.

NASRA Annual Conference

The National Association for State Relay Administration (NASRA) for the first time chose Florida for its 2012 annual conference in Orlando on October 21-24, 2012. Florida PSC Chairman Ronald A. Brisé was the keynote speaker at this national event and stressed that Florida is, and will continue to be, responsive to the needs of the deaf, hard of hearing, and speech disabled community in Florida. The conference was preceded by the Telecommunications Equipment Distribution Program Association annual conference in Orlando on October 16-20, 2012.



FEDERAL ACTIVITY

The FPSC actively monitors federal telecommunications issues. Section 364.012, F.S., encourages participation in federal agencies’ cases that might affect Florida consumers to convey the FPSC’s policy positions. The Commission files comments with the FCC in response to actions that can affect Florida citizens as well as periodically informing the Florida Congressional delegation and other affected state agencies on federal issues. Areas of particular emphasis include proceedings relating to the federal USF, intercarrier compensation, and telephone relay. Each of these areas can and do have substantial financial impacts on Florida

carriers and telecommunications consumers. For example, Florida is the largest net contributor state to the USF, and the FPSC has consistently taken positions before the FCC to reduce and/or limit growth of the fund’s size.

In addition to federal Lifeline and Link-Up reform and modernization, in 2012 the FPSC addressed federal Universal Service support for broadband services, the Subscriber Line Charge, and the Access Recovery Charge.

WATER & WASTEWATER

WATER & WASTEWATER RATE CASES

Similar to prior years, the Commission processed a large number of water and wastewater rate cases in 2012. Of these cases, 10 were processed as staff assisted rate cases pursuant to Chapter 367.0814, F.S. To date, the Commission has completed 5 staff assisted rate cases and has 5 cases in process.

In addition to the staff assisted rate cases, the Commission processed 10 rate cases filed by larger water and wastewater companies. To date, the Commission has completed 5 rate cases and has 5 cases in process.

In 2012, staff continued to perform its normal surveillance of the earnings levels of water and wastewater companies regulated by the FPSC. As a result of this program, the Commission approved a rate decrease for Mid County Utilities, Inc. effective August 2012 to address the company’s overearnings position. Also during 2012, the Commission received 40 index applications and 8 pass-through applications for water and wastewater companies. Through the third quarter of 2012, the Commission has processed 33 index applications and 6 pass-through applications.

WATER & WASTEWATER CERTIFICATION CASES

In 2012, original certificates to provide water and wastewater service were approved for Harbor Waterworks, Inc., HV Utility Systems, L.L.C., Farmton Water Resources L.L.C., and Grove Land Utilities, L.L.C.

An amendment to expand service territory was granted to Central Sumter Utility Company, L.L.C. In addition, an amendment to add service territory was approved for Tymber Creek Utilities, Inc.

Transfers of certificates in 2012 included the transfer of Service Management Systems, Inc. to Aquarina Utilities, Inc., Plantation Landings, Ltd. to GCP Plantation Landings, L.L.C., and Pinecrest Ranches, Inc. to Pinecrest Utilities, L.L.C. In addition, transfers of majority organizational control from Hydro Star, L.L.C. to Corix Utilities (Illinois) and Colina Bay Water Company, L.L.C. to Colina

Bay Homeowners Association, Inc. were also approved.

Cancelled certificates also resulted from several transfers to governmental entities, including Paradise Lakes Utility, L.L.C. and Mad Hatter Utility, Inc. to Florida Governmental Utility Authority; C & H Utilities, Inc. to the City of Sebring; and Rainbow Springs Utilities, L.L.C. to the City of Dunnellon. In addition, the abandonment of Bayshore Utilities, Inc. and the appointment of Lee County as receiver resulted in a certificate cancellation.



AGENCY ORGANIZATION

The Commission consists of five members appointed by the Governor and confirmed by the Senate. Commissioners serve four-year terms, as provided in Chapter 350, F.S.

Commissioners are selected for their knowledge and experience in one or more fields substantially related to the duties and functions of the Commission. These fields include economics, accounting, engineering, finance, natural resource conservation, energy, public affairs, and law.

Created by the Florida Legislature in 1887, the FPSC was originally called the Florida Railroad Commission and primarily regulated railroad passenger and freight rates and operations. As Florida grew, the Commission's purpose expanded.

