

Law Office of Brian Armstrong, PLLC  
P.O. Box 5055  
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November 10, 2016

Ms. Carlotta S. Stauffer  
Commission Clerk  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

Re: Docket No. 160060-EC: Complaint and Petition of the City of Cape Coral, Florida For An Investigation Into The Rate Structure Of Lee County Electric Cooperative, Inc.

Dear Ms. Stauffer:

By this letter, and on behalf of the City of Cape Coral, Florida ("City"), the City requests that the Florida Public Service Commission ("Commission") re-instate the process for hearing the City's petition and complaint in this proceeding. The patience of the Commission during the parties' attempts to resolve issues relevant to this complaint has been appreciated.

The last action taken by the Commission prior to the City's initial request for abeyance five months ago was the Commission's issuance of a letter requesting Lee County Electric Cooperative, Inc. ("LCEC") to provide certain information concerning cost of service issues (copy attached as Appendix A). As the Commission is aware through the City's petition in this matter, the City has long requested that LCEC perform a cost of service study to identify LCEC's costs of serving within the municipal boundaries of Cape Coral. The City requests that the Commission provide LCEC ten (10) days from the date of this letter to respond to the Commission's inquiries.

As support for this time frame, the City provides the following information: attached as Appendix B to this letter, please find a copy of an article dated September 15, 2015, in which LCEC's chief executive officer informs the public as follows: "They've asked us what the book value of our assets over there is, ... It's a relatively costly exercise to go through, it's on the order of \$50,000 to generate that information." This cost estimate is consistent with the information provided by LCEC to the City. The determination of assets and the net book value of assets constitutes a significant part of any cost of service study. A one time expense of \$50,000 represents less than .03% of the revenue secured by LCEC every year from service within the City (\$185 million), and an even lower percentage (less than .01%) of LCEC's total annual revenue (over \$400 million).

LCEC admits in its letter dated April 4, 2016 (submitted to this Commission in response to the City's petition and complaint) that "LCEC began performing a cost-of-service study in 2015 as a part of its normal business practice" (see copy of April 4 letter, attached as Appendix C hereto). LCEC's cost of service expert has been reporting to LCEC's board of trustees in closed meetings for some time. As the City had long requested City-specific cost of service information from LCEC and the City's complaint requesting City-specific cost of service information has been pending since March of 2016, prudent utility management suggests that LCEC will have performed the City-specific cost of service analysis as part of the recent study.

Also, enclosed as Appendix D please find a copy of a rate order (and associated pleading) (the "Talquin Order") addressing a prior complaint for a rate structure investigation filed by a single customer of another rural electric cooperative, Talquin Electric Cooperative, Inc. The cooperative's customer, Coastal Lumber Company ("Coastal"), requested that the Commission review Talquin's rate structure since the rate structure resulted in rates which were "disproportionately high" to Coastal "relative to the residential RS rate class" and also relative to the rates which Coastal would be paying if it were served by an investor-owned utility (Florida Power Corp.).

The Commission issued a letter proposing that Talquin "either show its rate structure to be fair, just and reasonable, or that it redesign its rate charges to significantly improve the relationship between rate classes." Talquin Order at 1. Of particular note, the electric cooperative initially responded to the Commission's letter indicating the cooperative's belief that "its rate structure was justified because the Commission approved the rate structure presently in place and because Talquin's revenue requirements have not warranted a rate change." Talquin Order at 1. The cooperative's response is similar to LCEC's response to Cape Coral's petition in this proceeding. The electric cooperative submitted a cost of service study in response to the Commission's letter. Coastal and the cooperative then reached a settlement agreement establishing a new, lower rate for Coastal.

The Talquin Order confirms the Commission's jurisdiction both to establish the rate structure of rural electric cooperatives and to require cost of service justification for customer classifications and the associated rates. As the Talquin Order further confirms, there must be parity between the rates being charged (even to a single, uniquely situated customer of a cooperative, such as Coastal) and the cost of serving that customer.

The Commission stated, "We have concerns about parity because Talquin's cost of service study illustrated that the utility's rate structure does not achieve parity. We are comforted by the fact that the company is taking steps to get to the right place..... We will continue to look at whether or not Talquin's rates are discriminatory, particularly in the future if other rates are filed. Parity is a significant issue when we are looking at the issue of discrimination." Talquin Order at 3.

The Talquin Order further confirms that the Commission is authorized to establish a rate classification for a uniquely situated customer in the manner suggested by the City of Cape Coral in its complaint and petition in this docket. Rate structure should reflect the unique facts and circumstances in the Cape Coral/LCEC relationship which likely produce disparate costs of service for the City, its residents and businesses (for the reasons discussed in the petition).

The Talquin Order also confirms that it is possible for an electric utility, any electric utility including a rural, not for profit electric cooperative such as LCEC, to perform cost of service studies which isolate the cooperative's cost to serve specific areas of customers (see Order No. 2515, Docket no. 5098-EU previously filed with the Commission which confirms that at one time Florida Power & Light performed cost of service studies for large city, small city and unincorporated area rate classifications) and specific types of customers (see Order No. 15497, Docket no. 850595 in which the Commission ordered another rural electric cooperative to perform and submit for Commission review cost of service information to substantiate the cooperative's rate structure, upon the request of a homebuilders association).

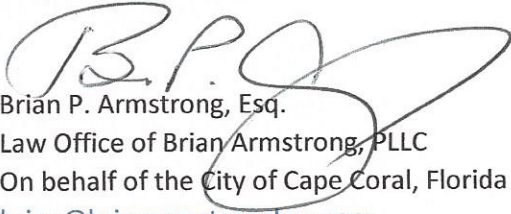
The City of Cape Coral respectfully requests that the Commission accord the City of Cape Coral, which receives service from LCEC under both commercial and residential customer classifications, the same



consideration shown to Coastal Lumber Company and a construction industry association. The Commission must require LCEC to perform a cost of service study which specifically identifies LCEC's costs specific to service in Cape Coral. Cape Coral believes that such study will establish the reasonableness of distinct rate classifications for residential and business customers located in Cape Coral. Every day that goes by without such study and without a separate rate classification is potentially costing the City, its residents and businesses millions of dollars each month. The facts presented in this letter together with other pertinent facts are summarized in Appendix E, attached.

A copy of this letter is being provided to counsel for LCEC and other interested parties in this docket.

Respectfully submitted,



Brian P. Armstrong, Esq.  
Law Office of Brian Armstrong, PLLC  
On behalf of the City of Cape Coral, Florida

[brian@brianarmstronglaw.com](mailto:brian@brianarmstronglaw.com)

850-322-4097

Cc: D. Bruce May, Esq., counsel for LCEC  
Mr. Joe Recchinti, Cape Spirits Inc.  
Mr. Dale Darwin  
Mr. Erle Pierce  
Mr. & Mrs. James and Donna Schmidt  
William B. Willingham, Florida Electric Cooperatives Association, Inc.  
Northwest Cape Coral Neighborhood Association, Inc.

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STATE OF FLORIDA



DIVISION OF ECONOMICS  
GREG SHAFER  
DIRECTOR  
(850) 413-6410

## Public Service Commission

\* June 21, 2016

**STAFF'S FIRST DATA REQUEST**  
via email

D. Bruce May, Jr.  
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Tallahassee, Florida 32302-0810  
[bruce.may@hklaw.com](mailto:bruce.may@hklaw.com)  
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**Re: Docket No. 160060-EC – Complaint and petition of the City of Cape Coral for an investigation into the rate structure of Lee County Electric Cooperative, Inc.**

Dear Mr. May and Mr. Cox:

By this letter, Commission staff requests the following information from Lee County Electric Cooperative, Inc. (LCEC).

1. Does LCEC have location-specific asset information? If yes, please describe how detailed the information is, for example, account-specific investment by city/municipality and by street. If not, please describe in detail the process it would take to develop such information and provide an approximate cost, and include the basis for the cost.
2. Please describe with specificity the steps (and associated costs) LCEC would need to take to conduct a cost of service based on density, such as what the City of Cape Coral wants. How long would this type of study take and what is LCEC's estimate of the cost?
3. What is the date of LCEC's most recent cost of service study? Please provide a copy of the study.
4. Does LCEC currently have a cost of service study in process? If yes, does the study address the use of density in determining customer classes and rates? If yes, when will the study be finished?

Please file all responses electronically no later than Tuesday, July 12, 2016 via the Commission's website at [www.floridapsc.com](http://www.floridapsc.com) by selecting the Clerk's Office tab and Electronic Filing Web Form. Please feel free to call me at (850) 413-6540 if you have any questions.



D. Bruce May, Jr.

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June 21, 2016

Sincerely,

*/s/Sue Ollila*

Economic Analyst

[sollila@psc.state.fl.us](mailto:sollila@psc.state.fl.us)

cc: Office of Commission Clerk

APPENDIX B



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## Cape Coral, LCEC spar over franchise agreement



**FRANK BUMB, FBUMB@NEWS-PRESS.COM**

12:32 p.m. EDT September 15, 2015



(Photo: Andrew West/The News-Press, Andrew West/The News-Press)

Cape Coral's mayor thinks the city is being shortchanged on crucial information in negotiations with local electric provider Lee County Electric Cooperative. The CEO of LCEC counters that the city is asking for irrelevant information and pursuing a bad deal for residents.

In the middle are Cape Coral's almost 170,000 residents and 88,811 electric customers for LCEC, wondering if any new franchise agreement will be possible between two sides that can't agree on what information is relevant to getting its residents the lifeblood of the Information Age.

For most residents, electricity from your outlets is like water out of your tap: it's not so much how it gets there so long as it gets there and at a decent price.

