I. Meeting Packet

State of Florida
Public Service Commission
INTERNAL AFFAIRS AGENDA
Tuesday, February 19, 2013
Immediately following Commission Conference
Betty Easley Conference Center, Room 140

1. Briefing on Smart Meters: Technical Information and Regulatory Issues. (Attachment 1)
2. Briefing on Compressed Natural Gas Issues. (Attachment 2)
3. Update on Water Study Commission. (No Attachment)
4. Legislative Update. (No Attachment)
5. Executive Director's Report. (No Attachment)
6. Other Matters.

BB/css

OUTSIDE PERSONS WISHING TO ADDRESS THE COMMISSION ON ANY OF THE AGENDAED ITEMS SHOULD CONTACT THE OFFICE OF THE EXECUTIVE DIRECTOR AT (850) 413-6463.

Attachment 1

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 11, 2013

TO: Braulio L. Baez, Executive Director

FROM: Walter Clemence, Public Utility Analyst II, Office of Industry Development and Market Analysis
Michael T. Lawson, Senior Attorney, Office of the General Counsel

RE: Briefing on Smart Meters: Technical Information and Regulatory Issues.

CRITICAL INFORMATION: Please place on the February 19, 2013 Internal Affairs. This item is being presented for briefing only.

Florida Public Service Commission (FPSC) staff held a public workshop on September 20, 2012 to gather information on smart meters and to address concerns raised by consumers. Topics addressed during the workshop included jurisdiction of government agencies, health, privacy, data security, and alternatives to smart meters. Presentations were made by subject matter experts from utilities, transmitter manufacturers, and meter manufacturers. Twelve consumers provided public comment during the workshop and numerous customer contacts have been received. Staff is providing a summary of the issues that have been of concern to customers for briefing purposes.

Introduction

The meters being installed by the investor-owned utilities are not identical and have been rolled out on different schedules. Florida Power & Light Company (FPL) uses advanced metering infrastructure (AMI) that utilizes Radio Frequency (RF) Mesh technology that provides two-way communications infrastructure to and from the customer's meter. FPL began installing meters in 2006 and plans to complete their installation of 4.6 million meters in May of 2013. Tampa Electric Company (TECO) uses an automated meter reading (AMR) meter that is capable of transmitting from the meter, but the meter is not capable of two-way communication. TECO started its AMR roll out in 2003 and completed the installation of approximately 682,000 meters in January 2012. Progress Energy Florida, Inc. (PEF) used a mix of cellular AMR for large customers, drive-by AMR for residential and small commercial customers, and AMI for medium size commercial customers. PEF began installing AMR meters for its industrial customers in the 1990's and plan to complete its installations with AMI meters in October of 2013. Gulf Power Company (Gulf) also uses AMI meters within its service territory. Gulf started its installation of AMI meters in 2007 and completed the installation of approximately 437,000 meters in 2012.

Jurisdiction

The FPSC has jurisdiction over cost recovery of smart meters, but does not have specific statutory authority over the smart meters themselves. As required by Section 366.04, Florida Statutes, the FPSC has adopted and enforces the safety standards found in the National Electrical Safety Code (NESC) for all electric utilities. However, the NESC does not address radio frequency transmitted by devices such as smart meters. RF emission standards are established by the Federal Communications Commission (FCC).

Section 366.03, Florida Statutes (F.S.), requires the utilities to furnish to each customer reasonably sufficient, adequate, and efficient service upon terms as required by the FPSC. Section 366.04(1), F.S., indicates that the Commission has jurisdiction to regulate and supervise each public utility with respect to rates and service. Utilities present at the workshop agreed that the rates and services aspects of the statutes apply to smart meters.

Section 366.045, F.S., provides that the FPSC shall have jurisdiction over the planning, development, and maintenance of a coordinated electric power grid throughout Florida. Section 366.05(1), F.S., discusses the FPSC's jurisdiction to prescribe fair and reasonable rates and charges, and classification standards of quality and measurements. Rule 25-6.049, Florida Administrative Code, requires utilities to use commercially acceptable measuring devices owned and maintained by the utility to measure their customers' energy usage. Meter manufacturers and utilities at the workshop stated that the meters being installed are commercially accepted measuring devices.

The participating utilities all indicate that the FCC has exclusive jurisdiction over any health effects from smart meters. The FCC's jurisdiction arose from the Federal Communications Act of 1934, continued with the Telecommunications Act of 1996. Workshop presenters agreed that the standards are uniformly adhered to by Florida's IOUs.

FPL presented information that the FCC corresponded with Florida Senator Bill Nelson in June of 2012 and reaffirmed that health issues related to smart meters are within their jurisdiction. Further, FPL indicated the FCC has stated that it has exercised its jurisdiction and will continue to exercise the FCC's jurisdiction over smart meter transmitters.

Commission staff invited the FCC and the California Council on Science and Technology (CCST) to attend the workshop. Both the FCC and CCST declined to attend the workshop.

Available Options

Staff does not believe that jurisdictional issues addressed at the workshop require any FPSC action.

Health

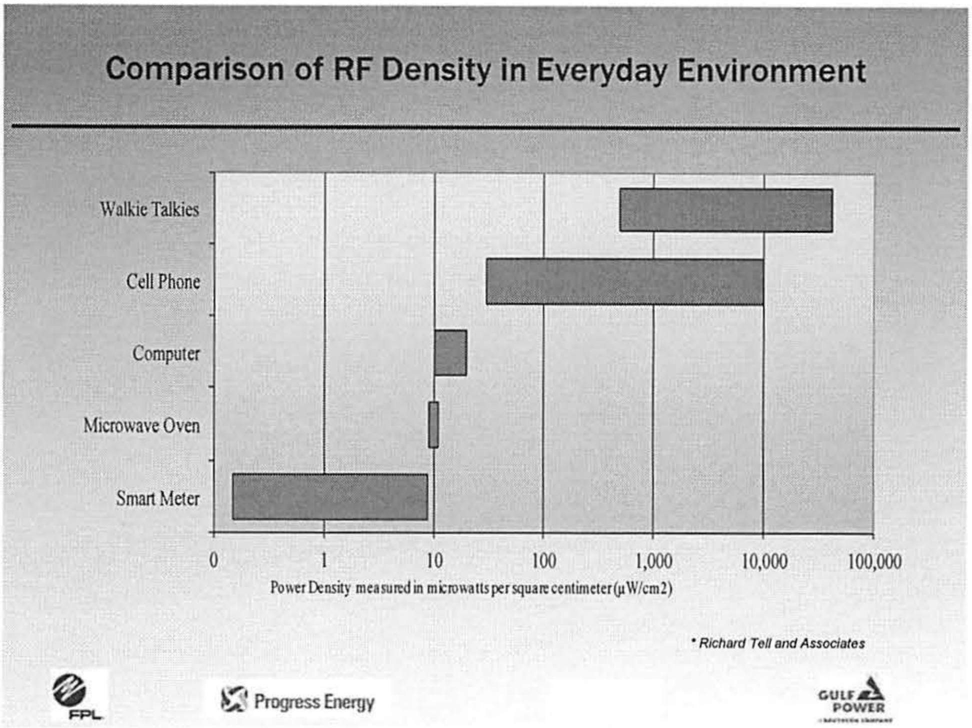
Smart meter transmitters are certified for compliance with RF emissions by the FCC. The transmitters within the meter have an FCC ID number that consumers could use to verify that it has been approved. RF emitting devices have been used since the 2nd World War and have been widely studied. The smart meter is a relatively new application of existing RF technology. Utilities and manufacturers presented information that smart meters are safe and operate within established authorized standards. However, during the public comment session, consumers presented information that the meters are unsafe and contended that the meters may operate outside the bounds of established standards.

The meter manufacturers who attended the workshop provided staff with an overview of the process for ensuring FCC RF compliance. First, the transmitter is tested by a third-party agency for compliance and then that information is filed with the FCC. Once approved, an FCC ID number is provided to transmitters that pass the test. Each FCC ID number is available to be verified on the FCC website, and consumers may reference the number that appears on any transmitter. In the event that a change is made to the transmitter, the testing and FCC filings must be resubmitted, and another FCC ID number would be assigned after compliance.

The effects of RF can be either thermal or non-thermal. At very low levels, RF can pass directly through the body and has no effect on a person. At higher levels, the RF can accumulate energy within the body, and this effect can raise body temperature. The standards set by the FCC focus primarily on the thermal effects from RF. The FCC does look at the non-thermal effects; however, it believes it is appropriate to use the thermal effects as a guide for setting standards. Non-thermal effects reported by customers include headaches and difficulty sleeping.

Comments were provided regarding multi-meter installations and the possible health effects from these meter banks. FPL conducted third-party testing and found that at a distance of one foot from 100 smart meters, the RF was 15% of the allowable exposure limit. The testing company also tested banks of 80 meters and came to the same conclusion. FPL's study found that the exposure from multi-meter installations was still well below the standards established by the FCC.

The following is a chart that was presented by the IOUs in a joint presentation at the workshop. The chart shows a comparison of RF emission levels from various devices typically found in a home.



Summary

The FPSC does not have regulatory authority over any potential health effects from smart meters; the FCC is the entity that has jurisdiction over the issue. However, staff will monitor the FCC for any updates to FCC standards.

Privacy

The IOUs all hold customer data confidentially, except for release for regulated business purposes and to comply with court orders. Municipal utilities must comply with Florida's Sunshine Law. Customer data that is maintained by a municipal utility must be disclosed as part of a public records request. The Florida Municipal Electric Association stated that it is considering seeking legislative support to allow for a delay in releasing interval data by 3 months, while maintaining the availability of current monthly data.

Smart meters do not transmit or store any personal customer identification information. The meters do not transmit customer names, billing information, or addresses. The Federal Trade Commission has regulations in place that are designed to prevent identity theft. The IOUs' privacy policies are designed to be consistent with Federal Trade Commission regulations. Further, the IOUs can use the FPSC confidentiality process to ensure that any customer information that is provided to the FPSC remains confidential.

The utilities were unanimous in their presentations that the only time customer data would be released to a third party is when it is specifically requested by the customer, unless required by law. However, the utilities look at ownership of the data differently; FPL and PEF see themselves as custodians of the data, TECO believes that it owns the information, and Gulf believes that the customer owns the data. In the future, commercial interests may want access to this data and the ownership of the data may determine who receives any potential value from this data.

Customers expressed concern that the meter will indicate what appliances are being used and the information from the smart meter will be used to market items to consumers. Customers also expressed concern that smart meters are an attempt by United Nations Agenda 21 to regulate how consumers use electricity. The meter manufacturers stated that the meters only measure total usage and are unable to identify usage from specific appliances.

Summary

The IOUs have all represented that they have privacy policies in place. Staff will monitor any legislative changes that may require the FPSC or the utilities to act.

Data Security

The data transmitted by the smart meter does not contain any personal customer identification information. Smart meters only transmit information about usage, the meter number, meter type, tampering indications, and error checking information. Moreover, the information transmitted by the meters is encrypted, so if a person did intercept a signal, they would not be able to decipher it.

