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June 24, 2008

Ms. Ann Cole, Director
Commission Clerk and Administrative Services
Room 100, Easley Building
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No.: 080294-EI

Dear Ms. Cole:

Enclosed for filing on behalf of Florida Public Utilities Company is the Response of the Company to the Staff data request dated June 10, 2008.

Thank you for your assistance with this filing.

Sincerely yours,

A handwritten signature in cursive script that reads "Norman H. Horton, Jr." The signature is written in dark ink and is positioned above the printed name.

Norman H. Horton, Jr.

NHH:amb

cc: Walter Clemence
Martha Brown, Esq.
Connie Kummer
Elisabeth Draper
Mark Cutshaw

Docket No 080294-EI
Responses to Staff Data Request dated June 10, 2008

Florida Public Utilities Company herewith submits the following responses to the staff data request sent June 10, 2008, in this docket. Any questions regarding the information provided herein should be directed to Mr. Mark Cutshaw at (904) 277-1957 or via email at mcutshaw@fpuc.com.

Subsection (4)(a) – Gross Power Rating:

1. This subsection provides that in order to qualify for expedited interconnection under the rule, the customer-owned generation must have a gross power rating that “does not exceed 90% of the Customer’s utility distribution service rating”. Paragraph 4 of the interconnection agreement provides that the total capacity of the customer generation cannot exceed “90% of the rating of service currently provided to the customer. When will the customer be provided their customer distribution rating?”

Response:

The customer will be provided the distribution rating during the inspection process of the customer-owned generation facility. Should a customer request this information prior to submitting an application, this information can be provided during the normal course of business operations.

2. If the Customer’s GPR exceeded the 90% limit for “customers’ utility distribution service rating”, please explain whether the customer would qualify for interconnection and net metering under the terms of Rule 25-6.065(4)(a)(1), Florida Administrative Code.

Response:

As indicated in Rule 25-6.065(4)(a)(1), the customer would not qualify for expedited interconnection under this rule based on the Gross Power Rating exceeding 90% of the utility distribution service rating.

Subsection (4)(d) - Interconnection Study:

3. For Tier 3 customers, the tariff requires a deposit of \$2000 for an interconnection study; if the study cost exceeds \$2000, the Customer is required to pay the difference; if the study costs less, then FPUC will refund the difference. Subsection (4)(g) of 25-6.065, F.A.C. (the Rule) permits a study charge, but is silent as to allowing a deposit. Why does FPUC desire to require a deposit instead of a flat charge amount for the Interconnection Study? Is it the intention of FPUC to have each charge individually approved by the Commission?

Response:

The total generation capacity for a Tier 3 customer can vary from 100 KW to 2 MW. Considering the large difference in generation capacity and the variety of locations and distribution facilities that are possible, the interconnection study complexity and costs may vary greatly. In order to ensure that customers reimburse FPU for those costs associated with their study, the initial charge is referred to as a deposit so that FPU has the ability to determine a reasonable and fair cost for each installation and then refund or make additional charges based on each situation. A flat

charge for all interconnection studies would unduly burden the smaller installations while subsidizing the larger installations.

FPUC does not intend for the Commission to approve each interconnection study charge individually as each installation will pay the cost associated with the study. As indicated in Section 22 of each agreement, all customers have the right to have the commission rule on any disputes resulting in the installations.

4. If the interconnection study shows a need for expanding FPUC's system at Customer's cost, how will FPUC notify the Customer of the needed changes? Will FPUC give Customers the opportunity to dispute the interconnection study before the Public Service Commission before FPUC modifies its system?

Response:

If an interconnection study is completed, a determination of any system modifications will be included in the study along with any associated cost. This information will be provided to the customer to determine if there is continued interest in pursuing the installation. As stated in Section 5(c), "This agreement will not be executed until the expansion or other work identified in the study has been completed and payment received". The customer will have the option of not proceeding with the installation or bringing any disputes before the commission for resolution.

Subsections (4)(f), (4)(g) and (4)(h) – Cost Support for Fees:

5. These subsections allow the utility to propose for Commission approval standard application fees for Tiers 2 and 3 customers and an interconnection study charge for Tier 3 customers. Further, the utility is required to demonstrate that its fees and charges are cost-based and reasonable. Please provide more information to describe how the fees for Tier 2 and 3 were derived.