But Cape Coral residents may want to pay attention to the "how," Mayor Marni Sawicki said in an interview.

It's "a much bigger question: where do we see ourselves and what do we want to be as a community," she said.

Sawicki said she has a variety of goals for any new franchise agreement between Cape Coral and LCEC.



**THE NEWS-PRESS**

Editorial: LCEC should keep power

([http://www.news-press.com/story/opinion/2015/04/25/lcec-keep-  
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The current franchise agreement between Lee County's largest city and its electric provider is set to expire in little more than a year on Sept. 30, 2016.

While low rates for the electricity are the priority, Sawicki said any new agreement should include fiber optic line laying, increased coordination on capital projects and putting electric lines underground to improve reliability and prevent outages from bad weather and other factors.

But whether any new franchise agreement would contain Sawicki's suggestions, or, in fact, what any new franchise agreement would contain is up in the air. City officials including Sawicki, City Manager John Szerlag, Assistant City Manager Mike Ilczyszyn and Public Information Director Connie Barron all said they've encountered roadblocks to getting information to assess its options.

One of those options is the city forcing a buyout of LCEC assets in the Cape and becoming its own municipal electric utility. That would mean a takeover of assets that serve about 43 percent of the cooperative's entire customer base.

LCEC CEO Dennie Hamilton said he has attempted to meet with individual council members to discuss the franchise agreement and the possible city purchase of LCEC assets, but has been rebuffed.

"They've asked us for a lot of information that I'm not even sure how it's relevant," Hamilton said. "And then they're looking for ways to say you're not giving us everything we asked for. Well, don't go to the press and cry about us not giving information when they don't sit down and talk to us about what's going on."



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Cape Coral Mayor, CEO of LCEC spar

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The city will ultimately make the decision on whether or not to become a utility. "I think it would be a really bad deal for the citizens of Cape Coral. Because the cost, the dollars they're going to have to pay to buy the system is going to create a huge debt for the city to pay," Hamilton said. "It's going to take them 30 years to pay that off. I don't believe they can do that without increasing electric rates. And so I don't understand what problem they're trying to solve by being willing to increase electric rates to their citizens."

But the city and Hamilton can't agree on what information is necessary to continue negotiations, let alone what would be the best option for the city and its residents.

The city does not automatically reject Hamilton's assertion that a franchise agreement would be better for residents than the city creating and running its own utility. The common response is "we don't know." But city officials said lack of certainty is to be expected when information from LCEC is not forthcoming.

"We would be a very poor administration if all we did is ink a deal to have business as usual for the next 30 years with LCEC without doing our due diligence," Szerlag said.

Ilczyszyn said the city has asked LCEC for the value of its assets within the city to determine what the cost of purchasing those assets would be if the city decided on a purchasing LCEC's assets in the city.

"Their response was that their system cannot identify the value of the assets of the system in Cape Coral," Ilczyszyn said.

The city wants a more exact price tag, as the ultimate dollar figure will influence whether the city can buy the assets from a financial standpoint and sell it to residents and voters from a political standpoint. A ballpark estimate – according to a phase 1 study by city consultants – puts the physical assets at about \$360 million with other costs bringing the total to about \$425 million.

Hamilton said LCEC's systems are premised on functioning for the cooperative's entire footprint, not individual municipal coverage areas. LCEC's service area includes Sanibel, Captiva, Pine Island and Marco Island, North Fort Myers, Immokalee, Everglades City and Matlacha.

"They've asked us what the book value of our assets over there is, we don't know that number, we don't track our accounting systems that way. It would be fairly costly and it would take people away from other work that's tied to what we really do to generate that information," Hamilton said. "It's a relatively costly exercise to go through, it's on the order of \$50,000 to generate that information."

That issue of transparency may seem like fine print in contract negotiations or irrelevant to the end user, but it's critical to the ultimate decision between a new franchise agreement or the city becoming its own utility.

Because the city and its residents cannot purchase electricity from another provider, a study of what rates and operating costs would look like under its own utility is the only way to create a comparison, Sawicki said.

"Whenever you get a quote for your house, you always get two or three to compare it to," she said. "If we don't have anything to compare it to, it's kind of like going into negotiations with them with a knife and us with a wooden spoon. ... But at the end of the day, I need to be able to say yes we're getting a real deal or no we're not and here's where we'd like to see improvements. This opportunity won't come around again in my lifetime of sitting here (as mayor)."

Hamilton said residents are getting a good deal already with rates remaining stable at about \$108 per 1,000 kilowatt-hour. Hamilton said the average home uses about 1,200 kilowatt-hours. Hamilton added that LCEC has not raised its residential rates since 2009.



Starla Beougher, a resident of Cape Coral for 25 years, said she hasn't closely followed the city and LCEC's conflicting points of view on a franchise agreement or the city becoming its utility provider. But she added she has no issues with LCEC's service or rates.

"But then, I don't really have anything to compare it to," Beougher said. "It's always been LCEC in the Cape."

While Beougher said she would, at the moment, oppose the city becoming a municipal electric utility, she thinks it's a good idea for the city to run studies on costs of service for LCEC in Cape Coral.

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Beougher's remarks - opposing a city utility but encouraging further studies - appear to track closely with many residents.

Brian Armstrong, a lawyer with Nabors, Giblin and Nickerson and one of the city's attorneys for the city as its outside counsel, said giving credit to LCEC for not raising rates starts from a faulty premise.

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"That doesn't really get to that question of is it too high to begin with," Armstrong said.

Armstrong said he has reviewed hundreds of utility franchise agreement and negotiated about 20 such agreements. And he says he has never encountered as much difficulty in acquiring information as he has with LCEC.

"Not to this degree, no," Armstrong said. "I don't attribute (the lack of transparency) to malice. It's the way they've been allowed to operate for all these years. If this was an MEU or investor-owned utility, all of these types of information would be available and they'd be required to keep the records. I suppose it's because nobody ever asked them."

Armstrong said one of the city's biggest concerns is that because Cape Coral has more people per square mile than LCEC's other service areas - 750 per square mile to approximately 50 per square mile - that LCEC gets a bigger bang for its buck. But Cape Coral residents might not see that same return for theirs.

"Since the same rates are being charged, there's really only one conclusion, and that is that Cape residents and businesses are subsidizing those outside the city," Armstrong said.

The city thus would be able to capitalize on that higher density of customers without the wide swaths of less-populated areas LCEC also services.

All of those factors - including the city's increasingly frosty relationship with LCEC - mean Sawicki is becoming more open to the idea of a city electric utility than she was at the start.

"I'm not, at any point, telling you I'm for (a city utility) right now," Sawicki said. "I will tell you in the beginning for me, this was just about leverage, this was just about let's find out what we've got. The more it's handled the way it's being handled, ... if we find that things are not as they say they should be or as they are, I'm willing to listen."

Sawicki's willingness to listen may have gone up after a Cape Coral Chamber of Commerce luncheon on Thursday. There, Hamilton and Sawicki had a terse exchange that saw Sawicki leave in the middle of the luncheon.

Fortunately for residents, no matter how much LCEC and the city disagree, electric service will not suddenly shut off on Oct. 1, 2016, if the franchise agreement expires without a new agreement or the start of the city purchase of assets. Service would continue as before until a new agreement is made.

Whether that takes the form of a new franchise agreement or a lengthy court battle to hammer out a new city utility is anyone's guess.

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APPENDIX C



**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Complaint and Petition of the City  
of Cape Coral, Florida, for an  
investigation into the rate structure of  
Lee County Electric Cooperative, Inc.

DOCKET NO.: 160060-EC

DATE: April 4, 2016

**LEE COUNTY ELECTRIC COOPERATIVE, INC.'S NOTICE OF FILING RESPONSE  
TO CUSTOMER COMPLAINT**

Lee County Electric Cooperative, Inc. ("LCEC"), pursuant to Rule 25-22.032(6)(b)-(c), Florida Administrative Code, gives notice that it has responded to the customer complaint filed by the City of Cape Coral (the "City") in the above referenced docket on March 15, 2016 by sending a written response to the City on April 4, 2016 by certified mail and email (the "Response"). LCEC refers the Commission to the attached Response for purposes of addressing the likely cause of the City's complaint, the actions taken by LCEC to resolve the complaint, and LCEC's resolution or proposed resolution of the complaint. Without conceding that the issues raised in the City's complaint fall within the Commission's jurisdiction, LCEC will file a formal motion in response to the complaint and petition within the time allowed by Florida Administrative Code Rule 28-106.204(2).

Respectfully submitted this 4th day of April, 2016.

**HOLLAND & KNIGHT LLP**

/s/D. Bruce May, Jr.

**D. Bruce May, Jr.**

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**Kevin Cox**

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*Counsel for Lee County Electric Cooperative, Inc.*

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was furnished by electronic mail to: Brian P. Armstrong, P.O. Box 5055, Tallahassee FL 32314-5055 [Brian@brianarmstronglaw.com]; Dolores Menendez, City of Cape Coral, 1015 Cultural Park Boulevard, Cape Coral FL 33990 [dmenendez@capecoral.net]; Danijela Janjic, Office of the General Counsel, Florida Public Service Commission, 2540 Shumard Oak Boulevard, Tallahassee, FL 32399-0850 [djanjic@psc.state.fl.us] this 4th day of April, 2016.

/s/ D. Bruce May, Jr.