The utilities transmit the encrypted information securely, and have cyber and privacy policies in place. FPL, Gulf, and PEF have used third-party testing to ensure the security of their transmission of customer usage information from the meter to the utility. TECO's information technology staff consistently monitors their system to ensure security.

The National Institute of Standards Technology (NIST) is the leading board that promulgates security standards, and they have several working groups that promote and develop those standards. The NIST process is a collaborative one among private industry, public industry, and individuals who come together and establish standards for cyber security and interoperability.

During the last Congressional Session, several cybersecurity bills were before Congress; these bills did not pass.

Summary

It appears existing data security protocols are being followed and staff will monitor for further enhancements to security requirements, including federal legislation.

Alternatives

FPL commented during the workshop that it would be open to an alternative to requiring all customers to accept a smart meter. Gulf, TECO, and PEF do not believe that the FPSC should require a smart meter alternative. However, IOUs all appear to be in agreement that if an option is offered, the customer who requests an alternative type of meter should be responsible for all the related costs. The FPSC has a history of ensuring that the cost-causer pays the costs associated with their request. Examples include undergrounding of distribution lines, distribution upgrades for net metering, and customer-requested electric line extensions.

Currently, FPL is placing customers who express concerns about smart meters on a "hold list" This delay allows FPL to temporarily delay the installation of a smart meter. FPL estimates it may have as many as 25,000 customers (.5% of all meter installations) on the hold list at the end of its smart meter deployment in May 2013. It is not known what FPL will do with these customers in May 2013. Currently, the costs to read these customers analog meters are being borne by the general body of ratepayers which reduces the overall savings that may be achieved by smart meters.

During the workshop, FPL indicated that allowing a customer to opt for a non-smart meter could cost as much as $1,000 per customer over a five-year period. For FPL, or any utility, the question then becomes how to allocate these costs between an upfront cost and a monthly charge.

All customers who provided public comment at the workshop and many who have corresponded with the FPSC wish to have an alternative to a smart meter. Some advocated that before the smart meters were installed, there should have been an opt-in to the smart meter installation. The possible alternative includes a digital meter or the use of an analog meter. However, some customers expressed concerns about having a digital meter and only wanted an analog meter.

Providing an alternative to a smart meter would give customers a choice in their meter. Customer concerns about privacy, health, and data security might be alleviated. However, many of those customers that provided public comment did not want to be assessed a separate charge associated with their decision not to have a smart meter.

In California, Pacific Gas and Electric, Southern California Edison, and San Diego Gas & Electric all have a California Public Utilities Commission-approved opt-out program. Customers pay a $75 fee to enroll and $10 a month for meter reading. Low-income customers pay an initial fee of $10 and $5.00 a month for meter reading. Avista Utility in Oregon charges an upfront fee of $221.61 and a monthly charge of $50.88.

Not all opt-out programs come with a fee. Vermont's legislature passed a bill in 2012 that prohibits utilities from assessing fees from customers who opt out of a smart meter. The Vermont Department of Public Service staff had previously recommended the inclusion of guidelines that would have required cost-based fees for an opt out.

<u>*Summary*</u>

Most of the IOUs at the workshop stated that an opt out is not needed at this time. FPL appears to be open to an alternative to smart meters. Therefore, it may be more appropriate for the utility to file a tariff for FPSC review and approval that addresses their situation. Staff will continue to monitor issues associated with alternatives to smart meters in Florida.

The FPSC does have authority to act on the issue of alternative types of meter installations. While staff believes that a utility seeking such an alternative should file a tariff, there are other actions the FPSC might take. The FPSC could initiate rulemaking on this topic; however, there appears no consensus among the utilities on the issue of smart meter alternatives. Staff could bring an item to Agenda or Internal Affairs and request that Commissioners approve an item that would require IOUs to file tariffs offering an opt-out. Finally, utilities could continue to handle customer requests for smart meter alternatives as they are currently. The costs of continuing to serve customers who have not yet had a smart meter installed would be borne by all customers under existing rates.

Public Comment

The most common concerns expressed by members of the public were health issues and privacy concerns. Presenters were concerned that: (1) the health effects have not been studied enough or that they are experiencing adverse effects from the meter; (2) utilities will know what appliances the customer is using and that usage information will be sold to third parties; and (3) that smart meters are a control device that will force them into time of use rates.

The most common concern expressed by customers in both the public comment section of the workshop and in post-workshop comments was the health effects of RF. As discussed earlier, the FPSC does not have authority over the health effects from smart meters.

Members of the public did provide studies to support their claims. However, while Commission staff does not have the expertise to evaluate and validate these or any health studies, staff would note that expert regulatory bodies have established standards to ensure that the transmissions from smart meters are safe.

Summary

Consumers have raised concerns and would like the option to opt-out of a smart meter, primarily without being assessed an additional fee. Staff will continue to be available to consumers to answer questions and will continue to serve as a source for information.

Conclusion

Staff does not believe that the FPSC needs to take any specific actions at this time to provide for an alternative to smart meters. The issues that are of concern to consumers are outside the jurisdiction of the FPSC. However, the FPSC should allow utilities to voluntarily provide their customers with new services under an appropriate, approved tariff. Staff would review any tariff that a utility files in response to smart meter concerns, and a recommendation on the filing would be brought before the FPSC at a scheduled Agenda Conference. As with any tariff, special attention would be paid to any charges requested by the utility. Staff believes all charges should be cost-based to ensure any subsidization is kept to a minimum. Further, the filing should clearly detail the purpose of offering the new tariff.

WC

Attachment 2

State of Florida

Public Service Commission

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD
TALLAHASSEE, FLORIDA 32399-0850

-M-E-M-O-R-A-N-D-U-M-

DATE: February 11, 2013

TO: Braulio L. Baez, Executive Director

FROM: Mark A. Futrell, Director, Office of Industry Development and Market Analysis MF
Kevin Bloom, Economic Analyst, Office of Industry Development and Market Analysis KL
Kathy Lewis, Regulatory Analyst IV, Office of Industry Development and Market Analysis
Martha Brown, Office of General Counsel MCB JSC

RE: Briefing on Compressed Natural Gas Issues

CRITICAL INFORMATION: Please place on the February 19, 2013 Internal Affairs. No action is requested.

During the October 16, 2012 Internal Affairs meeting, compressed natural gas (CNG) for vehicle fueling was discussed and staff was given direction to gather information. The attached Power Point presentation addresses the status of the CNG market in Florida. The presentation also examines relevant Florida Statutes, Commission rules, regulatory options available to facilitate the development of CNG for vehicle fueling, and provides a brief overview of how CNG issues are being treated by other state regulatory bodies. This presentation is for briefing purposes and staff is not seeking action by the Commission.

MF:kb/kl

Attachment

cc: David Dowds

Compressed Natural Gas

Internal Affairs
February 19, 2013

Mark Futrell, Director
Industry Development and Market Analysis

Compressed Natural Gas

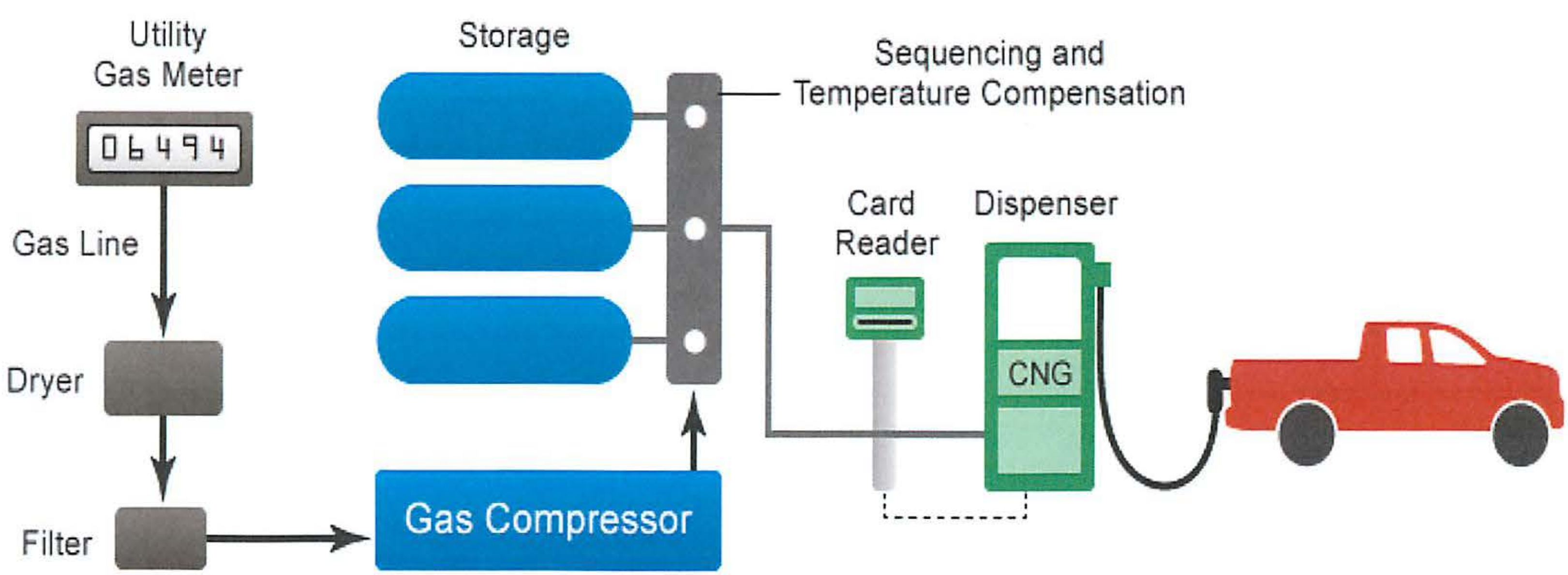
- Overview
- Economic Development
- Extension of Facilities
- Conservation Cost Recovery
- LDC Provision of CNG to 3rd Parties
- Conclusions

Overview

- Market – natural gas prices vs. gasoline prices
- CNG Vehicles
- CNG Vehicle Fueling Stations
  - Two types: time-fill and fast-fill. The main differences between the two systems are the amount of storage capacity available and the size of the compressor. These factors determine the amount of fuel dispensed and time it takes for CNG to be delivered.
- Pressure Requirements
  - Transmission pipeline pressures normally between 900-1,200 psi
  - Pressure at delivery to CNG vehicles normally 3,000 psi