Response:

The application fee determination for Tier 2 and Tier 3 generation systems was based on management experience in processing these types of installations. Administrative labor of one (1) hour was assigned for clerical positions to prepare documents, make revisions when necessary, schedule time, execute the documents and perform the necessary documentation and filing. Engineering Department labor and transportation of five (5) hours was assigned for the engineering personnel to perform a minimum of three site visits during the installation, collect the necessary data and review the installation. Engineering Management labor expense of one (1) hour was assigned for the Engineering Manager to review, approve and process the agreement. All costs and method of calculation are identified in "Exhibit A" that was included with the initial filing.

The interconnection study fee determination for Tier 2 and Tier 3 generation systems was based on management estimates of what would be involved with an average interconnection study. Engineering Manager labor was assigned a total of twenty (20) hours to collect data, develop one lines for load flow analysis, and to review and finalize the study and recommendations when received back from the consultant. Engineering Consultant cost was assigned a total of eight (8) hours of time to perform the load flow analysis and make recommendations and was calculated at average cost paid to engineering consultants. All costs and the method of calculation are identified in "Exhibit B" that was included with the initial filing.

6. Please provide cost justification for the tier 3 interconnection study. For Tier 3 customers the tariff requires a deposit of \$2,000. Subsection (4)(g) permits a study charge, but is silent on allowing a deposit. Why does FPUC desire to charge a deposit instead of charging a flat charge for the Interconnection Study? Does the company plan to have each interconnection study fee approved by the Commission?

Response:

See response to Question #5 for the information on the interconnection study. See response to Question #3 on the deposit issue.

7. Does the company intend to perform an interconnection study for all Tier 3 customers? How is the decision made whether or not to conduct an interconnection study? How does the company plan to advise Tier 3 customers of this requirement?

Response:

In most situations, an interconnection study for all Tier 3 customers will be necessary. However, should an installation occur in a location in which the distribution facilities and generation capacity adequately support the installation, the company may find that the study is not necessary. The determination of whether an interconnection study is necessary will be made solely by the company. The decision will be based on a survey of the installation using sound engineering principles to determine if the interconnection study is necessary. The interconnection study requirement is included in both the agreement and the initial application. If the interconnection study is required, the customer will be informed that the \$2,000 deposit is required prior to initiation of the study.

8. If a customer rises from one tier to another, will they be required to pay application fees? Would an interconnect study charge be applied if the customer rises to a tier 3?

Response:

Yes. Should the customer increase customer owned generation that results in the customer moving to another tier, a new application and agreement will be required. The Application Fee and Interconnection Study Charge, if applicable, associated with the new tier will be charged to the customer. The collection of additional costs is necessary to ensure that the new installation meets the new requirements associated with the increased generation capacity.

Section 6-Manual Disconnect Switch:

9. Tier 1 Customers will not have a “manual disconnect switch” unless voluntarily provided by FPUC or the Customer. How will FPUC then disconnect the Tier 1 Customer from the grid in the event of one of the situations described in Paragraph (10) & Rule (6)(c)?

Response:

Should the Tier 1 customer elect not to have a manual disconnect switch, the Company will remove the electric meter or disconnect the service to the location in order to disconnect the generation from the company system.

Section 7-Administrative Requirements:

10. Will the customer be provided with a copy of the associated pages of the tariff with their downloadable application for the interconnection agreement?

Response:

No. The application will be available on the company website as required in Section 7(a) of Rule 25-6.065. The application includes information that the tariff pages and agreement will be available at the local FPUC office.

11. After the application is submitted, Rule (7)(b) requires that the Company's "written notice" provided to the Customer state whether an Interconnection Study will be required for the Tier 3 Customer. For *Tier 3 Customers*, FPUC's tariff is silent on whether FPUC will inform a Tier 3 Customer that an Interconnection Study will be required. If this is not an omission, please indicate the reason for the exclusion. And, at what point in the application process will FPUC inform a Tier 3 Customer that an Interconnection Study will be required?

Response:

Notification of the interconnection study was not included but was an oversight in the development of the tariff. The following language will be added to the end of Section 11(b) on Original Sheet No. 68 of the tariff. The addition will include "...and confirmation of whether a Tier 3 interconnection study will be necessary".

12. The tariff language uses the thirty (30) days and does not reference the interconnection study requirement or reserve ninety (90) days for executing the interconnection agreement as permitted under Rule (7)(c). If this is not an omission, please indicate the reason for the exclusion. And, if an Interconnect Study was required, would it be complete within thirty (30) days, allowing for the parties to execute the agreement?