D. Bruce May, Jr.



April 4, 2016

By Certified Mail and Electronic Correspondence

John Szerlag, City Manager  
City of Cape Coral  
1015 Cultural Park Boulevard  
City of Cape Coral, FL 33990

**SUBJECT:** Complaint and Petition of the City of Cape Coral for an investigation into the rate structure of Lee County Electric Cooperative, Inc. ("Complaint")

Dear Mr. Szerlag:

Lee County Electric Cooperative (LCEC) has received the City of Cape Coral's (City) Complaint filed at the Florida Public Service Commission (PSC) on March 15, 2016. We have carefully reviewed the concerns raised in the Complaint, and we firmly believe in the importance of listening to members and trying to address their concerns. To that end, we are pleased to report that LCEC is already addressing some of the concerns expressed in the Complaint.

In particular, we note that your Complaint raises concerns about LCEC's current contributions-in-aid-of-construction (CIAC) charges. Before the City filed its Complaint, other members had previously voiced similar concerns, and LCEC has been actively reviewing its CIAC practices since July of 2015. More importantly, LCEC has been considering a change in its current CIAC policy since November of 2015. The change being considered would effectively mirror the CIAC policies of investor-owned utilities that have been approved by the PSC. This issue will be addressed by the LCEC Board of Trustees at its open meeting on May 19. Thus, we believe it is premature to seek relief from the PSC on this issue while it is under consideration.

While LCEC takes seriously the concerns of its members and welcomes them to participate in LCEC's process for setting its rates and policies, LCEC does not believe it is the PSC's responsibility to address the issues framed in your Complaint. Please allow me to explain. By law, cooperatives operate under a democratic, "one member/one vote" governance structure that gives members direct control in electing the Board of Trustees which, in turn, determines the level of the rates that members pay for electric service. Because a cooperative's rate policies are member-driven, the Florida Legislature does not provide the PSC jurisdiction over the levels of a cooperative's rates and charges. In the case of LCEC's LED streetlight tariff, your Board of Trustees decided to introduce this service relatively recently in response to member demand, even though many other utilities in Florida do not yet offer the service. Because it is a new offering, we understand that the level of the LED streetlight rates may need to be modified after assessing our initial experiences; and thus, we will continue to evaluate those rates. But Florida law sensibly requires that the rates ultimately should be determined pursuant to the cooperative's democratic self-governance structure rather than by the PSC. The same is true regarding your concerns about the level of the CIAC charges. Your concerns regarding LCEC's compliance with requirements under Chapter 425, Florida Statutes, also are outside of the PSC's jurisdiction.



Finally, while the PSC has limited jurisdiction over the relationship between classes of cooperative customers (i.e., rate structure), your proposal that LCEC abandon its long-standing, PSC-approved customer classification system in favor of a radically different system designed around geographically differentiated rates based on customer densities is a fundamental policy decision for LCEC's member-elected Trustees. While we can certainly appreciate how a municipality might think geographically differentiated rates would be sensible, a deeper look at the issue shows why that is not the case.

As your Complaint correctly notes, LCEC began performing a cost-of-service study in 2015 as a part of its normal business practice. However, when that study is complete, it will not address the cost of serving a new, density-based customer classification that you propose. Cost-of-service classifications based on geographic location and customer densities would require LCEC to perform a separate and extensive study that goes well beyond accepted approaches to rate design. None of LCEC's prior cost-of-service studies has ever addressed this unconventional theory. In fact, the standard treatise on cost-of-service studies – the *Electric Utility Cost Allocation Manual*, published by the National Association of Regulatory Utility Commissioners (NARUC) – does not even consider methodologies that classify and allocate fixed costs to rate classes on the basis of customer densities. We do not believe it would be a productive use of LCEC's limited resources to delve into a very expensive and difficult study of the density-based classification system that the City proposed. The fact is, no matter what the study costs, it is difficult to imagine that any such study would lead to density-based rate classification since by far the largest cost component of electric utility service is generation supply, and generation supply costs have nothing whatsoever to do with customer density.

There are many other reasons that it is not sound policy to differentiate rates based on customer location and density. The City itself has a wide diversity of customer densities, including many undeveloped areas, and thus is not a homogenous area that would warrant a separate rate classification. LCEC also serves a number of areas such as Marco Island, Matlacha, Captiva, and Everglades City that have customer densities higher than the City. Thus, if density is to be the proper determinant of rate classes, then that density classification approach would need to be applied equally across LCEC's entire service area, not just within the City, so that rates are not unduly discriminatory. In other words, if LCEC were to grant a preference to the City because of density considerations, it would have to grant the same preference to other areas similarly situated. This could produce an enormous number of rate zones which would be virtually impossible to administer.

Moreover, creating a density-based customer classification system would require continuous and costly analysis of service areas whose densities will be in constant flux due to ongoing development. This model would continually beg the question of where, and how often, to draw the dividing line between more and less "dense" areas. If you carry this logic to the extreme, the combination of load characteristics and specific infrastructure requirements would potentially create a unique rate for every single member on the system.

Price discrimination based on population densities could also raise a number of controversial public policy issues, such as potentially impeding economic development in low-density areas, disadvantaging Native American communities located in more rural areas, and charging different rates for basically the same type, level, and use of service.

Finally, you may be unaware of the risks of a "city-only" rate classification and the potential harm this policy shift could pose to members located within the City limits, particularly since the risk of storm



Mr. John Szerlag  
April 4, 2016  
Page 3

damage to utility infrastructure within the City may be higher than the risk of storm damage in more inland areas. For example, if the rates paid by those members within the City are based on the costs of serving just that isolated area, and a tropical storm were to damage utility infrastructure within the City disproportionately, members within the City could experience rate shock resulting from such costs not being spread more evenly across the entire system.

For all of these reasons, we believe that preserving the existing customer classifications and continuing with uniform rates and single tariff pricing is far more cost-effective and consistent with widely-accepted electric utility practices. It spreads risks and costs across the system as a whole, is more efficient to administrate, and results in stable, predictable, and fairly allocated rates.

We hope that this helps explain LCEC's reluctance to invest substantial amounts of its limited resources to investigate the density-based rate classification proposed by the City. Because this would represent a dramatic departure from normal utility practices and could lead to increases in rates to some of LCEC's members, including those inside the City, we believe this is an issue more appropriately resolved by the local cooperative membership and not by the PSC.

Even though your complaint involves concerns outside the PSC's jurisdiction, the local process through which LCEC's rates and rate structure are developed and promulgated has been and remains fully open to you and all other LCEC members. LCEC encourages you to continue participating in that deliberative self-governance process.

Please be assured that LCEC is committed to fairly and cost-effectively serving all of its members in the City. We are proud that we continue to have some of the lowest rates among the 56 electric utilities in the state of Florida and have reduced our rates four times over the past two years. In fact, setting aside the Public Service Tax which the City imposed, LCEC members within the City are paying less for electricity today than they paid seven years ago.

Should you have any additional questions, please do not hesitate to contact me.

Regards,



Dennie Hamilton  
Executive Vice President  
and Chief Executive Officer

Copy: Brian Armstrong  
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Tallahassee, Florida 32314-5055  
Brian@brianarmstronglaw.com

Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

Dolores Menendez, Esq.  
City Attorney  
City of Cape Coral  
1015 Cultural Park Boulevard  
Cape Coral, FL 33990  
dmenendez@capecoral.net

APPENDIX D



BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Complaint by Coastal Lumber Company against Talquin Electric Cooperative, Inc. regarding rate structure. ) DOCKET NO. 921128-EC ) ORDER NO. PSC-93-1784-AS-EC ) ISSUED: December 13, 1993 )

The following Commissioners participated in the disposition of this matter:

J. TERRY DEASON, Chairman  
SUSAN F. CLARK  
JULIA L. JOHNSON  
LUIS J. LAUREDO

ORDER APPROVING SETTLEMENT AGREEMENT  
AND TARIFF FILING

BY THE COMMISSION:

NOTICE IS HEREBY GIVEN by the Florida Public Service Commission that the action discussed herein is preliminary in nature and will become final unless a person whose interests are adversely affected files a petition for a formal proceeding, pursuant to Rule 25-22.029, Florida Administrative Code.

On November 2, 1992, Coastal Lumber Company (Coastal) filed a complaint against Talquin Electric Cooperative, Inc. (Talquin or the cooperative), which alleged that Talquin's rate structure was not fair, just, and reasonable. At the January 19, 1993, agenda conference, we voted to issue Talquin a comment letter requesting that Talquin either show its rate structure to be fair, just, and reasonable, or that it redesign rate charges to significantly improve the relationship between rate classes. Talquin responded to the comment letter after a one-month extension stating that it believed its rate structure was justified because the Commission approved the rate structure presently in place and because Talquin's revenue requirements have not warranted a rate change. Nevertheless, Talquin stated that since it received the Commission's comment letter it began preparing for and performing a cost of service study based on a 1992 test year. Talquin asked for an additional extension of time to complete the cost of service study based on information from year-end 1992 and to file proposed rates addressing the rate relationships among rate classes.

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REGISTRATION DIVISION

On May 4, 1993, Coastal filed a reply to Talquin's response and a motion to expedite the proceeding and to hold \$17,000 of revenues a month subject to refund, beginning in May 1993. We denied this motion because we found that Talquin's time frame was reasonable and because it appeared that Talquin had acted in good faith.

On July 29, 1993, Talquin filed proposed rate schedules and a cost of service study in support of its proposed rate schedules. On September 13, 1993, Talquin filed a revised cost of service study that corrected a significant error in a spread sheet calculation along with revised proposed rates. At the October 12, 1993, agenda conference, we declined to approve Talquin's revised proposed rates and set the matter for hearing. In addition, the parties were encouraged to reach an agreement that would eliminate the need for further litigation.