- ◆ In 1911, the Legislature added regulation of telephone and telegraph companies.
- ◆ In 1929, jurisdiction was granted over motor carrier transportation.
- ◆ In 1951, the Commission began regulating investor-owned electric companies.
- ◆ In 1952, jurisdiction was extended to the regulation of natural gas utilities.
- ◆ In 1959, the Commission began regulating privately owned water and wastewater systems.

The Commission's divisions and offices are described in the next section, and a list of all past and present Florida Public Service Commissioners.

Office of
General Counsel



S. Curtis Kiser

The **Office of General Counsel** provides legal counsel to the Commission on all matters under the Commission’s jurisdiction. This office also supervises the procedural and legal aspects of all cases before the Commission.

The office is responsible for defending Commission orders on appeal, for defending Commission rules challenged before the Division of Administrative Hearings, and for representing the Commission before state and federal courts. To assist FPSC offices and divisions, this office offers support in making filings with, or presentations to, other federal, state, or local agencies. The office advises in the promulgation of rules and attends or conducts rulemaking hearings at the Commission’s direction. It also reviews procurement contracts; counsels the Commission on personnel, contractual, public records, and other administrative legal matters; and offers mediation services to parties in Commission proceedings.

In cases involving evidentiary hearings before the Commission or an Administrative Law Judge, the office is responsible for conducting discovery, presenting staff positions and testimony, and cross-examining other parties’ witnesses. In conjunction with the appropriate technical staff, this office prepares recommendations to the Commission and prepares written Commission orders.

In addition, the office is the liaison with the Florida Legislature on all matters affecting FPSC program areas and serves as a liaison with federal regulatory agencies, state agencies, and the Florida Department of Agriculture and Consumer Services’ Office of Energy.

The **Office of Inspector General** is established by law to provide a central point for coordinating activities that promote accountability, integrity, and efficiency in government. The office reports directly to the Chairman, and its responsibilities include conducting internal audits and investigations, assessing the validity and reliability of data and information produced by the Commission, and coordinating external audits and reviews of the Commission by the Auditor General and others.

The office also monitors corrective actions to address identified deficiencies. These activities help management ensure that Commission programs perform as intended and that fraud or abuse is detected and eliminated. By reducing risks of nonperformance in Commission operations, the office promotes the Commission’s ability to achieve its mission and goals.

Office of
Inspector General



Steve Stolting
Director

Division of
Administrative
& Information
Technology Services



Bobby Maddox
Director

ADMINISTRATIVE DIVISIONS & OFFICES

The **Division of Administrative & Information Technology Services** assists in preparing the Commission’s Legislative Budget Requests, monitors the operating and non-operating budgets, and assists in preparing budget amendments as necessary. The *Fiscal Services Section* primarily handles all financial transactions and accounting records maintenance. *Human Resources* administers the agency’s human resources program, including recruitment, selection, classification and pay, attendance and leave, per-

formance evaluations, training and staff development, variable work week schedules, employee relations, payroll, insurance, and other employee benefit programs.

Support Services and Facilities Management and Purchasing are under the *General Services Section*. *Support Services* supports imaging, duplicating, mail distribution, audiovisual, hearing and conference room operations, and fax systems. *Facilities Management and Purchasing* processes all agency purchasing, security and safety issues, leasing, surplus property, and fleet management.

The *Bureau of Information Technology Services* monitors and evaluates the information processing and telephony needs of the FPSC, proposing enhancements to information processing resources to management and providing technical support services. Additionally, the bureau manages the agency-wide administrative procedures manual and forms inventory/tracking programs.

Office of
Commission Clerk



Ann Cole
Director

The **Office of Commission Clerk**, the official keeper of the Commission's public records, is responsible for coordinating public record requests. It records, prepares, and maintains the official minutes or transcript of Commission Conferences and Internal Affairs meetings. The office is authorized to issue subpoenas in proceedings before the Commission and is responsible for preparing, certifying, and transmitting records on appeal to the upper tribunal. The Commission Clerk, designated as the Agency Clerk and the Department of State Records Management Liaison Officer, coordinates the FPSC's records management program, is responsible for issuing non-Commissioner signed orders and notices, and, as the custodian of record, certifies copies of official filings.