Response:

The ninety (90) day provision was not included but was an oversight in the development of the tariff. The following language will be added to the end of Section 11(b) on Original Sheet No. 68 of the proposed tariff. The addition will include "However, if the company determines that an interconnection study is necessary, the Company will execute the agreement within 90 days of the completed application".

Section 8 – Net Metering:

13. It appears that net metering tariff may be in conflict with the revised Section 366.91(7), Florida Statutes, contained in House Bill 7135 (HB 7135), which requires that net metering be available as a part of conjunctive billing of multiple points. As you are aware, HB 7135 was enacted by the Legislature this past session and is expected to be signed by the Governor. Does the utility plan to amend the net metering tariff to be consistent with this provision of HB 7135? If so, what changes would you make to the net metering tariff?

Response:

The tariff does not currently address this issue. The tariff will be revised to comply with the state requirements when approved. The tariff will be revised to incorporate conjunctive metering as included in the final state requirements.

14. The net metering tariff states that the company shall pay the customer for any unused credits. How does FPUC envision paying the customers? Will customers have the option to request a check for the payment?

Response:

FPUC will provide a credit to the bill each year should a credit be due to the customer. Should a customer close the account, a credit for excess generation would be included with the final bill. If this results in an additional amount due to the customer, similar to the refund of a deposit, a check would be issued for the amount remaining. Customers will not receive a check unless the account is closed and an amount is due to the customer.

15. The Rule is silent on the change of ownership. Under the terms of the Tariff, will a new interconnection agreement presumptively be approved upon change of ownership so long as 30 days notice was provided to FPUC? For new owners, will FPUC require an application fee (and Interconnection Study for Tier 3 Customers) because the Tariff is silent?

Response:

A new agreement will be required prior to the new owner operating the generator in parallel with the Company system. Assuming that there have been no changes to the original customer generation and that the facilities are in good operating condition, there will be no application fee or interconnection study charge required. However, if either of these conditions change that would require the installation to be recertified, inspected, studied, etc, the fees and charges may apply.

16. Is it correct that customers will be ineligible for time of use rates under net metering?

Response:

Yes. FPU does not offer time of use rates.

Involuntary Termination:

17. Involuntary Termination of the Net Metering Interconnect Agreement. Staff notes that there appears to be no procedure allowing the Company to initiate involuntary termination of the net metering interconnect agreement for breach by the Customer within the proposed Tariffs or the Rule, other than perhaps subsection (11), covering Dispute Resolution. Should such a situation arise, what would constitute breach and how would the Company initiate an involuntary termination of the net metering interconnect agreement?

Response:

Should the involuntary termination of the net metering interconnect agreement be necessary, Section 18 of the Tariff, Termination, would be used as a guide to terminate the agreement. There is no reference to the involuntary termination of the agreement contained within the tariff. However, should the provisions of the agreement be violated by either party that are not corrected in a reasonable amount of time; the agreement will be considered void and will be terminated.

18. The Rule is silent on the Termination of agreement. Why is permanent isolation from the grid at the customer's expense? It is understandable that isolation should be at customer's expense when the customer initiates termination of the agreement. Who should pay if FPUC initiates termination of the agreement?

Response:

Typically, the facilities from the meter to the customer generation are owned and maintained by the customer. The customer owned facilities would be those that would require modification in order to permanently isolate the customer generation while still allowing power from the grid. Since these are owned by the customer, the customer should have the expense of isolation. If FPUC initiates termination of the agreement, it would be based on the customer's failure to fulfill the requirements of the agreement which would indicate that the customer would be responsible to permanently isolate the generation from the system.

Interconnection Agreement Questions:

19. The last sentence in paragraph (18) seems confusing. Is there a substantive difference between "isolate from the grid" and "disconnect from the grid"? Would substituting "isolation procedure" for "disconnect procedure" in the last sentence be more consistent?

Response:

These statements are basically the same. This change can be made in the agreements.

20. There are places in the tariff where "subsection" and "paragraph" appear to be used interchangeable where it appears "paragraph" instead of "subsection" may be more appropriate. FPUC may wish to address this potential inconsistency. For instance:
- a. Paragraph (5)(a) references "subsection (4)" of the tariff; however, it probably should read "paragraph (4)"?

Response:

This will be modified.

b. Similar typo in Paragraph (5)(c) where it references “subsection (9).

Response:

This will be modified.

c. Similar typo in Paragraph (6)(b) where it references “subsections (4) through (5).

Response:

This will be modified.

d. Similar typo in Paragraph (11)(b) where it references “subsections (4) through (10).

Response:

This will be modified.