On November 2, 1993, Talquin and Coastal filed an agreement and joint motion to approve revised rate schedules and the underlying rate structure. Pursuant to paragraph 6 of the agreement, the agreement was made contingent on the Commission issuing an order that "specifically finds that the rate structure underlying the tariffs attached as Exhibit 'A' [to the agreement] is fair, just, reasonable and nondiscriminatory in light of the factors listed in Rule 25-9.052(4), Florida Administrative Code." Pursuant to Rule 25-9.052(4), the factors the Commission may consider are

the cost of providing service to each customer class, as well as the rate history, value of service and experience of the utility, the consumption and load characteristics of the various classes of customers[,] . . . the public acceptance of rate structures[,] . . . simplicity, freedom from controversy, rate stability, fairness in apportioning costs, avoidance of undue discrimination and encouragement of efficiency.

At the November 23, 1993, agenda conference, at which we considered the proposed agreement between Talquin and Coastal, the parties amended the agreement by striking the "non-discriminatory" requirement from paragraph 6.

We have concerns about parity because Talquin's cost of service study illustrated that the utility's rate structure does not achieve parity. We are comforted by the fact that the company



is taking steps to get to the right place. Counsel for Talquin addressed our concerns about parity at the November 23, 1993, agenda conference:

I think we have made significant progress toward parity . . . . [W]e think we are at the level where all of these other things being considered give us a fair, just and reasonable tariff at this time . . . . Time will be the problem that we will face.

(November 23, 1993, Agenda Conference transcript, page 27. Emphasis supplied.)

We will continue to look at whether or not Talquin's rates are discriminatory, particularly in the future if other rates are filed. Parity is a significant issue when we are looking at the issue of discrimination. Notwithstanding the issue of parity, we cannot conclude that at this time the utility's rates are not fair, just, and reasonable. Because the proposed rates make a substantial improvement to Talquin's existing rate structure, we find the proposed rates to be fair, just, and reasonable. Accordingly, the agreement as amended and the proposed rate schedules attached to the agreement as Exhibit "A" are hereby approved. Because the agreement resolves Coastal's complaint, the hearing scheduled in this docket shall be cancelled.

It is, therefore,

ORDERED by the Florida Public Service Commission that the agreement as amended, as discussed above, filed by Talquin Electric Cooperative, Inc. and Coastal Lumber Company is hereby approved. It is further

ORDERED that the proposed rate schedules attached as Exhibit "A" to the agreement filed by Talquin Electric Cooperative, Inc. and Coastal Lumber Company are hereby approved. It is further

ORDERED that the hearing scheduled for this docket is hereby cancelled. It is further



ORDER NO. PSC-93-1784-AS-EC  
DOCKET NO. 921128-EC  
PAGE 4

ORDERED that this Order shall become final and the docket shall be closed unless an appropriate petition for formal proceeding is received by the Division of Records and Reporting, 101 east Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on the date indicated in the Notice of Further Proceedings or Judicial Review.

By ORDER of the Florida Public Service Commission, this 13th day of December, 1993.

\_\_\_\_\_  
STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )  
MAH/MAP:bmi

by: Kay Hagan  
Chief, Bureau of Records

NOTICE OF FURTHER PROCEEDINGS OR JUDICIAL REVIEW

The Florida Public Service Commission is required by Section 120.59(4), Florida Statutes, to notify parties of any administrative hearing or judicial review of Commission orders that is available under Sections 120.57 or 120.68, Florida Statutes, as well as the procedures and time limits that apply. This notice should not be construed to mean all requests for an administrative hearing or judicial review will be granted or result in the relief sought.

The action proposed herein is preliminary in nature and will not become effective or final, except as provided by Rule 25-22.029, Florida Administrative Code. Any person whose substantial interests are affected by the action proposed by this order may file a petition for a formal proceeding, as provided by Rule 25-22.029(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a) and (f), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting at his office at 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on January 3, 1994.

ORDER NO. PSC-93-1784-AS-EC  
DOCKET NO. 921128-EC  
PAGE 5

In the absence of such a petition, this order shall become effective on the day subsequent to the above date as provided by Rule 25-22.029(6), Florida Administrative Code.

Any objection or protest filed in this docket before the issuance date of this order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

If this order becomes final and effective on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater utility by filing a notice of appeal with the Director, Division of Records and Reporting and filing a copy of the notice of appeal and the filing fee with the appropriate court. This filing must be completed within thirty (30) days of the effective date of this order, pursuant to Rule 9.110, Florida Rules of Appellate Procedure. The notice of appeal must be in the form specified in Rule 9.900(a), Florida Rules of Appellate Procedure.

F. PERRY ODOM, P.A.  
THOMAS M. ERVIN, JR.  
C. EDWIN RUDE, JR., P.A.  
C. EVERETT BOYD, JR., P.A.  
MELISSA FLETCHER ALLAMAN  
ROBERT M. ERVIN, JR.  
STUART E. GOLDBERG  
J. STANLEY CHAPMAN  
DAYTON P. HANSON

ERVIN, VARN, JACOBS, ODOM & ERVIN

ATTORNEYS AT LAW  
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P. O. DRAWER 1170 (32302)  
TALLAHASSEE, FLORIDA 32301  
TELEPHONE (904) 224-9135  
TELECOPIER (904) 222-9164

COUNSEL CONSULTANT  
ROBERT M. ERVIN  
OF COUNSEL  
WILFRED C. VARN  
JOSEPH C. JACOBS  
RICHARD W. ERVIN  
LEROY COLLINS  
(1809-1591)

November 2, 1992

VIA HAND DELIVERY

Honorable Steve Tribble  
Director - Records and Reporting  
Florida Public Service Commission  
101 E. Gaines Street, Room 107  
The Fletcher Building  
Tallahassee, Florida 32399

921128-EC

RE: Coastal Lumber Co. v. Talquin Electric  
Cooperative, Inc.

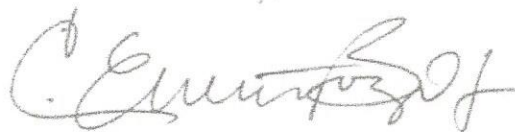
Dear Mr. Tribble:

TALQUIN EC913

Please find enclosed herewith an original and fifteen copies of the complaint of Coastal Lumber Company against Talquin Electric Cooperative, Inc. Please docket same in the Commission's files for appropriate consideration by the Staff and Commission.

Should you have any questions concerning the complaint, please do not hesitate to call me.

Sincerely,



C. Everett Boyd, Jr.

CEB, jr:bah  
Enclosures

RECORDED  
12321 NOV-2 1992  
TPSC-RECORDS/REPORTING



ERVIN, VARN, JACOBS, ODOM & ERVIN

F. PERRY ODOM, P.A.  
THOMAS M. ERVIN, JR.  
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COUNSEL CONSULTANT  
ROBERT M. ERVIN  
OF COUNSEL  
WILFRED C. VARN  
JOSEPH C. JACOBS  
RICHARD W. ERVIN  
LEROY COLLINS  
(1909-1991)

November 2, 1992

VIA HAND DELIVERY

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Director - Records and Reporting  
Florida Public Service Commission  
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Tallahassee, Florida 32399

921128-EC

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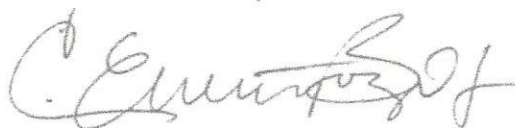
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Sincerely,



C. Everett Boyd, Jr.

CEB, jr:bah  
Enclosures

RECEIVED 11-11-92  
12321 117-2 11  
FPSC-RECORDS/REPORTING

BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

Docket No. 92  
Submitted for filing:  
November 2, 1992

COASTAL LUMBER COMPANY, )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
TALQUIN ELECTRIC COOPERATIVE, INC. )  
 )  
Defendant. )  
 )  
\_\_\_\_\_ )

COMPLAINT

Coastal Lumber Company ("Coastal") by and through its undersigned counsel and pursuant to Commission Rule 25-22.036, Florida Administrative Code, files this Complaint against Talquin Electric Cooperative, Inc. ("Talquin Electric"), and says:

1. Coastal is a South Carolina corporation, and operates a wood products manufacturing facility in Gadsden County, Florida. Coastal is a customer of Talquin Electric.

2. All notices and pleadings in this docket should be served on Coastal at the following addresses:

C. Everett Boyd, Jr.  
Ervin, Varn, Jacobs,  
Odom & Ervin  
Post Office Drawer 1170  
Tallahassee, Florida 32302

Thomson W. Rockwood  
General Manager  
Florida Division  
Coastal Lumber Company  
Post Office Box 1128  
Havana, Florida 32333

3. Talquin Electric is a rural electric cooperative organized and operating pursuant to Chapter 425, Florida Statutes. Talquin Electric is an "electric utility within the meaning of Chapter 366, Florida Statutes." The mailing address for Talquin Electric is U.S. Highway 90 West, Quincy, Florida.

4. As an electric utility, Talquin Electric is subject to the jurisdiction of the Florida Public Service Commission with regard to, among other things, rate structure. See Section 366.04(2)(b), Florida Statutes.

5. Talquin Electric provides electric service to customers in the Big Bend area of Florida. Its electric tariff contains a basic package of rate schedules intended for residential, commercial, industrial, and large industrial classes of customers. Rate Schedule RS is designed for residential use. Rate Schedule GS, a non-demand metered service, is designed for non-residential uses. Rate Schedule GSD is a demand metered service available for customers with a minimum capacity of 50KW. Rate Schedule GSLD is a demand metered service available for large industrial customers with a minimum capacity of 1,000KW. Rate Schedule GSLD is for non-curtable, non-interruptible service. Talquin Electric currently offers neither curtable nor interruptible general service to its customers. Copies of Talquin Electric's current tariff pages are attached as "Exhibit A."