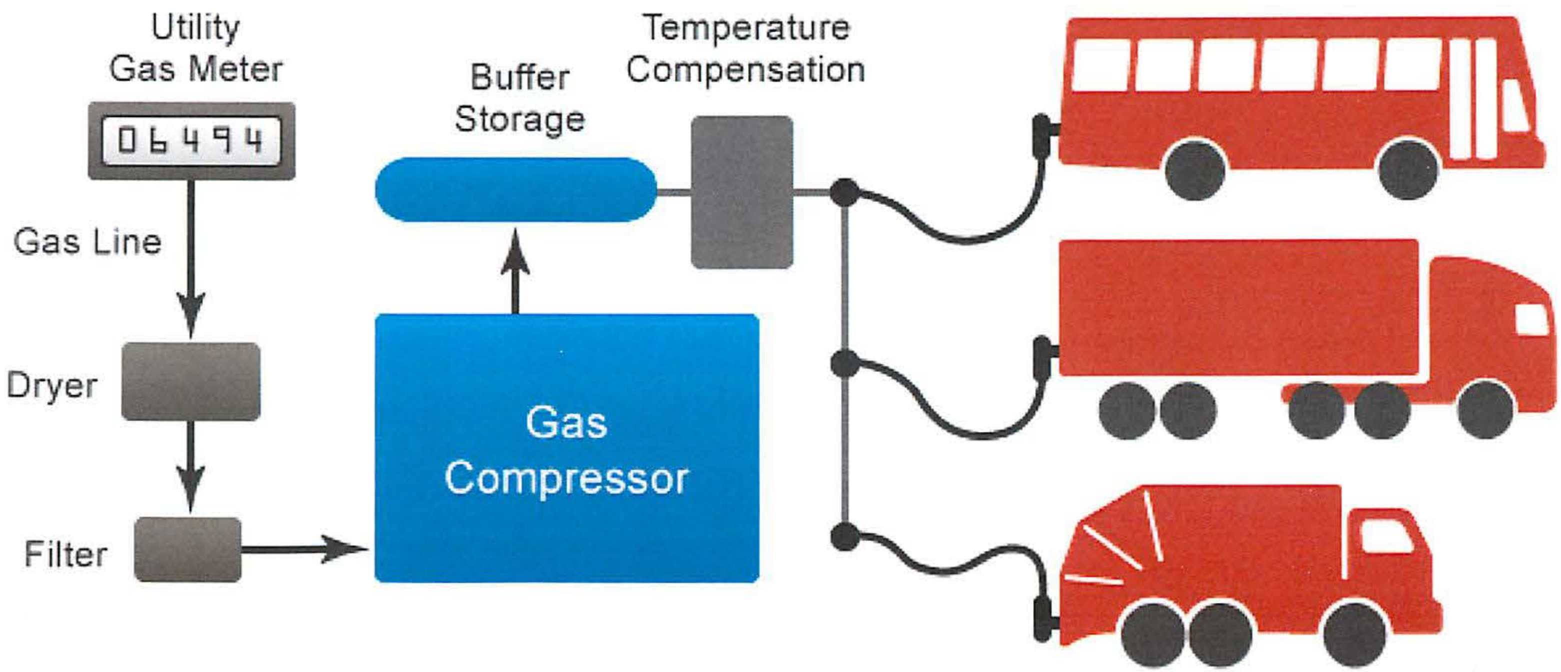
Overview

Fast-Fill Station



Overview

Time-Fill Station



Economic Development - Gas Utilities

- Section 288.035, Florida Statutes
  - PSC may authorize public utilities to recover reasonable economic development expenses (with limitations)

Economic Development – Gas Utilities

- Rule 25-7.042, F.A.C., Recovery of Economic Development Expense
  - Reasonable and prudently incurred
  - Limited to the greater of:
    - Amount approved in utility's last rate case escalated for customer growth since that time, or
    - 95% of expenses incurred for reporting period (lesser of 0.15% of gross annual revenues or $3 million)

Economic Development – Gas Utilities

- Rule 25-7.042, F.A.C., Recovery of Economic Development Expense
  - Requests for changes relating to recovery of economic development expenses shall be considered only in the context of a full revenue requirements rate case, or
  - In a limited scope proceeding for the individual utility.

Economic Development – Gas Utilities

- Rule 25-7.042, F.A.C., Recovery of Economic Development Expense
  - Utility must report total economic development expenses as separate line item on income statement schedules.
  - Examples: trade shows, assisting local governments, marketing research.
    - Peoples Gas
    - Florida City Gas
    - Florida Div. of Chesapeake Utilities Corp.

Economic Development – Gas Utilities

- Special Contracts
  - Rule 25-9.034, F.A.C., Contracts and Agreements
    - Special contracts entered into for the sale of a utility's product/services not specifically covered by its existing regulations and rate schedules must be approved by the PSC.

Economic Development – Gas Utilities

- Flex Rates – Competitive Rate Adjustment Tariff
  - Allows utilities to recover the revenue shortfall resulting from a special contract.
  - Special contracts are approved on a case by case basis.
    - Peoples Gas
    - Florida City Gas

Rule 25-7.054, F.A.C., Extension of Facilities

- Standard Policy
  - Gas utility may extend its main and/or service line facilities to connect a new customer at no charge if the estimated annual gas revenues will equal or exceed the cost of the extension.

Rule 25-7.054, F.A.C., Extension of Facilities

- Other Circumstances
  - If the utility and customer cannot come to an agreement regarding extension costs, either party may appeal to the PSC for review.
    - PSC will be guided by 2 principles:
      - (1) Free extensions:
        - Maximum allowable construction cost is four times the estimated annual gas revenue to be derived from the facilities less the cost of gas.
      - (2) Extensions above free limit:
        - Utility may require a non-interest bearing advance in aid of construction.

Conservation Cost Recovery Clause

- Gas Rate Impact Measure (G-RIM)
  - G-RIM test evaluates cost effectiveness of measures against a 20-year event horizon.
  - Must benefit the general body of ratepayers
- Home Compression Equipment
  - Currently unavailable owing to supply chain issues
  - Research underway to develop less expensive market alternatives

LDC Provision of CNG to Third Party

- Rule 25-7.0141, F.A.C., Allowance for Funds Used During Construction
- Rule waiver potentially necessary as construction unlikely to exceed one year
- Existing retail providers of CNG concerned about monopoly implications

LDC Provision of CNG to Third Party

- CNG Tariff
  - California - SoCal
    - Sells pressurizing equipment to refueling stations
    - Installed on customer side of the meter
    - Purchased from SoCal under a multi-year contract

LDC Provision of CNG to Third Party

- Pilot Programs
  - New Jersey – 1 year pilot for LDC to spend $10 million to build up to 10 new CNG stations hosted by 3rd party locations
  - New York – 3 year pilot to issue $3.5 million in grants for LDC to build fueling stations

Conclusions

- Regulatory impediments to wider use of CNG vehicles difficult to identify
- Incentives to spur growth of CNG vehicles require legislation
- Market appears to be in its infancy: "chicken or egg" analogy

II. Outside Persons Who Wish to Address the Commission at Internal Affairs

OUTSIDE PERSONS WHO WISH
TO ADDRESS THE COMMISSION AT

INTERNAL AFFAIRS
February 19, 2013

Speaker	Representing	Item #
Kandi Floyd	Peoples Gas	2

III. Supplemental Materials Provided During Internal Affairs

NOTE: The records reflect that there were no supplemental materials provided to the Commission during this Internal Affairs meeting.

IV. Transcript

STATE OF FLORIDA
PUBLIC SERVICE COMMISSION

Internal Affairs Meeting

Tuesday, February 19, 2013

Betty Easley Conference Center, Room 140

P R O C E E D I N G S

CHAIRMAN BRISÉ: Once again, we are going to go ahead and get started, and we're ready to begin our IA. Today is Tuesday, the 19th of February, and we're going to go ahead with our briefing on smart meters.

MR. CLEMENCE: Good morning, Commissioners. I'm Walter Clemence with the Office of Industry Development and Market Analysis. Back in May the Commissioners had asked us to gather some additional information on smart meters in order to address concerns expressed by many consumers. Staff has held a workshop, reviewed comments from the public, reviewed information from other sources, and Staff is here today to provide you with a briefing.

Before I begin, I'd like to take a moment and thank a few other people who helped throughout this process. Diana Marr, Kiwanis Curry, Mark Lawson (sic), Mark Futrell, and Beth Salak.

Chairman Brisé, would you prefer just to move right into questions, or would you like for me to kind of give a brief summary?

CHAIRMAN BRISÉ: Go ahead and give a brief summary, and then we'll deal with questions then.

MR. CLEMENCE: Back in September, staff held a workshop to address some of the concerns. The topics addressed during the workshop included jurisdiction of the Commission and of other government agencies, health, privacy, data security, and alternatives to smart meters. Presentations were made by subject matter experts from utilities, transmitter manufacturers, and meter manufacturers.

The meters being installed by the IOUs are not identical. There are two main types being installed, Advanced Metering Infrastructure, or AMI meters, which are capable of two-way communications, and Automated Meter Reading Meters, or AMR, which are capable of a single-way of communication.

The first of the issues that we addressed is jurisdiction. Most of the concerns we've heard from customers have been health related. I'll talk about that a little bit with health, but with jurisdiction we do not currently believe there are any concerns that the Commission needs to address at this time.

With health, customers are concerned about the RF emitted from smart meters. To staff it is clear that the FCC is the body who establishes the limits for RF exposure from smart meters. The meter manufacturers during the workshop had also described to us the process by which they go through to ensure that their transmitters are licensed by the FCC.

On Page 4 of the memo that I provided to you guys earlier is a little bit of a summary of some of the other devices within a home and their respective RF limits -- I'm sorry, their RF exposure. Manufacturers during the workshop had also expressed that their meters are transmitting within the bounds established by the FCC. Staff will continue to monitor the FCC, should any opportunities for comments -- or if they are going to look at changing the limits for any RF standards.

Customers also expressed a lot of concern over privacy of their data. The ability, perhaps, for people to know when they are or are not home, what devices are or are not being used in their homes. The IOUs have all indicated that they have privacy policies in place, that they will only release data at the request of a customer or in response to a court order.

Now, with customer ownership of the data, the utilities all do look at it a little bit differently. This may be an issue in the future, should the data ever have a monetary value, but Staff does not believe that is an issue at this point in time. Also in line with the privacy concerns is the data security concerns. The customers had concerns that people could intercept the data in transmission from the meter to the utility. Once again, the utilities have all told to us that they have either IT staff or that they have third parties come in and test the security of the network to ensure that, you know, they're -- it's difficult, or they don't have any security concerns.

Finally, as expressed by the many other issues that are here and some others, customers have expressed the desire to have an alternative to a smart meter. During the workshop, only FPL had stated that they were open to an alternative at this time. They currently have customers on a hold list, pending the completion of their rollout in May. The utilities were unanimous in their statements that should an alternative be offered that the customer who requests the meter should be responsible for paying the cost to serve them. Further, FPL stated that the cost to service one of their customers with an alternate meter may be $1,000 over a five-year period.

Some states have enacted opt-outs. California has an opt-out with an up-front fee of $75 and then $10 a month. There is a lower amount for low-income customers. Here in Florida, both Lakeland Electric and Sumter have filed for opt-outs.

In conclusion, staff does not believe that the Commission needs to take any specific action at this time. The issues that are of concern to consumers are largely outside the jurisdiction of the Commission. However, should you decide to allow the utilities to provide their customers with new services under an approved tariff, Staff would review that IOU tariff in response to smart meter concerns and would bring a recommendation to you guys at agenda.

As with any tariffs, special attention would be paid to the charges requested by the utility. Staff further believes that all charges should be cost-based to ensure that any subsidization is kept to a minimum, and the filing should clearly detail the purpose of the new tariff. And I'd be happy to answer any questions.