The *Documents and Case Management Section* accepts and processes filings and maintains the official docket by ensuring the integrity, timeliness, and availability of filings in the Case Management System (CMS) and on the FPSC website. It is responsible for managing and coordinating the establishment of new dockets, issuance of orders and notices to parties and interested persons, case closure, and preparation of statistical and management reports. This section responds to information requests, invoices for services and, upon applicable payment, provides the responsive documents. It maintains the Master Commission Directory (MCD) of utilities and provides notification to Commission employees regarding the adoption of new or amended rules. This section also administers the records management program and activities.

The *Events and Hearing Reporters Section* prepares and notices events such as Commission Conferences, Internal Affairs meetings, hearings, pre-hearings, workshops, and rulemaking in the Florida Administrative Register. This section prepares the FPSC's Schedule of Live Events from the established Commission calendar and provides support staff to record these events. It also maintains the calendar of Commission activity and issues various reports. The hearing reporters record and prepare discovery deposition transcripts, attend scheduled events, and are responsible for preparing and filing the official record transcripts and exhibits in the appropriate dockets.

Office of
Auditing &
Performance Analysis



Dale Mailhot
Director

The **Office of Auditing & Performance Analysis** conducts audits and reviews in all industries.

The *Performance Analysis Section* conducts utility management and operational audits and identifies areas for improvement. These audits may be limited to one company or conducted on a comparative basis between several companies. Areas for investigation may include internal controls, process or procedure analysis, construction project management, quality assurance, service quality, and rule compliance. Special investigations are also conducted relating to allegations of utility fraud, mismanagement, and other whistleblower complaints.

The *Bureau of Auditing* is responsible for audits and reviews in all industries. The types of audits and reviews performed include financial, compliance, billing, and verification. The auditors conduct examinations of utility-related financial and operating records and provide an independent verification of the supporting documentation for any statements or filings made by regulated companies. Financial audits are conducted in conjunction with utilities' requests for rate increases through rate cases or the annual cost recovery clauses to ensure ratepayers only pay for prudently incurred expenses. This bureau conducts financial audits from three district offices in Tallahassee, Miami, and Tampa.

Office of
Consumer Assistance
& Outreach



Cynthia Muir
Director

The **Office of Consumer Assistance & Outreach** is the Commission's liaison with the public and the media. Providing effective consumer assistance and education, the Bureau of Consumer Assistance receives, processes, and resolves consumer complaints and informal disputes between customers and utilities. Consumers may file complaints via a toll-free telephone number or online and by mail, facsimile, or e-mail. In addition to helping resolve complaints, the bureau provides consumer information about utility payment plans, statutes and rules governing utility companies, and the status of pending cases before the FPSC.

By producing and distributing the agency's news releases and maintaining familiarity on a broad array of dockets, issues, and related activities affecting consumers or having media interest, the *Outreach Section* ensures that timely, accurate information is disseminated to the public. This section also participates in community meetings, consumer forums, and customer meetings and hearings by presenting agency information and distributing a variety of consumer publications, including information on the Lifeline Assistance Program.

Other office responsibilities include selecting locations and coordinating logistics for customer service hearings, handling consumer outreach and media at customer meetings and service hearings, and updating information and processing submissions to the agency's website.

The office also coordinates and produces several FPSC reports and publications, including the *FPSC Annual Report*, *Comparative Rate Statistics*, *Facts & Figures of the Florida Utility Industry*, *Statistics of the Florida Electric Utility Industry*, *The Statement of Agency Operation & Organization*, *Inside the PSC*, and the *quarterly Consumer Connection E-Newsletter*.

Division of
Economic Regulation



Marshall Willis
Director

TECHNICAL DIVISIONS & OFFICES

The **Division of Accounting & Finance** reviews the revenue requirements of rate base regulated electric, natural gas, and water and wastewater utilities and monitors earnings for these industries through reviews of surveillance filings and utility annual reports. The division manages the utilities' annual report process including all mailings, extensions, filings, delinquency notices, penalty letters, and show cause recommendations.

The division is also responsible for processing requests for base rate changes requested by electric, natural gas, and water and wastewater utilities, as well as Commission-initiated overearnings investigations. Processing base rate change requests includes analyzing filings, expert testimony, and exhibits; developing interrogatories and production of documents requests; preparing cross-examination questions; presenting staff testimony; holding customer meetings; and presenting recommendations to the Commission, including a recommended return on equity. Water and wastewater utilities' requests for index and pass through rate adjustments and staff assisted rate cases are also processed by the division.