6. Coastal takes electric service from Talquin Electric under the GSLD rate. For the 12 month period ended May 1992, Coastal purchased approximately 18,212,400 kilowatt hours of energy from Talquin Electric. Average monthly demand was 3,188 kilowatts. The total amount paid by Coastal to Talquin Electric for electric service during the 12 month period was \$1,212,962.00, excluding state sales and gross receipts taxes. Attached as "Exhibit B" are summaries of Coastal's history of electric usage and billing for the 12 month period.

7. Coastal submits that the rates and rate structure of Talquin Electric are discriminatory, unfair, unjust, and excessive.

8. Talquin Electric's rates for its GSLD tariff service, as paid by Coastal, are discriminatory, unfair, and unjust because the level of those rates relative to the Talquin Electric RS rate for residential service are substantial greater than comparable rates of Florida Power Corporation ("FPC") for large industrial service (firm or interruptible) relative to FPC rates for residential service. A large and unjustified disparity exists between (a) the ratio of what Coastal pays Talquin Electric for electricity and what Coastal would pay Florida Power Corporation for the same electric service (on a firm or interruptible basis), and (b) the ratio of the average residential rates of Talquin Electric and FPC.

The foregoing disparities can be shown as follows:

Coastal Electricity Cost for June 1991 - May 1992  
Excluding Sales Tax (From Exhibit B)

<u>Actual Talquin Cost</u>	<u>Calculated FPC Cost</u>	<u>Talquin/FPC</u>
6.66¢/KWH (GSLD)	4.68¢/KWH (GSLD)	142.3%
	3.51¢/KWH (Interruptible GS)	189.7%

Average Residential Cost for 1,000 KWH<sup>1</sup>  
Excluding Sales Tax

<u>Talquin</u>	<u>FPC</u>	<u>Talquin/FPC</u>
8.150¢/KWH	7.106¢/KWH	114.7%

Rate Disparity

(GSLD)	142.3% - 114.7% =	27.6%
(Interruptible GS)	189.7% - 114.7% =	75.0%

9. The excessive, discriminatory, unjust, and unfair level of Talquin Electric's GSLD rates paid by Coastal, and the injustice and unfairness of the absence of a Talquin Electric Interruptible Service schedule is demonstrated by the huge disparity between the overall electric costs paid by Coastal and the costs that would be paid by Coastal if it were a customer of Florida Power Corporation served under either FPC's GSLD or Interruptible GS rate schedules.

---

<sup>1</sup> The Talquin Electric and FPC cost figures are taken from the July 22, 1992, letter of Margaret Meeter, Economic Analyst, of the Commission Staff. A copy of Ms. Meeters's letter is attached as "Exhibit C."

Coastal Electric Costs  
June 1991 - May 1992

Actual Paid to Talquin (includes tax)	\$1,325,466	7.3¢/KWH
--	-------------	----------

Calculated Payments  
to FPC

GSLD Rates	\$ 911,311	5.0¢/KWH
Interruptible GS Rates	<u>\$ 683,630</u>	<u>3.8¢/KWH</u>

Annual Cost Disparity

GSLD Rates	\$ 414,155	2.3¢/KWH
Interruptible GS Rates	\$ 641,836	3.5¢/KWH

10. In the 12 months ending May 31, 1992, Talquin Electric charged Coastal \$641,836, or 94%, more than Florida Power Corporation would have charged Coastal. This disparity is totally unjustified and significantly hinders Coastal's ability to compete successfully in the highly competitive wood products industry. The key to success in the wood products industry is tight cost control. Coastal can not successfully compete against competitors who are not burdened with \$641,836 per year in excessive electricity costs.

11. Electricity costs are a very significant part of the cost structure of any wood products manufacturer. Coastal's year-to-date electricity costs have been 14% of total manufacturing costs.



If Coastal had been a customer of Florida Power Corporation its electricity costs would have been less than 8% of manufacturing costs.

12. Coastal was forced to close its Havana lumber operation in early 1991 in part because excessive electricity costs relative to those of its competitors made the plant uncompetitive and unprofitable.

13. Coastal receives electricity directly from a Talquin Electric substation which is fed directly by Florida Power Corporation lines. Talquin Electric simply buys electricity fed to it from FPC, passes it through its substation, and then feeds it to Coastal. Talquin Electric pays approximately 4.0¢ per KWH to FPC for the electricity it sells to Coastal at 6.66¢ per KWH. Given the rate disparity relative to Talquin Electric's residential rates, is it justified in charging Coastal 66% more than it pays FPC for simply passing electricity through its substation?

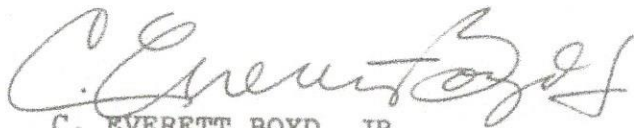
14. The rate structure of Talquin Electric is not fair, just, and reasonable as required by Commission Rule 25-9.052, Florida Administrative Code, insofar as, (1) the GSLD rate is disproportionately high relative to the residential RS rate class, and (2) Talquin offers no interruptible General Service rate class as do other utilities with whose customers Coastal must compete. The Commission should determine a proper rate structure for Talquin Electric directing a more appropriate GSLD rate, and, alternatively, consider directing the creation by Talquin Electric of a distinct rate class of interruptible service for large

industrial customers with appropriately lower rates.

WHEREFORE, Coastal Lumber Company respectfully requests that the Commission prescribe a rate structure for Talquin Electric that is fair, just, and reasonable wherein the Commission will revise Talquin Electric's rate structure so that the relationship between the GSLD rate and the RS rate is consistent with similar rates for Florida Power Corporation and other investor owned public utilities in Florida, and grant any other relief the Commission deems fair and reasonable.

Dated this 2d day of November, 1992.

Respectfully submitted,



C. EVERETT BOYD, JR.  
of the law firm of  
Ervin, Varn, Jacobs,  
Odom & Ervin  
Post Office Drawer 1170  
Tallahassee, Florida 32302  
(904) 224-9135

ATTORNEYS FOR  
COASTAL LUMBER COMPANY

Complaint

TALQUIN ELECTRIC COOPERATIVE, INC.

GENERAL SERVICE/NON-DEMAND

RATE SCHEDULE GS

AVAILABILITY:

Available throughout the entire territory served by the Cooperative in accordance with Cooperative's Rules and Regulations for Electric Service.

APPLICABLE:

To any electric service, other than residential, for light and power purposes where the measured monthly KW demand is less than 50 KW and not specifically served under another rate.

CHARACTER OF SERVICE:

Single phase or three phase, 60 Hertz, at one available standard voltage, at a single point of delivery.

CONDITIONS OF SERVICE:

Resale of service or standby service not permitted hereunder. Service is subject to Cooperative's Rules and Regulations for Electric Service. Three phase service may be limited to areas near the Cooperative's three phase lines.

MONTHLY RATE:

Facilities Charge:

Single Phase Service	\$ 7.50
Three Phase Service	\$20.00

Energy Charge: 8.0 ¢ per KWH

WHOLESALE POWER COST ADJUSTMENT:

Monthly energy rate is subject to adjustment according to the Wholesale Power Cost Adjustment Schedule PCA.

(Continued on Sheet No. 7.1)

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991



TALQUIN ELECTRIC COOPERATIVE, INC.

(Continued from Sheet No. 7.0)

MINIMUM MONTHLY CHARGE:

The minimum monthly charge shall be the higher of:

1. The Facilities Charge
2. The monthly charge established by contractual agreement.

TAX ADJUSTMENTS:

Amount computed at the above monthly rate, as adjusted by application of the monthly Wholesale Power Cost Adjustment, shall be subject to any applicable taxes, assessments, fees, and/or surcharges legally imposed by any governmental authority. The Florida Gross Receipts Tax on electric utility service shall be separately stated in full on all bills.

TERMS OF PAYMENT:

The above rates are net, gross rates being ten percent (10%) higher not to exceed net plus \$5.00. Gross rates apply if current monthly bill is not paid by due date shown on bill.

Neither rates nor bills shall be discounted, except as specifically provided in this or other rate schedules. Bills rendered hereunder are payable, in cash, within the time limit specified on the bill, at Cooperative designated locations.

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

TALQUIN ELECTRIC COOPERATIVE, INC.

GENERAL SERVICE LARGE DEMAND

RATE SCHEDULE GSLD

AVAILABILITY:

Available throughout the entire territory served by the Cooperative in accordance with Cooperative's Rules and Regulations for Electric Service.

APPLICABLE:

To any electric service, other than residential, for light and power purposes where the measured monthly KW demand is 1000 KW or more at the qualifying customer's option through written request to the Cooperative.

CHARACTER OF SERVICE:

Three phase, 60 Hertz, at one available standard voltage, at a single point of delivery.

CONDITIONS OF SERVICE:

Resale of service or standby service not permitted hereunder. Service is subject to Cooperative's Rules and Regulations for Electric Service.

MONTHLY RATE:

Facilities Charge	\$300.00
Demand Charge	\$ 7.50 per KW of Billing Demand
Energy Charge	5.45 ¢ per KWH

WHOLESALE POWER COST ADJUSTMENT:

Monthly energy rate is subject to adjustment according to the Wholesale Power Cost Adjustment Schedule PCA.

(Continued on Sheet No. 8.11)

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

TALQUIN ELECTRIC COOPERATIVE, INC.