CHAIRMAN BRISÉ: Thank you.

Commissioners, any questions?

COMMISSIONER BROWN: I just want to thank you, Walter, and your staff, the rest of the staff for doing this, participating in the workshop and creating this. I think this gives us a lot of information, and I like your recommendation to do nothing at this time. I think that's very appropriate, but I want to thank you for your work.

MR. CLEMENCE: Thank you.

COMMISSIONER EDGAR: I have a question.

CHAIRMAN BRISÉ: Sure.

COMMISSIONER EDGAR: I have a question about the chart that is on Page 4 that is included in this memo, and it's comparing different types of equipment, I guess. Of course, the walkie-talkies worry me, about the walkie-talkie gift I bought for my ten-year-old for Christmas. I didn't think about that at the time.

(Laughter.)

But seriously, the information here about smart meter at the bottom, I'm kind of assuming, but I don't want to assume that the smart meters would be operating 24/7, or constantly, whereas the walkie-talkie is probably only upon use. So is this an apples-to-apples comparison?

MR. CLEMENCE: The smart meters are not transmitting constantly.

COMMISSIONER EDGAR: All the time?

MR. CLEMENCE: No, ma'am.

COMMISSIONER EDGAR: Okay. Why is that?

MR. CLEMENCE: Well, they are only transmitting information on a predetermined interval that's going to vary by the meter, the transmitter, and the utility, but they are not necessarily constantly transmitting information.

COMMISSIONER EDGAR: Okay. Thank you.

CHAIRMAN BRISÉ: Okay.

COMMISSIONER BALBIS: Just a comment. And, again, I want to echo Commissioner Brown's thanks in that this is something that we have received a lot of correspondence and attention. And even during the FPL service hearings we had a lot of customers that expressed concerns. So I appreciate staff and everyone involved taking this very detailed look at the issue. And it sounds like, I guess, to summarize, that as far as from an opt-out provision, we would respond and address any filing that we have for a special tariff, is that correct?

MR. CLEMENCE: Staff would review any tariffs that were filed by a utility.

COMMISSIONER BALBIS: Okay. Thank you.

COMMISSIONER GRAHAM: I have a question. I get a few phone calls from time to time from, I guess, coming from small government, other small agencies will call me and ask me for the true story, as they put it. Because, you know, they start getting complaints and other things coming on.

Do we send anybody out to speak to, like, city councils, county commissions, or do the utilities just handle that, or do we know?

MR. CLEMENCE: I would turn to Cindy. I don't think we have sent anyone.

MR. BAEZ: Commissioner, at this point the agency hasn't taken a proactive approach as part of the outreach. That's something, obviously, that we would be happy to discuss and address if it's your pleasure, but that's not something that we have taken a proactive step towards.

I think the implication was right, the utilities usually handle that in their community relations function and educate local government and so forth. And, as well, do their best to educate the customers as to what their efforts are.

COMMISSIONER GRAHAM: Do we get phone calls from some of those governments? And the only reason why I ask is because the three different cities that called me said that their utility company was coming out to speak to their commission, but they thought that that information was going to be biased. And I didn't know if anybody called for, quote, unbiased information, or if we even got into that stuff?

MR. FUTRELL: I have only received I believe --

COMMISSIONER GRAHAM: Come on up.

MR. FUTRELL: Just a follow-up. I think we are all speaking from the same script. I had gotten a contact from a lady, from a representative's office, I believe, in Volusia County asking that very question.

And I referred her to reach out to the utilities, because particularly Florida Power and Light is in her service area, Progress Energy, as well. They have the technical experts to address the issues. They have a lot of information already in the bank, they've provided to customers on the website and other materials they provided. They have gone through the installation process, and that they were best situated to provide technical information.

I didn't get a follow-up, but she had a very similar request. Now, again, as Braulio said, if there's a desire for staff to go out and speak, if they don't feel that's a biased -- that there may be some bias there, certainly it's up for discussion, but we try to refer them to the utility to be the subject matter experts on that issue.

COMMISSIONER GRAHAM: I mean, I personally don't see that there is a need for us to get more involved in this stuff. I was just kind of curious on how, when the phone calls came through, if you had a protocol on what we did.

MR. FUTRELL: Right. There have been times in the past long ago where there was a speaker bank, if you will, and there was an organized effort to make staff available to go out and speak on certain issues. And that was something that was done in the past, and it has not been done in the recent years. I think that's something for management to discuss.

MR. BAEZ: Commissioner, that is really consistent with the attitude of the agency serving as a resource to not just the general public, but to government officials at every level. I mean, certainly if there was an invitation or a request for us to participate as part of an outreach effort, we welcome it with great enthusiasm. As I had said before, and I think you echoed it, you know, it's probably not something that we saw the need to get out ahead of in light of -- I think you heard Walter say that the areas of the greatest concern are out of our jurisdiction. So it becomes very difficult to weigh in as an expert, even as the agency, on matters that we don't have jurisdiction over.

MR. FUTRELL: And also, just to follow-up, we have had numerous calls with representatives, senator's offices, staff, you know, legislative staff members and have taken a lot of time to walk people through the issues. Try to present to them, you know, the information that we have gathered, and walk them through it so they can answer questions of their customers. They get a lot of constituent calls as well as what comes into this agency. So we try to take time to reach out to them and walk them through and make sure they are clear on what the issues are.

COMMISSIONER GRAHAM: Okay.

CHAIRMAN BRISÉ: All right. Thank you. I want to thank you for your work on this issue. And talking about outreach, I was -- I won't say summoned, but I was --

COMMISSIONER EDGAR: Invited.

CHAIRMAN BRISÉ: -- invited to Stuart, Florida, maybe last year at some point, by Representative Harrell when she was having a discussion on this very issue. And we talked about our area of jurisdiction and so forth, and that sort of provided some clarification as to what our role is with respect to this.

I will tell you my personal opinion. I think you all have done a good job with this, and I think if the companies have an interest in looking at different tariffs, they are welcome to do so. I personally would not be opposed to maybe looking at an opt-out provision, understanding that it would have to be cost-based and so forth.

There are benefits to the system as a whole by the smart meters, and if you want to deviate from the benefits, or you think that another option is better for yourself, then, you know, you pay for that option. But I think I agree with my fellow Commissioners that, you know, we need to continue to watch this as it evolves.

The other thing I would say, that if we can condense this report a little bit and maybe make it available to legislators and municipalities that reach out to us, then it will provide them with the appropriate framework so that they can understand that we have looked at the issue, what our jurisdiction is, and give them a better understanding of how they need to interact with us with respect to this issue.

All right. Commissioner Balbis sort of whispered that in my ear as a suggestion.

COMMISSIONER BALBIS: It wasn't a whisper.

CHAIRMAN BRISÉ: You didn't whisper.

(Laughter.)

Commissioner Graham.

COMMISSIONER GRAHAM: It's funny that it came from Balbis.

COMMISSIONER BALBIS: He whispered in my ear.

(Laughter.)

COMMISSIONER GRAHAM: No, I was going to say I like the idea of having, like, a fact sheet. And this even helps the utilities when they go out and they are talking to the different people. Rather than saying Florida Power and Light or Progress or Gulf at the bottom, it would say the Florida PSC. And, you know, these are just the facts as we know them. Things could swing one way or the other, but we can provide that out there and they can make as many copies as they want. So, therefore, they have another tool for their tool box.

CHAIRMAN BRISÉ: Well, if there's nothing else on this issue, we want to thank you for your hard work on this.

Now we are moving on to gas. We have a briefing on compressed natural gas, and I know that this is an issue that our member of the NARUC Committee on Gas is very interested in, so I don't know if you want to tee it up.

COMMISSIONER BALBIS: Yes. Thank you, Mr. Chairman.

As you recall, you know, I presented and moderated a panel in the NARUC meeting in Portland last year, and it mainly dealt with the CNG infrastructure aspect of it and different options for that. And then recently in Washington I moderated another panel that looked at, you know, different options for public and private sector fleet conversions to CNG, the benefits, the costs associated with that.

I had great panelist; one from the State of Colorado who was giving a summary of the 15-state memorandum of understanding, where they are aggregating their vehicle purchases. And then also Waste Management and other private sector folks on how they converted their fleets, and then also focused on any regulatory obstacles that they had to overcome.

So I think that, you know, this Commission, when we discuss looking at this further, after that, you know, I met with staff as they put together the presentation. And I think staff has done a very good job of looking at the existing framework, seeing if there's anything that needs to be changed, and different options that we can look into if we want to or not.

But I appreciate staff's work on this, and I think it's a pretty good summary of their effort. And I understand there's a few representatives from the industry and others that are also here to answer any questions, so --

MR. FUTRELL: Thank you.

Commissioners, Mark Futrell with Industry Development and Market Analysis. And I do want to go through our presentation and try to give you a sense of some of the background information. And I'm supposed to give you an overview of the technical information and some items that we looked at that are within the Commission's -- sorry, Cathi, if you could just put up Slide 2 -- look at some issues that are within the Commission's realm of jurisdiction that affect the natural gas industry and provide opportunities for potential expansion of sales of gas to CNG fueling for vehicle fueling purposes.

Slide 3. We have all heard about the shale gas boom, and that there's substantially greater domestic supplies of natural gas and the affect that has had on bringing prices down to historical low levels, and opportunities for gas, not only for electric generation and further domestic purposes, but also for vehicle fueling purposes.

We had a look at this in the '90s when, as a result of deregulation and other effects, natural gas prices lowered and were stable, and there was a significant investigation into the feasibility of CNG for vehicle fueling. There was a look at fleets.

Subsequent to that period, there were some -- because of price spikes resulting from the hurricanes of '04 and '05 and some other market anomalies in '07 and '08, gas prices increased. As I said, they have come back down to historical low levels now. And opportunities for vehicle fueling are looked at very seriously now.

There is also a lot of incentives at the federal level, and other states have put in incentives to try to stimulate vehicle sales. Also the installation of fueling stations. And that dovetails into our areas of talk.

To give you a little sense of the fueling stations that are out there, there are essentially two types. There is time-fill, which is a slower fueling mode, or fast-fill. And these have to do with the compression of gas and the rate that the vehicles are fueled. We'll go into a little more detail about that.

Pressure requirements are some technical aspects. Typically the gas that is supplied by the local distribution company or the regulated gas utility is between 900 and 1,200 pounds per square inch. When gas is delivered in fuel to a vehicle, that can be approximately 3,000 psi, so therefore there is a significant amount of compression that has to take place. The technologies that we will talk about in a moment can affect that pressure, and therefore the cost of the fueling station.

So on Slide 4 is a schematic of a fast-fill station. And these are typically best suited for light-duty vehicles. There's an example of this here in Tallahassee. The new Petro station that is out at Capital Circle Southwest that came about as a result of a collaboration with the Leon County School Board and other entities have put in, and they are there to help fuel the Leon County School Board vehicle fleet, bus fleet. But private owners of CNG vehicles can stop by and fuel their vehicle.