In addition, the division makes recommendations to the Commission on annual cost recovery clause petitions. For electric utilities, this includes fuel and purchased power costs, capacity costs, conservation expenditures, and environmental expenditures. For natural gas utilities the annual cost recovery petitions include purchased gas cost and conservation expenditures. The division also monitors monthly electric utilities' fuel costs and natural gas utilities' purchased gas costs.

For water and wastewater utilities, the division administers the transfers of utility certificates from one utility regulated owner to another, as well as transfers from regulated owners to governmental entities and other exempt entities.

Other responsibilities include processing security applications for investor-owned natural gas and electric utilities, evaluating requests for corporate undertakings, analyzing income tax issues, and calculating the interest on refunds.

Division of
Engineering



Tom Ballinger
Director

The **Division of Engineering** is responsible for providing recommendations pertaining to technical issues coming before the Commission. Issues may include evaluation of engineering capital cost estimates and actual utility plant expenditures, determination of annual revenue requirements and life cycle costs, establishment of adequate margins of reserve, and analysis of operating and maintenance costs. Additionally, the division is responsible for cost-effectiveness determinations, taking into consideration the impacts on Florida's consumers, regulated industries, and the regulatory environment.

All docketed and undocketed matters involving the engineering and safety aspects of Florida's electric, natural gas, and water and wastewater utilities within the Commission's jurisdiction are the division's responsibility. The division has primary responsibility for programs such as the ten-year site plans,

Division of
EconomicsJim Dean
Director

conservation goals and programs, cogeneration and renewable generation contract approvals, modifications and buyouts, and bulk power interconnection standards. The division also coordinates issue resolutions pertaining to storm hardening, construction standards, meter accuracy and testing, electric and gas pipeline safety, emergency planning and operations, water and wastewater margin of reserve, and used and useful determinations.

The division annually prepares the *Distribution Reliability Report Analyzing the Service Quality and Outage Performance of the Investor-Owned Electric Utilities*. The division is also responsible for staffing the Emergency Support Function 12 in the Emergency Operations Center. The ESF-12 responsibility is to provide outage and restoral information regarding electric and natural gas service during a state of emergency.

The **Division of Economics** provides recommendations to the Commissioners on the design and application of retail rates and tariffs for all electric, gas, and water and wastewater utilities subject to the Commission's jurisdiction. In addition, the division provides primary technical support for all cases involving determination of service territories for electric and gas utilities. Reviewing the development and application of depreciation rates and practices for inclusion in base rate revenue requirements is another division function.

In addition to rate and tariff matters, the division provides econometric and statistical analyses, including forecasts and other statistical projections, for all investor-owned regulated industries. The division also prepares a Statement of Estimated Regulatory Cost (SERC), required by statute for all proposed and revised administrative rules. SERC's evaluate the costs and benefits of the proposed rule change, including analyses on the public and business sectors.

The division has primary responsibility for preparing the annual *Florida Energy Efficiency and Conservation Report* and that portion of the *Ten-Year Site Plan Review* that addresses the adequacy of electric utilities' load and energy forecasts.

Office of
TelecommunicationsBeth Salak
Director

The **Office of Telecommunications** handles issues that involve the wholesale oversight of the wireline telecommunications industry. The office is responsible for facilitating dispute resolutions between carriers about local interconnection agreements and other wholesale issues. Companies entering an agreement can either negotiate between the parties or have the FPSC arbitrate unresolved operational issues. Once an interconnection agreement is executed, the parties may come to the FPSC to resolve a dispute of interpretation of the contract language. The office also processes cases involving area code relief, number conservation plans, number resource reclamation, local number portability, and other numbering issues.

Florida's Lifeline Assistance Program, which provides discounted telecommunications services to low-income consumers, is monitored and the office addresses issues related to Lifeline and provides recommendations on eligible telecommunications carrier designations. The office also oversees the Florida Relay Program, providing telecommunications services for the deaf

and hard of hearing, and facilitates the resolution of consumer complaints relating to Lifeline, Telephone Relay, and payphones.