(Continued from Sheet No. 8.01)

BILLING DEMAND:

The billing demand shall be the higher of:

1. The maximum kilowatt demand established by the customer for any period of fifteen (15) consecutive minutes during the period for which the bill is rendered.
2. Service under this rate schedule is predicated upon the customer maintaining a power factor of 90% or higher. When a customer does not maintain the required power factor, the metered KW demand will be converted to KVA, in which case the monthly billing demand shall be 90% of KVA.
3. 1000 KW.

MINIMUM MONTHLY CHARGE:

1. The Facilities Charge plus Demand Charge.
2. Minimum monthly charge established by contractual agreement.

HIGH VOLTAGE SERVICE:

Where the customer takes service at one point of delivery, at an available voltage of 12 KV or higher, the following credits may be applied to each KW of billing demand:

12 KV up to 69 KV	\$ 0.50 per KW
69 KV or higher	\$ 1.00 per KW

Under this provision, the customer assumes responsibility for the installation and maintenance of transformers and other equipment on the load side of the point of delivery. The Cooperative may change the delivery voltage after reasonable advance notice to the customer.

TAX ADJUSTMENTS:

Amount computed at the above monthly rate, as adjusted by application of the monthly Wholesale Power Cost Adjustment, shall be subject to any applicable taxes, assessments, fees, and/or surcharges legally imposed by any governmental authority. The Florida Gross Receipts Tax on electric utility service shall be separately stated in full on all bills.

(Continued on Sheet No. 8.21)

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991



TALQUIN ELECTRIC COOPERATIVE, INC.

(Continued from Sheet No. 8.11)

TERMS OF PAYMENT:

The above rates are net, gross rates being 5% higher on the first \$25 and 2% on the remainder of the bill. Gross rates apply if current monthly bill is not paid by due date shown on bill.

Neither rates nor bills shall be discounted, except as specifically provided in this or other rate schedules. Bills rendered hereunder are payable, in cash, within the time limit specified on the bill, at Cooperative designated locations.

SPECIAL PROVISIONS:

1. Customers electing service under this rate schedule must take service under this rate schedule for a minimum of twelve (12) consecutive months.
2. The Cooperative may, under the provisions of this rate, require a contract with the customer. Whenever the customer increases his electrical load, which increase requires the Cooperative to increase facilities installed for the specific use of the customer, a new contract may be required.
3. The Cooperative will furnish service under this rate at a single voltage, at a single point of delivery. Equipment to supply additional voltages or additional facilities for the use of the customer shall be furnished and maintained by the customer.

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

TALQUIN ELECTRIC COOPERATIVE, INC.

FIFTH REVISED SHEET NO. 9.0  
CANCELS FOURTH REVISED SHEET NO. 9.0

RESIDENTIAL SERVICE

RATE SCHEDULE RS

AVAILABILITY:

Available throughout the entire territory served by the Cooperative in accordance with Cooperative's Rules and Regulations for Electric Service.

APPLICABLE:

To electric service used for domestic purposes in residences and certain non-commercial purposes not served under other rate schedules.

CHARACTER OF SERVICE:

Single phase, 60 Hertz, at one available standard voltage, at a single point of delivery.

CONDITIONS OF SERVICE:

Resale of service or standby service not permitted hereunder. Service is subject to Cooperative's Rules and Regulations for Electric Service.

MONTHLY RATE:

Facilities Charge	\$ 7.50
Energy Charge	7.7 ¢ per KWH

WHOLESALE POWER COST ADJUSTMENT:

Monthly energy rate is subject to adjustment according to the Wholesale Power Cost Adjustment Schedule PCA.

MINIMUM MONTHLY CHARGE:

The minimum monthly charge shall be the higher of the Facilities Charge or minimum monthly charge established by contractual agreement.

(Continued on Sheet No. 9.1)

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

TALQUIN ELECTRIC COOPERATIVE, INC.

(Continued from Sheet No. 9.0)

TAX ADJUSTMENTS:

Amount computed at the above monthly rate, as adjusted by application of the monthly Wholesale Power Cost Adjustment, shall be subject to any applicable taxes, assessments, fees, and/or surcharges legally imposed by any governmental authority. The Florida Gross Receipts Tax on electric utility service shall be separately stated in full on all bills.

TERMS OF PAYMENT:

The above rates are net, gross rates being ten percent (10%) higher not to exceed net plus \$5.00. Gross rates apply if current monthly bill is not paid by due date shown on bill.

Neither rates nor bills shall be discounted, except as specifically provided in this or other rate schedules. Bills rendered hereunder are payable, in cash, within the time limit specified on the bill, at Cooperative designated locations.

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991



TALQUIN ELECTRIC COOPERATIVE, INC.

FIFTH REVISED SHEET NO. 10.0  
CANCELS FOURTH REVISED SHEET NO. 10.0

GENERAL SERVICE DEMAND

RATE SCHEDULE GSD

AVAILABILITY:

Availability throughout the entire territory served by the Cooperative in accordance with the Cooperative's Rules and Regulations for Electric Service.

APPLICABLE:

To any electric service, other than residential, for light and power purposes where the measured monthly KW demand is 50 KW or more and not specifically served under another rate.

CHARACTER OF SERVICE:

Single phase or three phase, 60 Hertz, at one available standard voltage, at a single point of delivery.

CONDITIONS OF SERVICE:

Resale of service or standby service not permitted hereunder. Service is subject to Cooperative's Rules and Regulations for Electric Service. Three phase service may be limited to areas near the Cooperative's existing three phase lines.

MONTHLY RATE:

Facilities Charge	\$60.00
Demand Charge	
Billing Demand in excess of 20 KW	\$ 6.00 per KW
Energy Charge	6.25 ¢ per KWH

WHOLESALE POWER COST ADJUSTMENT:

Monthly energy rate is subject to adjustment according to the Wholesale Power cost adjustment Schedule PCA.

(Continued on Sheet No. 10.1)

Issued by: William E. Laughlin  
          General Manager

Effective: January 1, 1991

TALQUIN ELECTRIC COOPERATIVE, INC.

(Continued from Sheet No. 10.0)

BILLING DEMAND:

The billing demand shall be the higher of:

1. The maximum kilowatt demand established by the customer for any period of fifteen (15) consecutive minutes during the period for which the bill is rendered.
2. Service under this rate schedule is predicated upon the customer maintaining a power factor of 90% or higher. When a customer does not maintain the required power factor, the metered KW demand will be converted to KVA, in which case the monthly billing demand shall be 90% of KVA.

MINIMUM MONTHLY CHARGE:

The minimum monthly charge shall be the higher of:

1. The Facilities Charge.
2. Minimum monthly charge established by contractual agreement.

TAX ADJUSTMENTS:

Amount computed at the above monthly rate, as adjusted by application of the monthly Wholesale Power Cost Adjustment, shall be subject to any applicable taxes, assessments, fees, and/or surcharges legally imposed by any governmental authority. The Florida Gross Receipts Tax on electric utility service shall be separately stated in full on all bills.

TERMS OF PAYMENT:

The above rates are net, gross rates being 5% higher on the first \$25 and 2% on the remainder of the bill. Gross rates apply if current monthly bill is not paid by due date shown on bill.

Neither rates nor bills shall be discounted, except as specifically provided in this or other rate schedules. Bills rendered hereunder are payable, in cash, within the time limit specified on the bill, at Cooperative designated locations.

(Continued on Sheet No. 10.2)

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

(Continued from Sheet No. 10.1)

SPECIAL PROVISIONS:

1. The Cooperative may, under the provisions of this rate, require a contract with the customer. Whenever the customer increases his electrical load, which increase requires the Cooperative to increase facilities installed for the specific use of the customer a new contract may be required.
2. The Cooperative will furnish service under this rate at a single voltage, at a single point of delivery. Equipment to supply additional voltages or additional facilities for the use of the customer shall be furnished and maintained by the customer.

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991



TALQUIN ELECTRIC COOPERATIVE, INC.

SEVENTH REVISED SHEET NO. 11.0  
CANCELS SIXTH REVISED SHEET NO. 11.0

WHOLESALE  
POWER COST ADJUSTMENT  
SCHEDULE PCA

APPLICABILITY:

To be added to monthly rate of each filed rate schedule in which reference is made to this schedule.

CALCULATION:

All energy charges shall be increased or decreased by 1/10 mill (0.0001) per kilowatt hour for each 1/10 mill or major fraction thereof, by which the average wholesale purchased power cost per kilowatt hour sold for the preceding month exceeds or is less than 58.0 mills (0.058).

The level of this adjustment for billing purposes may be established at the option of management from historical and/or projected trends. The total billed adjustment for each fiscal year shall as nearly as possible equal the actual cost of power sold adjustment for the same fiscal year computed from actual operating data. Any over or under collection of wholesale power cost adjustment for a fiscal year shall be returned or recovered in the subsequent fiscal year's wholesale power cost adjustments.