This technology is best suited for, again, light-duty vehicles that need to fill up quickly. It takes the gas from the LDC at a low pressure, and then it goes through a compression system, and then the gas is stored, and it allows for fueling in approximately five minutes. And someone said it's comparable to motor gasoline or diesel fueling.

The pressure for these fuel stations in storage is approximately 4,300 psi. That gives you a sense of the amount of compression that has to occur between taking service from the LDC and then compressing it for purposes of fueling.

On Slide 5 is a schematic of the time-fill station, or a slower filling station. And here the system is typically characterized by larger compressors that allows for fueling directly from the compressing facility. There's some buffer storage, but you don't have the cost of the on-site storage. It typically takes a longer fill time, and is more appropriate for fleets, and that's something that we have seen here in Florida is the significant increase in the use of fleets as far as converting existing fleet vehicles, buses, trucks of various types, or purchasing straight from the manufacturer that are already outfitted with CNG motor drives.

Again, depending on the structure of the compression, it can take several hours to fill. And it can be structured such that compression and fueling can happen in off-peak periods for purposes of the electric utility such that they can fill at night because the electricity cost for driving the compressor can be lower at night.

Next, I want to get into some -- on Slide 6 get into some options to give you a sense of some efforts that have been made here in Florida and here at the Commission affecting gas utilities and giving them a framework for potentially pursuing, and which they have pursued in many cases, gas fueling.

The first is the general statutory provision for economic development. That is provided to all utilities, but in our context we are going to speak to the gas utilities. The statutory charge authorizes the utility to recover reasonable expenses associated with items such as trade shows, prospecting missions, assisting local governments with plans for economic development, to doing market and research services, as well as responding to any inquiries from local governments. So if there's local governments, for example, in the case of the Tallahassee project, this allows the LDC to do some outreach, help coordinate with the implementation of a fueling station, using that as an example.

On Slide 7, in response to the enactment of that statute, the Commission enacted or established a rule on governing the recovery of economic development expenses, establish a standard that the expenses must be reasonable and prudent, and that limited the -- provided some criteria on the amount that's appropriate for recovery of costs.

Moving on to Slide 8, those charges are considered by the Commission in the context of the general rate case or in a limited scope proceeding. That gives the utility a couple of avenues if it wishes to make any changes to its economic development tariffs that it can come to the Commission in different modes.

Slide 9. I'll give you some more detail on what economic development expenses are reported to the

Commission as part of the surveillance reports. Therefore, you do get a sense of what their expenses are on an ongoing basis. Again, examples of those costs are trade shows and outreach to local governments and market research.

We do have some -- are tracking expenditures from Peoples Gas, City Gas, and the Chesapeake Division of Florida Utilities Corporation. Again, in the reporting they only report the dollars. They do not provide us any additional data. That's something that if we need to see, we can do a data request, but the requirement only is that they report dollars of expenses.

Following up on Page 10, there are some options in our rules that recognize opportunities for special contracts between gas utilities and customers. In going through these following slides it's important to remember that gas in most cases is a fuel choice. Typically, customers, particularly larger customers have options on either using gas, or using electricity, or using some other fuel for their purposes, and so rules have been established to try to recognize benefits of either retaining customers or finding ways to expand load to benefit -- to recognize benefits for all customers.

And in this Rule 25-9.034, there are special contracts that are recognized that the utility can enter into with a customer. Those contracts will be brought to the Commission for approval, so the Commission would review those to ensure that there's benefits to all customers.

Slide 11. Within the context of these special contracts, there is a competitive rate adjustment tariff. That used to be known as the flex rate. What it recognizes is if there are situations in a special contract where there may be additional costs that other customers are having to bear, it provides for recovery of the shortfall that may occur in revenue, but with an eye towards ensuring that overall there is a benefit to everyone on the system. That retaining a customer or providing a special contract for a customer that expands facilities, that there is a benefit to additional revenue to the utility to help keep costs down for all customers. There are special contracts out there that Peoples Gas and Florida City Gas have. Peoples has about 40 customers under a special contract, and City Gas has one customer subscribing under this tariff.

On Slide 12 there is also a rule, 25-7.054, on extension of facilities. And, again, this is intended to provide opportunities for the utility to recover costs for extension of facilities, and it allows for an extension of service to connect a new customer at no charge, and provides criteria that we'll talk about in the next slide. But, again, the idea is to try to encourage the extension of facilities and recognize that the extension of those facilities will result in additional revenues that will help keep rates low for all customers.

And on the next slide it provides the circumstances for that extension of facilities. And if the Commission were to look at -- that the allowable construction cost is going to be four times the estimated revenue derived from the facilities less the cost of gas, and that the utility may require a noninterest bearing advance in aid of construction. So it establishes some criteria and encourages utilities to pursue these types of extensions, but yet tries to recognize some benefits for all customers.

On Slide 14, another opportunity is a Commission policy for gas utilities to pursue potential fueling options is in the conservation cost-recovery clause. The Commission approves on an annual basis the expenses that the LDCs incur for conservation activities. Within that is an opportunity for home compression equipment.

Now, subsequent to us preparing this and submitting this to you, we gathered some additional information that, in actuality, a home compression system is available in the marketplace, and so this is just to correct this bullet here. It's approximately 4,500 to $5,000 for the installation of equipment at a person's home to do vehicle, CNG vehicle fueling. And where that fits into this concept is that this is an option that a utility could evaluate for potential inclusion as a conservation measure.

There are criteria the Commission uses to review conservation measures. It applies two tests. It includes a participant test to look at whether the cost of the program would benefit the customer and whether it would make sense for the customer to pursue such a program. The other is this Gas Rate Impact Measure test, or G-RIM. And essentially that looks at whether there -- it takes the perspective of all other nonparticipating customers and whether there are going to be benefits to those customers.

Does it make sense to provide a rebate to a participant to incur a cost of administering a program, and will there be benefits resulting from installation of, for example, a home compression measure? And it looks at the avoided -- it looks at the revenues gained from the sale versus the cost of implementing the program. That is essentially what those two -- and so the utility has an opportunity to evaluate technology such as home compression and determine whether there's the potential for cost-effectiveness and to bring it in as a cost-conservation measure.

We will go on to Slide 15. There is a concept out there of -- a typical arrangement is for the LDC to provide gas to a fueling operator such that the fueling operator purchases gas just like any other customer, and then the fueling operator invests in the equipment to compress and fuel the vehicles.

There is a concept to consider and to discuss about whether the LDC could provide either compressed gas to a fueling operator, or even for the LDC to own compression equipment and provide vehicle fueling as part of its operation. To try to incentivize this, there is a rule on allowance for funds used during construction. And essentially the rule precludes collection of an AFUDC, which is a carrying charge for the cost of money incurred during construction of a project. However, the utilities, if they were to pursue this, wanted to pursue this, they could come in for a waiver.

The issue with fueling stations, our research is that a fueling station may take only about a year to construct; therefore, the utility is not going to have that exposure, that long construction cycle where they will be exposed -- of potential recovery, having to invest costs over a long period of time. But still this is an opportunity that they could pursue if they wanted to, to come in and get not only the cost of the facility, but also any carrying costs that they incurred in financing the project. But, again, it is an opportunity for them to come to the Commission with a rule waiver request.

We have heard that retail providers of CNG, while this is a potential concept for consideration, retail providers would be concerned about whether or not an LDC coming into this would -- they would have some overt monopoly power. Because throughout this, it's important to remember that this market is largely unregulated, and there's minimal regulations over the development of this market, apart from typical safety requirements.

Getting to the end here, we have got a couple of examples of some things going on in other states. Southern California Gas Company has a program where they actually sell equipment to the fueling stations installed on the customer's side of the meter as a result of a multiyear contract, so they are taking some actions to try to get into the -- go further than just selling the product. They are making some commitments to customers on equipment.

On Slide 17 there is a couple of other programs to highlight. New Jersey allows the LDC in New Jersey to spend up to $10 million to build CNG stations. Again, hosted by a third party, but, again, providing an incentive for recovery of costs for fueling station infrastructure.

Finally, in New York there is a three-year pilot to provide grants, a state program for fueling station infrastructure. And following along with that, there are some concepts as we get into our conclusions. There are bills in the Legislature currently to encourage the CNG industry in the state. They would essentially take -- change the tax structure. Currently if you have a CNG vehicle, you have to buy an annual decal. And what the bill would try to do is put on an equivalent basis the taxing of CNG along with motor gasoline and diesel. In other words, the tax would be applied at the point of a sale on a volumetric basis. And the vision of those bills is that part of the tax revenues collected from those sales would be plowed back into a program administered by the Department of

Agriculture for rebates for vehicle sales.

So it's an effort to try to keep the revenues within the industry, within the marketplace, but yet try to develop a demand for the product. The vision, I believe, is that if you can stimulate demand, then the fueling station infrastructure can be easily built to accommodate that demand, but there has to be a demand first.

Largely we see that there are few regulatory impediments based on our research to further development. There are some opportunities that our LDCs have within our view of our current regulatory structure that accommodates opportunities for our LDCs if they wish to pursue CNG, and we have had -- some of our LDCs have had CNG fueling tariffs on the books for several years to try to accommodate that industry. So we think there is a good structure here at the Commission to accommodate the industry. If there's any impediments, they are here today, and they can let us know. But, again, we have not heard in our research of any current impediments, apart from trying to stimulate a demand for the CNG.

I've got a few other things to follow-up if there are some further questions, but I'll stop right there. And if there's other areas you want to talk about, I certainly would be glad to do that.

CHAIRMAN BRISÉ: Sure. Thank you, Mark, for your presentation.

Commissioners, I don't know if there are any questions or further comments?

COMMISSIONER BALBIS: I have a few.

CHAIRMAN BRISÉ: You have one?

COMMISSIONER BROWN: I just have one question.

Mark, thank you for your work, and also, Staff, thank you for your work on this, as well. How many CNG vehicles are in existence today in Florida? Do you have those statistics?

MR. FUTRELL: I think there are some estimates -- guys, do you remember anything off the top of your head?

About 2,000, I'm being told. And much of those are fleet vehicles, where an industry has gone in and converted their fleets. There are a few personal vehicles. We're seeing some in the market. I believe Honda has a CNG vehicle, and more manufacturers are looking at that, but primarily it's fleets that are looking into that.

COMMISSIONER BROWN: Just a follow-up. How much does it cost to convert a fleet; do you know?

MR. FUTRELL: It varies, depending upon the vehicle itself. I believe I've got some -- depending upon the capacity you want to build into it, it can be -- for a personal vehicle, a light-duty vehicle, it can be about $12,500 for the conversion. For a higher end, they call it, more capacity, it could be up to $18,500. For heavy-duty trucks, just in general a conversion could be upwards of about $76,000. So it's a pretty significant investment, but there are some incentive programs out there, particularly from the federal government, to try to stimulate conversion.

COMMISSIONER BROWN: One last one.

CHAIRMAN BRISÉ: Sure.

COMMISSIONER BROWN: Do you see a growing trend? I mean, 2,000 is pretty slim. Is there a growing trend, or is it a -- I know you say the chicken or the egg analogy, if there is a demand, but what is the trend?