The office prepares the *Annual Report on the Status of the Telecommunications Access System Act of 1991*, the *Annual Report on Lifeline Assistance*, and the *Report on the Efforts of the Florida Public Service Commission to Reduce the Regulatory Assessment Fee for Telecommunications Companies*. In addition, based upon competitive market data analysis, the office compiles and prepares a report on its findings in the *Annual Local Competition Report*.

All certification filings are processed, along with the related administrative functions for all telecommunication companies and pay telephone providers. The office processes local telephone service providers' schedules of rates and terms, if filed with the FPSC, and negotiated agreements. Monitoring company compliance with various FPSC rules, the office initiates action if warranted. The office also acts as the FPSC's technical liaison with the Federal Communications Commission and provides Commissioner support for National Association of Regulatory Utility Commissioners' (NARUC) telecommunications activities.

Office of
Industry
Development &
Market Analysis



Mark Futrell
Director

The **Office of Industry Development & Market Analysis** is responsible for the critical assessment of the evolving utility industry and development of strategies that most benefit Florida's citizens. The office analyzes developing policies and prepares recommendations for implementing state and federal laws, including strategy alternatives for consideration by the Commission. The office serves as a technical liaison with the Florida Legislature and state agencies, including the Florida Department of Agriculture and Consumer Services' Office of Energy. Also, the office monitors and advises the Commission on Congressional activities and federal agency actions which may impact Florida consumers and utilities.

The office participates in special studies concerning energy policy, develops discussion papers, and analyzes alternative regulatory approaches for energy policy. Additionally, the office analyzes policy relating to the adequacy, quality, and affordability of Florida's water resources and analyzes issues affecting the water and wastewater industry. The office also prepares technical analyses of special projects for all industries (i.e., electric, telecommunications, and water and wastewater). Finally, the office provides support to Commissioners for NARUC activities pertaining to energy, spent nuclear fuel, environmental regulations, energy efficiency, and renewables, as well as technical support to other staff in docketed and undocketed matters.

FPSC COMMISSIONER HISTORY

Commissioner	Years Served	Replaced By	Appointed By
George G. McWhorter	08/17/1887 - 06/13/1891		
E.J. Vann	08/17/1887 - 06/13/1891		
William Himes	08/17/1887 - 06/13/1891		

The Commission was abolished by the Legislature in 1891, and recreated in 1897

R. H. M Davidson	07/01/1897 - 01/03/1899	John L. Morgan	
John M. Bryan	07/01/1897 - 01/06/1903	Jefferson B. Brown	
Henry E. Day	07/01/1897 - 10/01/1902	R. Hudson Burr	
John L. Morgan	01/03/1899 - 01/08/1907	Royal C. Dunn	
R. Hudson Burr	10/01/1902 - 01/04/1927	R. L. Eaton	
Jefferson B. Brown	01/06/1903 - 01/08/1907	Newton A. Blitch	
Newton A. Blitch	01/08/1907 - 10/30/1921	A. D. Campbell	
Royal C. Dunn	01/04/1909 - 01/04/1921	A. S. Wells	
A. S. Wells	01/04/1921 - 12/16/1930	L. D. Reagin	
A. D. Campbell	11/12/1922 - 02/10/1924	E. S. Mathews	
E. S. Mathews	02/25/1924 - 01/16/1946	Wilbur C. King	
R. L. Eaton	01/04/1927 - 02/27/1927	Mamie Eaton-Greene	
Mamie Eaton-Greene	02/27/1927 - 01/08/1935	Jerry W. Carter	
L. D. Reagin	12/16/1930 - 07/06/1931	Tucker Savage	
Tucker Savage	07/06/1931 - 01/03/1933	W. B. Douglass	
W. B. Douglass	01/03/1933 - 08/04/1947	Richard A. Mack	
Jerry W. Carter	01/08/1935 - 01/05/1971	William H. Bevis	
Wilbur C. King	01/08/1947 - 07/18/1964	William T. Mayo	
Richard A. Mack	09/15/1947 - 01/05/1955	Alan S. Boyd	
Alan S. Boyd	01/05/1955 - 12/01/1959	Edwin L. Mason	
Edwin L. Mason	12/01/1959 - 01/06/1969	Jess Yarborough	
William T. Mayo	09/01/1964 - 12/31/1980	Katie Nichols	Graham*
Jess Yarborough	01/06/1969 - 01/02/1973	Paula F. Hawkins	
William H. Bevis	01/05/1971 - 01/03/1978	Robert T. Mann	
Paula F. Hawkins	01/02/1973 - 03/21/1979	John R. Marks, III	
Robert T. Mann***	01/04/1978 - 01/03/1981	Susan Leisner	Graham**