Issued by: William E. Laughlin  
General Manager

Effective: January 1, 1991

BILLING DATE	METER DATES	DYS	MAX DEMAND	DEMAND BILLING (\$@7.00)	ENERGY BILLING (KWH)	POWER COST ADJ.	METERED DEMAND	BILLED DEMAND	POWER FACTOR	KW AVG.		NET BILL		
										TOT KWH	--- Billed Demand			
							PER KWH							
02/15/90	12/15/89-01/15/90	31	4,694	\$32,856	2,196,000	\$119,682	0.0020	\$4,392	4,428	4694	0.84	2,952	\$ 63%*	\$158,837
03/15/90	01/15/90-02/15/90	31	4,860	\$34,020	2,379,600	\$129,688	0.0015	\$3,569	4,500	4860	0.82	3,198	66%	\$171,670
04/14/90	02/15/90-03/15/90	28	4,899	\$34,292	2,001,600	\$109,087	0.0015	\$3,002	4,536	4899	0.82	2,979	61%	\$150,524
05/15/90	03/15/90-04/16/90	32	5,016	\$35,109	2,203,200	\$120,074	0.0020	\$4,406	4,644	5016	0.82	2,869	57%	\$161,652
06/15/90	04/16/90-05/15/90	29	4,899	\$34,292	2,001,600	\$109,087	0.0025	\$5,004	4,536	4899	0.82	2,876	59%	\$148,383
07/14/90	05/15/90-06/15/90	31	4,821	\$33,748	2,109,600	\$114,973	0.0028	\$5,907	4,464	4821	0.82	2,835	59%	\$153,848
08/16/90	06/15/90-07/16/90	31	4,738	\$32,166	1,947,600	\$106,144	0.0033	\$6,427	4,428	4738	0.83	2,618	55%	\$143,172
09/15/90	07/16/90-08/15/90	30	4,860	\$34,020	2,034,000	\$110,853	0.0038	\$7,729	4,500	4860	0.82	2,825	58%	\$147,752
10/15/90	08/15/90-09/14/90	30	4,782	\$33,476	1,998,000	\$108,891	0.0028	\$5,594	4,428	4782	0.82	2,775	58%	\$147,353
11/15/90	09/14/90-10/18/90	34	4,860	\$34,020	2,293,200	\$124,979	0.0035	\$8,026	4,500	4860	0.82	2,810	58%	\$162,619
12/15/90	10/18/90-11/15/90	28	5,029	\$35,204	1,767,600	\$96,334	0.0036	\$6,363	4,572	5029	0.80	2,630	52%	\$134,886
01/15/91	11/15/90-12/14/90	29	5,062	\$35,434	1,886,400	\$102,809	0.0023	\$4,339	4,644	5062	0.81	2,710	54%	\$146,282
02/15/91	12/14/90-01/15/91	32	5,219	\$36,532	2,070,000	\$112,815	0.0027	\$5,589	4,788	5219	0.81	2,695	52%	\$157,024
03/15/91	01/15/91-02/18/91	1134	5,016	\$35,109	1,843,200	\$100,454	0.0014	\$2,580	4,644	5016	0.82	2,259	45%	\$145,278
04/15/91	02/18/91-03/15/91	25	4,977	\$34,836	1,648,800	\$89,860	0.0016	\$2,638	4,608	4977	0.82	2,748	55%	\$133,370
05/15/91	03/15/91-04/15/91	31	3,672	\$25,704	1,735,200	\$94,568	0.0026	\$4,512	3,672	3672	0.90	2,332	64%	\$126,506
06/15/91	04/15/91-05/15/91	30	3,205	\$22,438	1,576,800	\$85,936	0.0036	\$5,676	3,024	3205	0.84	2,190	68%	\$112,267
07/15/91	05/15/91-06/14/91	30	3,159	\$22,110	1,425,600	\$77,695	0.0038	\$5,417	2,952	3159	0.83	1,980	63%	\$103,495
08/15/91	06/14/91-07/15/91	31	3,149	\$22,045	1,598,400	\$87,113	0.0034	\$5,435	2,916	3149	0.82	2,148	68%	\$133,698
09/14/91	07/15/91-08/15/91	31	3,313	\$23,189	1,533,600	\$83,581	0.0035	\$5,368	3,096	3313	0.83	2,061	62%	\$111,162
10/15/91	08/15/91-09/16/91	32	3,197	\$22,380	1,591,200	\$86,720	0.0030	\$4,774	2,988	3197	0.83	2,072	65%	\$114,358
11/15/91	09/16/91-10/15/91	29	3,084	\$21,591	1,501,200	\$81,815	0.0033	\$4,954	3,024	3084	0.88	2,157	70%	\$107,937
12/14/91	10/15/91-11/15/91	2131	3,159	\$22,110	1,386,000	\$75,537	0.0030	\$4,158	2,952	3159	0.83	1,863	59%	\$102,512
01/15/92	11/15/91-12/16/91	31	3,091	\$21,637	1,515,600	\$82,600	0.0020	\$3,031	2,916	3091	0.84	2,037	66%	\$110,946
02/15/92	12/16/91-01/15/92	13130	3,082	\$21,571	1,357,200	\$73,967	0.0020	\$2,714	2,880	3082	0.83	1,885	61%	\$101,785
03/14/92	01/15/92-02/14/92	30	3,061	\$21,425	1,515,600	\$82,600	0.0020	\$3,031	2,808	3061	0.81	2,105	69%	\$110,715
04/15/92	02/14/92-03/16/92	31	3,366	\$23,562	1,602,000	\$87,309	0.0020	\$3,204	3,060	3366	0.80	2,153	64%	\$118,069
05/15/92	03/16/92-04/16/92	31	3,387	\$23,708	1,609,200	\$87,701	0.0020	\$3,218	3,024	3387	0.76	2,163	64%	\$118,582

Notes:

- 1) Fly Boiler down 2 weeks for retubing.
- 2) Boiler down 1 week due to fire.
- 3) Xmas

Examples:

-----  
 2196000  
 + ----- = 2952 KW  
 31 x 24  
  
 2952  
 \*\* ----- = 63 %  
 4694



3R3/ELECT.MK3

LLING TE	METER DATES	DYS	MAX DEMAND	DEMAND BILLING (@ \$7.00)	ENERGY BILLING (@ \$.0545)	POWER COST ADJ.	METERED DEMAND	BILLED DEMAND	POWER FACTOR	KW AVG. = $\frac{TOT}{24}$ KWH dysx24	KW Avg. $\frac{KWH}{Billed}$ Demand	NET BILL		
15/90	12/15/89-01/15/90	31	4,694	\$32,856	2,196,000	\$119,682	0.0020	\$4,392	4,428	4894	0.84	2,952	\$ 631.88	\$158,837
15/90	01/15/90-02/15/90	31	4,860	\$34,020	2,379,600	\$129,688	0.0015	\$3,569	4,500	4860	0.82	3,198	66%	\$171,670
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14/90	05/15/90-06/15/90	31	4,821	\$33,748	2,109,600	\$114,973	0.0028	\$5,907	4,464	4821	0.82	2,835	59%	\$153,848
16/90	06/15/90-07/16/90	31	4,738	\$33,166	1,947,600	\$106,144	0.0033	\$6,427	4,428	4738	0.83	2,618	55%	\$143,172
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15/91	11/15/90-12/14/90	29	5,067	\$35,434	1,886,400	\$102,809	0.0023	\$4,339	4,644	5067	0.81	2,710	54%	\$146,282
15/91	12/14/90-01/15/91	32	5,219	\$36,532	2,070,000	\$112,815	0.0027	\$5,589	4,700	5219	0.81	2,695	52%	\$157,024
15/91	01/15/91-02/18/91	1134	5,016	\$35,109	1,843,200	\$100,454	0.0014	\$2,580	016	5016	0.82	2,259	45%	\$145,278
15/91	02/18/91-03/15/91	25	4,977	\$34,836	1,648,800	\$89,060	0.0016	-	-	4977	0.82	2,748	55%	\$133,370
15/91	03/15/91-04/15/91	31	3,672	\$25,704	1,735,200	\$94,568	-	-	-	3672	0.90	2,332	64%	\$126,506
15/91	04/15/91-05/15/91	30	3,265	\$22,438	1,576,800	\$85,936	-	-	-	3265	0.84	2,190	68%	\$112,267
15/91	05/15/91-06/14/91	30	3,159	\$22,110	1,425,600	\$77,695	-	-	-	3159	0.83	1,980	63%	\$103,495
14/91	06/14/91-07/15/91	31	3,149	\$22,045	1,558,800	\$87,113	-	-	-	3149	0.82	2,148	68%	\$133,698
15/91	07/15/91-08/15/91	31	3,313	\$23,189	1,533,600	\$83,581	-	-	-	3313	0.83	2,061	62%	\$111,162
15/91	08/15/91-09/16/91	32	3,197	\$22,380	1,591,200	\$86,720	0.	-	-	3197	0.83	2,072	65%	\$114,358
15/91	09/16/91-10/15/91	29	3,084	\$21,591	1,501,200	\$81,815	0.6	-	-	3084	0.88	2,157	70%	\$107,937
14/91	10/15/91-11/15/91	(2)31	3,159	\$22,110	1,386,000	\$75,537	0.00	-	-	3159	0.83	1,863	59%	\$102,512
15/92	11/15/91-12/16/91	31	3,091	\$21,637	1,515,600	\$82,600	0.002	-	-	3091	0.84	2,037	66%	\$110,946
15/92	12/16/91-01/15/92	(3)30	3,982	\$27,871	1,357,200	\$73,967	0.0020	\$2,714	2,880	3982	0.83	1,885	61%	\$101,785
14/92	01/15/92-02/14/92	30	3,061	\$21,425	1,515,600	\$82,600	0.0020	\$3,031	2,808	3061	0.81	2,105	69%	\$110,715
15/92	02/14/92-03/16/92	31	3,366	\$23,562	1,602,000	\$87,309	0.0020	\$3,204	3,060	3366	0.80	2,153	64%	\$118,009
15/92	03/16/92-04/16/92	31	3,387	\$23,708	1,609,200	\$87,701	0.0020	\$3,218	3,024	3387	0.78	2,163	64%	\$118,582

*M. Meeter's  
initial calculations  
corrected on  
the next  
page*

38253 15,000,000

\$1,145,466

est 53.43 L.I FPG 48  
Ply Boiler down 2 weeks for retubing.