MR. FUTRELL: I think the trend is slow growth. Again, we are trying to get some policies in place, particularly this legislation, to try to stimulate growth. And that coupled with the federal rebates that are in place can help stimulate the market. But, again, a big part of it is going to be the up-front capital cost of making conversions or buying a new vehicle that has an incremental cost, in some cases a significant incremental cost over a standard gasoline or diesel-fueled vehicle. And overcoming that is what a lot of these rebates are trying to do and what this program that is proposed in legislation is trying to overcome.

But certainly if gas remains at these historically low levels, that would certainly get people's attention. That is the first item that I believe gets folks attention is that we've got these very low gas prices. And that really is a seller, if the gas prices are low.

COMMISSIONER BROWN: Thank you.

CHAIRMAN BRISÉ: All right.

Commissioner Edgar.

COMMISSIONER EDGAR: Thank you. I just have two quick questions.

Mark, do you happen to know who the sponsors are here in Florida of the legislation that you have briefly described to us?

MR. FUTRELL: Yes. It's Senator Simpson; it's Senate Bill 560. And Representative Ray, and that's House Bill 579. And those bills are identical.

COMMISSIONER EDGAR: And then on the previous slide, 17, you mentioned the two state pilot programs; 10 million in New Jersey and 3.5 in New York. Do you know what the funding source of those dollars is?

MR. FUTRELL: I believe for New Jersey, I believe it's from the general body of ratepayers for the LDC, is my understanding. For the New York program, I believe that it's from -- I believe that's a state-funded program. I will confirm that with you.

COMMISSIONER EDGAR: Thank you.

CHAIRMAN BRISÉ: Commissioner Balbis.

COMMISSIONER BALBIS: Thank you, Mr. Chairman.

And thank you, Mr. Futrell. I think it was a good presentation and a good summary of your work. I know one thing you didn't mention, you did put together a pretty good binder that had additional information, one being a Fishkind report that was prepared in August of 2012 that had a lot of those statistics that Commissioner Brown asked about. And one of the things that really caught my attention in this report was how they quantified the economic impact to the State of Florida, and addressing the different reasons as to why this would be a good thing for the state. So there's a lot of good information in this, and I appreciate staff putting that together.

I have a few questions, and I apologize if they kind of jump around, but for the economic development program, if you will, where it lists up to

$3 million, and you listed attendance at trade shows and other outreach efforts. How specific is the statute or rule as to what activities are covered under that, and could that be expanded, or is it pretty tight?

MR. FUTRELL: Well, the statute provides pretty clear direction on that, and the rule picks up on those parameters established in the statute. I guess I would need, if we wanted to look at that, the statute specifically states that the expenses shall be limited to the following, and it lists three items: Trade shows, prospecting missions with state and local entities, assisting state and local governments with design plans and activities, marketing research services. So it's fairly specific, but within that there may be some opportunities within those terms to maybe look at some alternatives, but our rule has picked up that criteria.

COMMISSIONER BALBIS: Okay. And moving on to the special contracts, and you listed the different LDCs and the number of contracts they have. And I believe I know the answer to this, but CNG facilities, the provision of gas to a CNG facility can be provided with a special contract?

MR. FUTRELL: I think it could; typically, it could. The answer is yes. But typically service is provided under an existing tariff. Typically, these customers have a profile that can be similar to other industrial or large commercial customers, so typically service can be provided under an existing tariff. And, again, like I mentioned, some of the LDCs have an existing CNG tariff that recognizes the special characteristics of a fueling station operator and is tailored to that customer.

COMMISSIONER BALBIS: Okay. And those tariffs, along with the special contracts, of course, will come to us for consideration?

MR. FUTRELL: Right. It would depend upon if that tariff and its rates and terms don't necessarily fit within the business plan of that particular customer, then the special tariffs, the special contracts are an alternative the utility has in its tool box to look at how best to provide service to that customer and help make that project a reality.

COMMISSIONER BALBIS: Okay. Moving on to the discussion about the facility extension provision, on how that can be recovered, whether it's annual revenues or four years of revenues. Could that be -- could the construction of facilities to provide a higher compression for compressed natural gas be included in that provision, or is it strictly just line extensions?

MR. FUTRELL: It's contemplated to be line extensions. The issue of getting -- of them getting into a compression business, there's some explicit provisions in 366.02 about the definition of a public utility and what's exempt and what's within the Commission's jurisdiction and what's outside the Commission's jurisdiction, and that statute specifically references the provision of gas for compression for vehicle fueling. And so we probably need to have a discussion of what really fits within that statutory vision. I believe certainly the LDC could potentially pursue vehicle fueling compression, but it may needs to be outside of its regulated -- it would have to be outside of the regulated entity.

COMMISSIONER BALBIS: Okay. And just two more quick questions concerning -- you mentioned several times that some utilities have a CNG tariff. I assume that those tariffs can be designed to recover all, some, or none of the additional cost to provide the gas?

MR. FUTRELL: It should be designed to recover all costs of the gas. It's purpose of the tariff, so that it could provide service to that customer, and then the cost that that customer places on the system is recovered and is reflected in that rate in that tariff.

COMMISSIONER BALBIS: Okay. And then just the last question I have is concerning the cost-recovery clause for the home compression kits. The G-RIM, which I was just becoming comfortable with E-RIM, so the G-RIM analysis and also the Participants Test, can you just go over specifically on how that would work if a utility developed a program for this and for our consideration?

MR. FUTRELL: Okay. I have a manual that lays out for the utilities and other parties to see what are the components of these tests. Essentially for a Participant Test, you are looking at, again, from the perspective of someone who is deciding whether or not to participate in the program, and their benefits are typically going to be their avoided electricity purchases. In other words, they're choosing to purchase gas versus electricity. So there may be some benefits for avoiding electricity. There would be an incentive payment they would receive from the utility, so those would be the benefits captured for the participant.

The cost would be the equipment. In other words, the customer would have to make some investment in some equipment. There would be a cost there. The cost to install and incremental O&M to maintain the equipment. And then if there's any bill increase as a result of the purchase in gas, that would be reflected.

So those benefits to the participant are compared against the costs, and if the benefits are greater than the cost, then it makes sense from the participant's perspective.

On the Rate Impact Measure test, or G-RIM, again, you are looking at it from the perspective of the nonparticipating customer. Are there benefits that would accrue from the program to those customers who don't participate, that don't have that bill savings, if you will, and receive that incentive for that equipment? And so there you are looking at revenue increases. In other words, an increase of gas sales, there's a revenue increase recognized in the test. The costs would be any kind of increased commodity cost, or cost of equipment to extend any facilities to meet that customer's load, and any customer-related costs involved as well as the incentive payment would be viewed as a cost in the Rate Impact Measure test.

And those are -- the benefits, again, are looked at over a 20/25-year horizon. Put the present value back, and if the benefits outweigh the costs then it makes sense for the utility to pursue that kind of a program from a nonparticipant perspective. So that's the purpose of these tests is to give the Commission information from various perspectives to determine if it makes sense to pursue them.

COMMISSIONER BALBIS: Okay. So then, I guess, to summarize it, it appears that there aren't any road blocks or something that we might need to fix. However, we do have some mechanisms if a petition is filed with us to consider?

MR. FUTRELL: Correct. Now whether it makes economic sense to pursue this, we didn't get into that, but there is an existing structure here at the Commission to consider that and for the utility to bring this concept to the Commission.

COMMISSIONER BALBIS: Okay.

Mr. Chairman, I understand there are some others --

CHAIRMAN BRISÉ: Yes, there are some folks here. And in case there are further questions, we have Kelly Burke, who is an Assistant Executive Director at the Office of Energy. I don't know if you want to come to the table, or just wait and see if there's any questions specifically for you.

We also have Steven Hall, an attorney for the Florida Department of Agriculture and Consumer Services. Kandi Floyd from Peoples Gas, as well, and Brian Sulmonetti -- hopefully I didn't butcher your name -- from Florida City Gas who is here, as well. So I don't know if we have any questions for them in particular, or if you had any comments that you wanted to make with respect to the presentation.

COMMISSIONER BALBIS: I have a question for either representative from the -- either Peoples Gas or Florida City Gas. And, I guess, the question would be do you see anything, any road blocks that are out there? Is there something that staff missed, or do you think it was a pretty good assessment of the situation concerning CNG?

CHAIRMAN BRISÉ: You're welcome to come to the table.

MS. FLOYD: Good morning, again. My name is Kandi Floyd; I'm with Peoples Gas. And thank you, again, for considering and looking at this issue, and, again, for the presentation that you put together.

You know, we do believe in Florida that this is obviously an emerging market; we are very interested in seeing this move forward. We don't see any significant regulatory barriers or hurdles right now. We would ask the Commission just to keep an open mind as the market develops. We do see possibly infrastructure being something that might need to be addressed down the road, especially for expansion of facilities, and maybe looking at different recovery mechanisms such as conservation cost-recovery to determine if those costs can be recovered through those clauses.

So infrastructure and also operational barriers and requirements and things like that, pressure, sizing of facilities, so those might be some things that in the future might need to be addressed for expansion of facilities. But overall, I think just from your presentation, there doesn't seem to be too many significant barriers at this point.

CHAIRMAN BRISÉ: Okay. Any further questions? Thank you.

MS. FLOYD: Thank you.

CHAIRMAN BRISÉ: All right. Did you want to say something?

MR. FUTRELL: I just want to thank -- also thank you. And this is a team approach, and I wanted to thank the staff; Kathy Lewis, Kevin Bloom, Martha Brown, and Cheryl Bulecza-Banks for their invaluable assistance on this project.

Thank you.

CHAIRMAN BRISÉ: Thank you very much. And I want to thank staff and Commissioner Balbis for staying on this issue, and we look forward to the work ahead in this area. Also, I wanted to thank those who came out to make themselves available to answer questions and so forth.

All right. Moving on to an update on the Water Study.

COMMISSIONER BROWN: JoAnn and Greg are going to come up here.

Well, we are finally done. The report has been submitted to the Governor, the Speaker, the Senate President, as well as all the Commissioners and several other very relevant agencies. I gave a presentation last week that I think went -- there was a lot of interest from the House members on the Subcommittee on Energy. So there's interest in it, and we're just going to do a very brief overview today of what the report chronicles, which is basically our findings and recommendations.

As you know, given the very tight time frame that we had, we first went into the five statutorily mandated areas, then we went into the seven member issues that were prioritized by the committee members. A great deal of time and energy was spent, not only by our staff but also the committee members. We met a total of twelve times. Two of those meetings we met in the public, as you know, the Eustis and the New Port Richey meeting. We got a lot of customer input at those meetings. We also had teleconferences to save money; we had in-person meetings. Overall a great deal of work, and I thank staff, again, for all their work.

As you all know, the goal of the study committee was not to focus on any particular utility, so this report basically focuses on statewide policy issues. It doesn't address any individual utility's particular issue.

And it has been my pleasure working with the committee members. They were a delight. Working with Mr. Kelly in the back, we had a great time. And I think the report is going to have -- it addresses a lot of different issues facing the investor-owned water and wastewater utilities, particularly the smaller systems.