The Commission became appointive January 1, 1979

Joseph P. Cresse***	01/02/1979 - 12/31/1985	John T. Herndon	Askew/Graham
Gerald L. Gunter***	01/02/1979 - 06/12/1991	Susan F. Clark	Askew/Graham/PSC Nominating Council
John R. Marks, III***	03/22/1979 - 03/02/1987	Thomas M. Beard	Graham**
Katie Nichols***	01/02/1981 - 01/03/1989	Betty Easley	Graham
Susan Leisner	02/16/1981 - 04/02/1985	Michael McK. Wilson	Graham
Michael McK. Wilson***	07/12/1985 - 11/22/1991	Luis J. Lauredo	Graham/Martinez
John T. Herndon	01/07/1986 - 04/17/1990	Frank S. Messersmith	Graham
Thomas M. Beard***	03/03/1987 - 08/13/1993	Diane K. Kiesling	Martinez
Betty Easley	01/03/1989 - 01/05/1993	Julia L. Johnson	Martinez
Frank S. Messersmith	06/19/1990 - 02/05/1991	J. Terry Deason	Martinez
J. Terry Deason***	02/06/1991 - 01/01/2007	Ken Littlefield	PSC Nominating Council/Chiles/Bush
Susan F. Clark***	08/15/1991 - 07/31/2000	Michael A. Palecki	Chiles/Bush
Luis J. Lauredo	01/23/1992 - 05/16/1994	Jose "Joe" Garcia	Chiles
Julia L. Johnson***	01/05/1993 - 11/15/1999	Lila A. Jaber	Chiles
Diane K. Kiesling	12/07/1993 - 01/05/1998	E. Leon Jacobs, Jr.	Chiles
Jose "Joe" Garcia***	08/19/1994 - 06/30/2000	Braulio L. Baez	Chiles
E. Leon Jacobs, Jr.***	01/06/1998 - 01/07/2002	Rudolph K. "Rudy" Bradley	Chiles
Lila A. Jaber***	02/29/2000 - 12/02/2004	Lisa Polak Edgar	Bush
Braulio L. Baez***	09/01/2000 - 01/01/2006	Katrina J. Tew	Bush
Michael A. Palecki	12/19/2000 - 01/06/2003	Charles Davidson	Bush
Rudolph K. "Rudy" Bradley***	01/02/2002 - 01/01/2006	Matthew M. Carter II	Bush
Charles M. Davidson	01/07/2003 - 06/01/2005	Isilio Arriaga	Bush
Lisa Polak Edgar***	01/02/2005 - 01/01/2017		Bush/Crist/Scott
Isilio Arriaga	10/06/2005 - 01/31/2007	Nathan A. Skop	Bush
Matthew M. Carter II***	01/02/2006 - 01/01/2010	Ben A. "Steve" Stevens III	Bush
Katrina J. McMurrin	01/02/2006 - 10/05/2009	David E. Klement	Bush
Ken Littlefield	01/02/2007 - 01/31/2007	Nancy Argenziano	Bush
Nancy Argenziano***	05/02/2007 - 10/12/2010	Eduardo E. Balbis	Crist
Nathan A. Skop	05/02/2007 - 01/01/2011	Julie I. Brown	Crist
David E. Klement	10/22/2009 - 05/30/2010	Art Graham	Crist
Ben A. "Steve" Stevens III	01/02/2010 - 05/30/2010	Ronald A. Brisé	Crist
Art Graham***	07/16/2010 - 01/01/2014		Crist/Scott
Ronald A. Brisé***	07/23/2010 - 01/01/2014		Crist/Scott
Eduardo E. Balbis	11/24/2010 - 01/01/2015		Crist/Scott
Julie I. Brown	01/02/2011 - 01/01/2015		Crist/Scott

* 2 year initial term

** 3 year initial term

*** Served/serving as Chairman