Boiler down 1 week due to fire.

1035  
FPG 1035  
\* 11.66  
1.556  
FPG - 79.30 CC  
208477.81 D. (3.45)  
4115,000 CC (1.054)  
374,300  
1.02420%  
329,173.10  
112,447 FPG - (2.000)  
37402.1  
728,451 7.90

Examples:  
-----  
2198000  
----- = 2952 KW  
31 x 24  
2952  
----- = 63.2  
4694

881.50  
14.12  
55.19



Florida Power rate:

Customer Charge - \$79.30 X 12	\$ 951.60
Demand Charge - 38,253 KW @ \$5.45	208,478.85
Non-fuel Charge - 18,212,400 KWH @ \$.01105	<u>201,247.02</u>
Sub-total	\$ 410,677.47
Anticipated Increase @ 3.42% of sub-total	14,045.17
Fuel Charge - 18,212,400 KWH @ \$.02079	378,635.80
Cons. Recovery Chg. 18,212,400 KWH @ \$.00263	47,898.61
Added Power Factor per FPC rate	<u>435.40</u>
Total	\$ 851,692.45

Cost per KWH = 4.68¢

Data & Calculations  
from PSC  
checked by TEC

(With power factor corrected

\$ 851,257.05

Cost per KWH = 4.67¢

COASTAL LUMBER COMPANY

Billing History

(Actual) ✓

Month	Billing Demand (KW)	Energy (KWH)	Net Bill Without Tax	Cents/KWH
Jun, 91	3,205	1,576,800	\$102,997	6.53
Jul, 91	3,159	1,425,600	\$94,688	6.64
Aug, 91	3,149	1,598,400	\$104,023	6.51
Sep, 91	3,313	1,533,600	\$101,703	6.63
Oct, 91	3,197	1,591,200	\$104,627	6.58
Nov, 91	3,084	1,501,200	\$98,753	6.58
Dec, 91	3,159	1,386,000	\$93,789	6.77
Jan, 91	3,091	1,515,600	\$101,506	6.70
Feb, 91	3,082	1,357,200	\$93,124	6.86
Mar, 91	3,061	1,515,600	\$101,294	6.68
Apr, 92	3,366	1,602,000	\$107,967	6.74
May, 92	3,387	1,609,200	\$108,491	6.74
	38,253	18,212,400	\$1,212,962	6.66

*Data & Calculations  
from TEC*

COASTAL LUMBER COMPANY

Billing History

(With Power Factor Corrected to 90%)

Month	Billing Demand (KW)	Energy (KWH)	Net Bill Without Tax	Cents/KWH
Jun, 91	3,024	1,576,800	\$101,727	6.45
Jul, 91	2,952	1,425,600	\$93,242	6.54
Aug, 91	2,916	1,598,400	\$102,390	6.41
Sep, 91	3,096	1,533,600	\$100,186	6.53
Oct, 91	2,988	1,591,200	\$103,163	6.48
Nov, 91	3,024	1,501,200	\$98,329	6.55
Dec, 91	2,952	1,386,000	\$92,343	6.66
Jan, 91	2,916	1,515,600	\$100,281	6.62
Feb, 91	2,880	1,357,200	\$91,713	6.76
Mar, 91	2,808	1,515,600	\$99,525	6.57
Apr, 92	3,060	1,602,000	\$105,825	6.61
May, 92	3,024	1,609,200	\$105,951	6.58
	35,640	18,212,400	\$1,194,675	6.56

*Data & Calculations  
from TEC*



APPENDIX E

#### Appendix D: Facts Pertinent to Cape Coral Rate Structure Complaint

- a. The Commission has approved rate structures with customer classes established upon municipal boundaries where cost of service characteristics support such classification.
- b. LCEC service within Cape Coral represents approximately 45% of LCEC revenue, assets and customers but less than 6% of LCEC's service territory.
- c. The Commission has required a rural electric cooperative to prepare a cost of service study upon complaint of a single customer representing a single customer classification.
- d. The City of Cape Coral receives service from LCEC at numerous locations and under both commercial and residential customer classifications.
- e. LCEC recently conduct a cost of service study.
- f. LCEC has stated that it would cost approximately \$50,000 to identify its assets in Cape Coral municipal boundaries and their book value.
- g. LCECs annual revenue exceeds \$400 million, of which approximately \$185 million is derived each year from service within Cape Coral. A \$50,000 one-time expenditure (which may have been expended already, perhaps at lower cost, if LCEC management has acted prudently) on behalf of LCEC's largest customer base is approximately .01% of one year of LCEC's revenue.
- h. LCEC serves approximately 746 customers per mile within Cape Coral, but only 55 customers per mile in the rest of its service territory comprising approximately 2,100 square miles. See Appendix D-1, attached, a copy of a March 4, 2016 letter from the Commission in Docket No. 150269 informing a utility customer as follows: "Many factors affect the rate adjustment or cost of providing service. These factors can include the following: the size and age of a utility system, the number of customers, **and the geographic spread of the service area**" (emphasis added). These factors, and specifically "the geographic spread of the service area" can be universally applied, and affect all utility industries.
- i. The City of Cape Coral is the tenth largest city in the State of Florida; and the only city of the top ten which continues to be served by a rural electric cooperative.
- j. The Commission has recognized several unique characteristics which distinguish rural electric service from service to urban areas like Cape Coral. In Docket No. 020537-EC, regarding another rural electric cooperative, the Commission recognized as follows:
  - a. First, [rural electric cooperative] has a density of ten customers per mile, while most investor-owned utilities have a density of fifty-five customers per mile or greater. In a high-density service territory, several customers may be served by a single transformer, while in a sparsely populated rural area there is usually one transformer for each residential account. Thus, the significant costs of constructing and maintaining a mile of line in a rural service territory are spread to a significantly fewer number of customers.
  - b. Second, [rural electric cooperative's] rural service territory is quite different from an urban investor-owned utility. Urban areas are normally occupied throughout the year, and customers usually consume a large amount of electricity that varies seasonally with their heating and cooling load. By contrast, [rural electric cooperative] provides service to a significant number of barns, stock tanks, electric fences, hunting cabins, and vacation homes. These types of customers consume small amounts of electricity during the course of the year, and their usage is sporadic. A rate design with a relatively low customer charge and a high energy charge for these customers may not recover the costs of investment necessary to service their load.

- c. Third, [rural electric cooperative] has many customers taking service under multiple accounts. Presently, it is relatively expensive to hire an electrician to extend a line from a customer's existing meter to a barn, well, stock tank, or electric fences. Customers typically find that it is cheaper to establish a separate account with [rural electric cooperative] which then incurs these costs.
- k. LCEC, a rural electric cooperative, required to operate on a not for profit basis, serves predominantly rural areas within its service territory; areas which exhibit the characteristics identified previously by the Commission's as distinct service characteristics typically seen in rural versus urban areas. Cape Coral requests that the Commission require LCEC to file a cost of service study to inform its customers and the Commission whether these cost of service characteristics require recognition in revised customer rate classifications.



APPENDIX E-1

STATE OF FLORIDA



ACCOUNTING AND FINANCE  
ANDREW L. MAUREY  
DIRECTOR  
(850)413-6900

COMMISSIONERS:  
JULIE I. BROWN, CHAIRMAN  
LISA POLAK EDGAR  
ART GRAHAM  
RONALD A. BRISÉ  
JIMMY PATRONIS

# Public Service Commission

March 4, 2016

RECEIVED-FPSC  
2016 MAR -4 AM 9:03  
COMMISSION  
CLERK

Ms. Leanne Loeffel  
633 Dunn Drive  
Altamonte Springs, FL 32714

**Re: Docket No. 150269-WS - Application for limited proceeding water rate increase in Marion, Pasco and Seminole Counties, by Utilities, Inc. of Florida.**

Dear Ms. Loeffel:

Thank you for your letter expressing your concerns about the rate increase petition filed by Utilities, Inc. of Florida (UIF or Utility). To ensure that the Commission staff and the Commissioners have knowledge of your concerns, your letter has been placed on the correspondence side of the docket file for all to review.

Many factors affect the rate adjustment or cost of providing water service. These factors can include the following: the size and age of a utility system, the number of customers, and the geographic spread of the service area. Rates are increased relative to a utility's revenue requirement and are designed in order to allow a utility the opportunity to recover its reasonable and prudent costs for providing service and a reasonable rate of return on its investment in facilities necessary to provide such water service.

In the instant case, UIF is requesting to recover the cost of the Crystal Lake/Ravenna Park water system interconnection. Commission staff conducts a thorough analysis of these factors in order to write a recommendation, regarding the proposed rate increase, for the Commissioners to consider. Inherently, any utility rates have some level of subsidization. UIF's Seminole County water systems have uniform rates. As a result, all of UIF's customers in Seminole County have shared in compensating the Utility for recovery of its cost to provide water service, including a return on plant investments, over the years for all its water systems in Seminole County.

We appreciate your letter and understand your concerns regarding the proposed rate increase. The Commission also understands that these are difficult economic times for so many people. I hope the above information is helpful.

Ms. Loeffel  
Page 2  
March 4, 2016

If you have any additional questions, or require further assistance, please call me at (850) 413-6420 or email me at Jslemkew@psc.state.fl.us.

Sincerely,



John Slemkewicz  
Public Utility Analyst

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Division of Engineering (King, Mtenga)  
Division of Economics (Hudson)  
Office of the General Counsel (Barrera)  
Office of Commission Clerk (Docket No. 150269-WS)



CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic delivery to the following (unless otherwise noted below) on the 10th day of November, 2016:

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