I want to thank the Chairman, too, for allowing me to be chair. And thank Commissioner Graham for initiating the efforts and your leadership, as well as the rest of the committee members -- sorry, the Commissioners for their support throughout this.

So with that, JoAnn and Greg. As you all know also, Larry Harris worked on this, Katherine Pennington; we had Marshall attend all of our meetings, so -- but, JoAnn and Greg are going to kind of touch on the highlights of what we recommended.

MR. SHAFER: Thank you, Commissioner, and good morning.

There were five statutorily required issues that the committee had to address. They will probably sound familiar, since this agency had a workshop on those issues. The first was the ability of small investor-owned utilities to achieve economies of scale in their purchasing.

The second issue was the availability of low-interest loans to small privately-owned water and wastewater utilities.

The third issue was any tax incentives or exemptions, either temporary or permanent, which should be available to small water and wastewater utilities.

The fourth issue was the impact on customer rates when a regulated utility purchases another existing water and wastewater system.

And then the last was the impact on customer rates of a utility providing service through use of a reseller.

As far as the economies of scale issue, the committee recommended, first of all, that DMS revise its existing purchasing rules to allow investor-owned utilities to use -- to be able to use the state purchasing contracts in order to benefit from those economies. And then the second proposal was to have the Florida Rural Water Association develop an on-line exchange for new and used materials, equipment, and supplies. Of course, the Florida Rural Water Association is very helpful to investor-owned utilities in the state.

The second issue was the availability of low-interest loans -- and I want to come back to Issue 1 for just a minute. Those recommendations were all unanimous.

The second was availability of low-interest loans, and the committee recommended legislative action to open up the state revolving fund -- drinking water state revolving fund to all investor-owned utilities.

The second recommendation was to have DEP investigate the possibility of streamlining their application process for the state revolving fund. A third recommendation was to have the PSC make a rule change to allow pass-through of loan service fees related to loans for infrastructure improvement.

The last two recommendations have to do with private activity bonds. It would be to have our legislature approve a Memorial to Congress to recommend that a relaxation of restrictions on those tax exempt private activity bonds for water and wastewater projects. And then the last recommendation was to increase the allocation of private activity bonds in Florida for use on water and wastewater projects.

The third issue was tax incentives and exemptions. And the first recommendation was to extend ad valorem and property tax exemptions to investor-owned utilities. And the second recommendation was to extend sales tax exemptions to investor-owned utilities. Of note in that vote was that representatives from the counties were not in favor of that, but all the other committee members were. And that had primarily to do with the uncertainty of the impact to local governments of those tax exemptions.

The fourth issue was the impact on rates when one utility purchases another. There was a lot of discussion on this issue. The committee considered rate impacts; they considered acquisition adjustments; they considered the need for customer notification of any needed improvements that might result after the transaction. But in the end, the committee voted to take no action on that issue, basically thinking that the current environment was appropriate.

And the final issue was resellers and a way to make the -- I guess conservation was kind of the driving factor there, because in many of these situations they don't have meters. They don't have the -- an apartment complex, for example, would become a regulated utility if they decided to charge anything at all above what they pay for the water service in order to do any billing or metering. And the committee recommended that PSC-exempt resellers be allowed to charge up to 9 percent markup over what their underlying cost is for their purchased water to cover metering and billing costs, and this is a recommendation that models after a Texas provision or law.

So those were the statutory issues.

MS. CHASE: I'm going to discuss a little bit of the member-proposed issues. As the Commissioner mentioned, there were seven of them. One was a reserve fund, and it was to -- it kind of goes along with the low-interest loans. This would be a statutory amendment to grant the PSC the authority to determine conditions and to establish utility-specific reserve funds for the recovery of infrastructure.

We also looked at interim rates. This was a proposal from the Office of the Public Counsel, and it was to change the interim rate statute to disallow the award of interim rates prior to a utility meeting all deficiencies in the MFRs. There was a lot of discussion of this issue, but it was defeated, so the committee took no action on that.

We looked at rate case expense; this was another OPC issue, and three statutory proposals were agreed upon. One would prohibit the recovery of rate case expense for more than one case at a time. Currently, rate case expense is allocated over four years. If the utility were to come in during that four-year amortization period, then they forgo the remainder of the amortization from the prior, from the older case.

Also, no rate case expense is allowed in SARCs prior to the staff preliminary report, and this would be the preliminary report that staff puts out before the customer meeting. Prior to that, no rate case expense in SARCs.

The third one would be to prohibit rate case expense in excess of the approved increase minus rate case expense. And this is basically so that they are not giving rate case expense that's greater than the revenue that the Commission had granted. And they also voted to recommend that the PSC revise its noticing requirements so that customers are notified at the time of the rate increase of the amount of the rate case reduction that will take place in four years. Currently they are notified, but they are notified at the time the rate case expense item is going away.

The committee also addressed quality of service, and they voted to establish a mechanism in a rate case proceeding to require the PSC to consider whether a utility meets secondary standards on water and wastewater, and to require the PSC to conduct rulemaking to prescribe penalties for a utility that fails to address the issue. The intent of it is to try to gain resolution to the quality of service concerns, so the penalties would only come into play if they fail to meet with customers and they fail to propose a solution to the quality concerns.

There was also a recommendation from the committee that encourages the DEP and the PSC to revise its current memorandum of understanding to share more information on quality of service complaints so that both agencies are aware of what the others are getting.

There was a discussion of the used and useful rule and whether or not the PSC should investigate and amend its used and useful rule. The committee decided after lengthy discussion that they really didn't have enough information to identify what the problems with the used and useful rule are, so they made no recommendation.

They also looked at using technology, that was discussed quite a bit during the twelve meetings, and the committee recommended that the PSC investigate the implementation of a fully electronic interactive on-line filing and review process. And it was really tailored after the water management district that we went to visit in the southwest. They have a process where applicants can apply on-line and have an interactive process. They make it easier for their particular clients to file and get approvals and so forth. So the committee is recommending the PSC investigate just the implementation of that, the cost, and whether or not it really could be used here.

The last area was titled PSC policies and procedures, and the committee made a number of recommendations in this regard. They are recommending -- all of these are recommending to the PSC or suggesting to the PSC, obviously -- that there be more communication with the utilities, particularly the small ones, between the Commission staff and the Commission and the utilities, and maybe explore other ways of communicating, such as e-mail and so forth, and videos. Things to be able to let them know what is going on, what issues are affecting them, and how they can take advantage of things that are available at the Commission.

Also, utility communication with customers was identified as an issue, and they are suggesting that the PSC require the IOUs to conduct meetings at least annually with its customers outside of a rate case, just to sort of let them know the status of the utility; what's coming down the pike from DEP; what sort of infrastructure improvements, if any, that need to be made, and so forth.

They are recommending that the PSC investigate the feasibility of developing a set of metrics to evaluate utility operations and perhaps use that to streamline rate case review, and that the PSC investigate the need to change the content or filing procedures of its MFRs in rate cases. They are recommending that the PSC investigate the need and the benefit of benchmarks and standards for customer service -- for the evaluation of customer service provided by the utilities. And they are recommending that the Commission look at the idea of requiring long-range plans of the utilities so that the utilities, the Commission, the customers are more in tune with what is going on with that company on a long-term basis as far as its infrastructure needs, its growth, what improvements are needed to comply with DEP, and so forth.

Annual report review, particularly with the small Class Cs. We heard a lot that they have problems, the small utilities have problems completing their annual reports, so perhaps there needs to be a review of the report itself for changes.

And with pass-throughs, we spent a lot of time talking about the pass-through statute, and the committee made two recommendations with regard to that. The first one is recommending that the Legislature delegate to the PSC the authority to add to the pass-through provisions. Right now they are -- what items are allowed to be passed through are set by statute, and the recommendation would be to give that authority to the PSC through rulemaking to identify future and additional expenses.

Another recommendation in that regard was to -- specific items to be added to the pass-through statute. There were such things as the loan origination fee that Mr. Shafer mentioned, tank inspections, license fees required by DEP, this sort of thing. And the recommendation of the committee was that the Legislature could take one or both of those.

And that was it; that was the last of the member-identified issues.

CHAIRMAN BRISÉ: Commissioner Brown.

COMMISSIONER BROWN: Thank you. And thank you for being here to give that presentation. In this report there are also a lot of other measures that did not pass. There is a detailed voting sheet. Some of the items that JoAnn covered, there was not full support of the measures that passed. So if you look in the report, I think it's in one of the appendix, the actual voting chart at the end, you can see how the votes split up. But there is also a lot of information in here, a lot of detail, a lot of analysis of the issues that we considered but ultimately did not pass.

So, again, thank you for your detailed work and time and energy and all that. Thank you.

MS. CHASE: You're welcome.

CHAIRMAN BRISÉ: All right. Commissioners, any further questions or comments?

COMMISSIONER EDGAR: I have a couple of questions, if I may.

CHAIRMAN BRISÉ: Sure.

COMMISSIONER EDGAR: Thank you.

Commissioner, thank you for your work. I know it took a lot of time, and it's a great report. I'm just starting to work my way through it, but a lot of information. And thank you to your staff for the support that you gave to Chairman Brown and all of the members.

Just a couple of questions, and I know I will have more later after I have had a chance to spend more time and talk with you in a briefing. But the recommendations that address rate case expense, particularly, are they intended to be a disincentive for rate case relief filings?

MR. SHAFER: I don't know whether that was the intent or not, but that certainly came up in the committee discussion that, you know, there were some members of the committee that thought that that was the case. I don't want to speak to intent on that.

COMMISSIONER EDGAR: And the recommendation dealing with the MOU that this agency has with DEP and the secondary standards, does DEP have in place currently secondary standards for water quality?

MS. CHASE: They do. They have standards in place. They are not enforced, necessarily -- they are enforced when they get -- basically when they get enough complaints, that's sort of how they gauge the enforcement of the secondary standards, which is why we thought it would be a good idea to share complaints with them, because sometimes we get them, they don't, so --

COMMISSIONER EDGAR: Would that require additional rulemaking by either agency or both agencies?

MS. CHASE: I don't think so. If it's just simply updating the MOU, it's just putting in place a mechanism that --

COMMISSIONER EDGAR: -- information sharing as far as enforcement of secondary standards and potential --

MS. CHASE: I think it probably would at DEP. Because if they are going to change their way of enforcement, that would probably be rulemaking.

COMMISSIONER EDGAR: And then there were a couple of places where the recommendation was for this agency to develop metrics; service operation, customer service, maybe one or two or more other places. Would the development and implementation of those metrics require rulemaking?

MS. CHASE: I don't think --

COMMISSIONER EDGAR: I guess a yes, but I thought I would ask the question.

MS. CHASE: Yes. We didn't really explore it in those terms, but it probably would, depending on how they are being used.

COMMISSIONER EDGAR: Thank you.

CHAIRMAN BRISÉ: Commissioner Balbis.

COMMISSIONER BALBIS: Yes, I don't know who to ask the question to, but I'll start with you. There was some discussion on resellers and limiting it to 9 percent. Was there any discussion by the committee concerning the provision of -- let me just back up.

During the Aqua rate case there was a discussion of a utility in Lake Worth that was selling water to a portion of Aqua customers at a much higher rate than their other customers, and there was simply a gap in regulation with that. Was there any discussion by the committee about that?

MS. CHASE: There was. That is the other -- we have the exempt resellers, and we have that reseller situation. There was discussion on that. There was a discussion as to whether the PSC should have some sort of oversight of the wholesale rate that you are talking about. And the committee decided to take no action on that. There was discussion on that, but they decided not to do anything.

COMMISSIONER BALBIS: Okay. And then the last question concerning long-range plans. How specific were the committee's discussions on long-range plans? Let me preface that with from the public utility's standpoint, we will prepare five and ten-year capital improvement plans, and each year the commission, city or county commission would review and approve those so that rates wouldn't have to increase frequently, and you could plan ahead. Was there a discussion on that, or just more of an overall communication standpoint along those lines?

MS. CHASE: I think there was discussion along those terms, and also overall. In fact, a lot of the government representatives on the committee brought up that sort of thing. This is what they do, and how helpful it is for them to figure out and to plan by doing that. And so it was pretty much left open to what the PSC might think is needed or necessary for the investor-owned utilities, but that was the idea.

COMMISSIONER BALBIS: Okay. So I guess that ties into my last comment. So there were two sections of the report, and, I apologize, I have been filled with gas recently and haven't --

(Audience laughter.)

COMMISSIONER BALBIS: So there are two aspects; there's recommendations that go to the Legislature, obviously, and then you discussed recommendations to the PSC. Obviously they are nonbinding, et cetera. Was that the overall intent? Is that the product that we have now? And what are our steps at this point? If there are recommendations to us, is there a follow-up to this report?

MR. SHAFER: Yes. I think the committee had three, sort of, recommendation categories. One was any Legislative fixes that were necessary, and then there were agency recommendations for rulemakings, for example. The PSC was included in that, but also the

Department of Management Services. There were some recommendations that affected the Department of Revenue. But, yes, there would have to be, I would think, an evaluation of the recommendations by our agency and then a determination of what the next steps would be.

COMMISSIONER BALBIS: So when is that going to happen?

COMMISSIONER GRAHAM: After you read the report.

(Laughter.)

COMMISSIONER BROWN: Well, I think this committee sunsets, technically, on June 30th, correct? And we are waiting to see what happens with the Legislature. We have given them the report; we have given the Governor the report; we have given it to the Senate. And we would like to see what happens, what type of legislative action helps first. And after session closes, we can revisit that.

MR. BAEZ: And, Commissioner, just to add onto that, there are things, as Greg described, there are certain recommendations that we can take that qualify -- you don't need statutory changes, so we don't have to wait for a directive, in particular, things that we may be able to undertake under our own authority as it stands now.

What those are and how long those that we would deem adoptable or doable, how long it takes to kind of implement, that's probably no good answer at this point, but certainly we are still working our way through it. And, you know, there may be things that get before the Commission, whether it be rule or just best practices that can be improved on. There's something for everybody.

CHAIRMAN BRISÉ: All right. Any further questions or comments on this?

Well, Commissioner Brown, I want to thank you very much for your hard work, and taking the task of being the Chairperson of the Water Study Commission. And I want to thank our staff, as you all always do a wonderful job in performing your duties. So we look to see what happens at the Legislature, and we also look to see what things we need to implement here. And obviously we all will have time to really go through the recommendations. And once we have gone through the recommendations, then we will lay out a path as to how we are going to proceed. Okay. Thanks, once again.

Now we are moving to our Legislative update.

Ms. Pennington.

MS. PENNINGTON: Good morning. I just wanted to echo what Commissioner Brown said. They worked so extremely hard on that report and did such a great job. I think that the Legislature will be looking to the Commission because the -- the success in keeping the two entities separate will be looking to the Commission probably for an official response or unofficial response to that report at some point. So that will probably be down the road.

Good morning. I just wanted to update you on a few bills that have surfaced that you may be interested in. Nothing has really, so to speak, started quote/unquote moving yet. It's very early in the process, but we have had several briefings in the House Energy Committee and in the budget committees in the House and the Senate, but I wanted just to touch on a couple of bills.

Senator Thompson and Representative Rehwinkel-Vasilinda have filed Senate Bill 498 and House Bill 309, which is redefining the term public utility to exclude certain producers of renewable energy. This is a return, in some aspects, of the rooftop solar bill that you have seen in several prior years. It requires utilities also to purchase the excess utility from the renewable energy producers at a certain rate. So that one has not been scheduled for a hearing yet, but it has returned.

There is another bill that Senator Thompson and Representative Lee have filed that prohibits a utility from terminating senior citizens or low-income families' gas or electric service for nonpayment on the day or the following two days that the National Weather Service forecasts extreme temperatures in an area where they live. That one, I think, has had a hearing in one, perhaps -- no, it has not had a hearing, but it has been referred to committee. It also prohibits termination of service on a day preceding a holiday or a weekend when the National Weather Service predicts extreme temperatures or extreme conditions in those areas.

House Bill 733 by Representative Mayfield. There is no Senate companion at this point, but she did tell us yesterday that Senator Diaz --

MR. FUTRELL: Garcia.

MS. PENNINGTON: -- Garcia will be filing the companion in the Senate. This bill, several of you are familiar with Representative Mayfield's concerns with the Vero Beach Utility extending, greatly extending into the unincorporated areas of Indian River County. This bill would accomplish three things, according to a meeting we had with her yesterday.

Right now the bill seeks to accomplish two things. The first one is that it would -- any municipality that extends into the unincorporated areas of the county, extends their utility service into that unincorporated area, would be subject to PSC jurisdiction. The second part of that is that where they already are extended, upon expiration of a franchise agreement the city must get permission from the county commission and it must go to a referendum before they can extend into the unincorporated areas of the county.

She is also interested in the water and sewer part, and upon acquisition -- this is not in the bill yet, but she talked a little bit about this -- but upon acquisition of a water or sewer facility by a municipality or a local government --

MR. FUTRELL: Municipality.

MS. PENNINGTON: -- by a municipality, that they would have to do an assessment of what that may do to rates. Another issue in that bill is the 25 percent surcharge. She's very interested in a sunset period for that 25 percent upcharge.

House Bill 4003, I have not yet seen a Senate companion. This one is by Representative Rehwinkel-Vasilinda. It is the repeal of the Nuclear Cost-Recovery Clause for nuclear and IGCC. We have heard a lot of discussion and have seen lot of press that some Senate leadership and House leadership is very interested in at least taking a look at the nuclear cost-recovery clause this year. So I think we'll hear a lot about that.

House Bill 447 by Representative Dwight Dudley, an incoming freshman, would establish an elected PSC. We have seen that bill before. This one takes a slightly different turn; it aligns the elected PSC with the five District Courts of Appeal. They would be two-year terms; so about the time you get elected, I guess you would be running again. They would be limited to eight years of elected service. It also requires the PSC to consult with Office of Public Counsel prior to any changes in rates, and it also extends from two years to eight years the limitation on employment. Your employment limitations after you leave office, after Commissioners leave office. And it also, of course, would repeal the PSC Nominating Council; that would no longer be needed.

There is another bill that we are monitoring, that we were monitoring but the Senate has requested an analysis of the bill. It is by Senator Simmons. It provides some exemptions, some public records exemptions for certain proprietary confidential information provided by a private or out-of-state entity to an electric utility. We have just started analyzing that bill, so that's about as far as we have gotten. We've just taken a quick look at the bill. So we will be providing an analysis of that one.

The House Energy met this morning and heard a couple of bills that we are simply monitoring, but do not affect the Public Service Commission directly. The big issues right now and during committee weeks are retirement, public pensions and retirement, and, of course, implementation of the Federal Health Care Act. Those two issues really seem to be taking up a lot of the members' time.

Next week is an off week, and the following week session begins, so we will start to get really busy.

Also, I wanted just to alert you all that you may see e-mails, or you may see daily updates coming from Nancy Harrison, as Jade is out taking care of and helping out her mother during her mother's illness. Nancy has stepped up and is helping us, so you may start seeing e-mails from Nancy Harrison rather than Jade.

Unless -- whatever questions you have -- oh, I did want to mention one other thing. The legislative recommendations of the Water and Wastewater Study Committee, at this point Senator Hays and Representative

Brodeur are intending to sponsor and intending to lead those issues in the House and Senate. They may also be committee bills, but in any event those two members will be leading that effort.

CHAIRMAN BRISÉ: Thank you.

Any questions or comments? Seeing none, thank you very much.

Mr. Baez.

MR. BAEZ: Thank you, Chairman.

Shortly after our last Internal Affairs, I sat in on a conference while the Governor unveiled his budget proposal for '13 and '14. I won't get too far into the weeds with it, but just a few highlights.

The Governor's proposed budget for '13 and '14 does not propose any reductions in staff for the agency. It does propose a total net dollar reduction for that fiscal year of $380,000. A large part of that comes from a reduction in expense to reflect reductions in rent and reductions in our space. I don't know if you all recall, a couple of years ago the Legislature directed DMS to do a statewide analysis of leased space and the associated costs. We were included as part of that study. And while we have both, you know, reduced our square footage in our satellite offices in Orlando -- Tampa and Miami, I'm sorry. Orlando made so much more sense, but, anyhow -- but in Tampa and Miami, we reduced our lease and renegotiated the lease space there. And as you may have noticed, we have also reduced some lease space here in Tallahassee. That number is what's reflected as the bulk of that reduction.

Other notable items, there's a proposed -- equal premiums for insurance for all employees. I think the numbers go to $50 for individual and 180 for family. Again, I would couch it, that's proposed by the Governor.

And you also may have heard of proposals for a merit-based one-time lump sum bonuses of $1,200 for all employees with satisfactory and above evaluations. There is also a provision for higher bonuses for more superior evaluations. I won't get into -- that has got limitations and such; I won't get into here, but I will couch that as that is the Governor's proposed budget recommendations for our agency and some things that go government-wide. It's very early, as you know, and this is just one piece of the three-legged stool. So we will be waiting to hear from the Legislature, and we are continuing our conversations, and the beggings and the pleadings continue.

That's it, if you all don't have any

questions.

CHAIRMAN BRISÉ: All right? Any questions for our Executive Director?

Seeing none, anything on other matters?

All right. Seeing none, Commissioner Edgar moves we rise.

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STATE OF FLORIDA)

: CERTIFICATE OF REPORTER

COUNTY OF LEON)

I, JANE FAUROT, RPR, Chief, Hearing Reporter Services Section, FPSC Division of Commission Clerk, do hereby certify that the foregoing proceeding was heard at the time and place herein stated.

IT IS FURTHER CERTIFIED that I stenographically reported the said proceedings; that the same has been transcribed under my direct supervision; and that this transcript constitutes a true transcription of my notes of said proceedings.

I FURTHER CERTIFY that I am not a relative, employee, attorney or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorney or counsel connected with the action, nor am I financially interested in the action.

DATED THIS 26th day of February, 2013.

Jane Faurot

JANE FAUROT, RPR
FPSC Official Commission Reporter
(850) 413-6732