

FLORIDA PUBLIC SERVICE COMMISSION

COMMISSION CONFERENCE AGENDA

CONFERENCE DATE AND TIME: Tuesday, August 14, 2012, 9:30 a.m.

LOCATION: Betty Easley Conference Center, Joseph P. Cresse Hearing Room 148

DATE ISSUED: August 3, 2012

NOTICE

Persons affected by Commission action on certain items on this agenda may be allowed to address the Commission, either informally or by oral argument, when those items are taken up for discussion at this conference. These items are designated by double asterisks (**) next to the agenda item number.

To participate informally, affected persons need only appear at the agenda conference and request the opportunity to address the Commission on an item listed on agenda. Informal participation is not permitted: (1) on dispositive motions and motions for reconsideration; (2) when a recommended order is taken up by the Commission; (3) in a rulemaking proceeding after the record has been closed; or (4) when the Commission considers a post-hearing recommendation on the merits of a case after the close of the record. The Commission allows informal participation at its discretion in certain types of cases (such as declaratory statements and interim rate orders) in which an order is issued based on a given set of facts without hearing.

See Rule 25-22.0021, F.A.C., concerning Agenda Conference participation and Rule 25-22.0022, F.A.C., concerning oral argument.

Agendas, staff recommendations, vote sheets, transcripts, and conference minutes are available from the PSC Web site, <http://www.floridapsc.com>, by selecting *Agenda & Hearings* and *Agenda Conferences of the FPSC*. By selecting the docket number, you can advance to the *Docket Details* page and the Document Index Listing for the particular docket. If you have any questions, contact the Office of Commission Clerk at (850) 413-6770 or e-mail the clerk at Clerk@psc.state.fl.us.

In accordance with the American with Disabilities Act, persons needing a special accommodation to participate at this proceeding should contact the Office of Commission Clerk no later than five days prior to the conference at 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, via 1-800-955-8770 (Voice) or 1-800-955-8771 (TDD), Florida Relay Service. Assistive Listening Devices are available at the Office of Commission Clerk, Betty Easley Conference Center, Room 110.

The Commission Conference has a live video broadcast the day of the conference, which is available from the PSC's Web site. Upon completion of the conference, the video will be available from the Web site by selecting *Agenda and Hearings* and *Audio and Video Event Coverage*.

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Agenda for
Commission Conference
August 14, 2012

ITEM NO.

CASE

1

Approval of Minutes
June 19, 2012 Regular Commission Conference

ITEM NO.

CASE

2**PAA

Docket No. 110311-WU – Application for transfer of Certificate No. 588-W from Pinecrest Ranches, Inc., in Polk County, to Pinecrest Utilities, LLC.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: AFD: Kaproth

ENG: Brady, Simpson

GCL: Lawson

(Proposed Agency Action for Issue 2.)

Issue 1: Should the transfer of Certificate No. 588-W from Pinecrest Ranches, Inc. to Pinecrest Utilities, LLC be approved?

Recommendation: Yes. The transfer is in the public interest and should be approved effective the date of the Commission's vote. The territory being transferred is described in Attachment A of staff's memorandum dated August 2, 2012. The resultant order should serve as Pinecrest Utilities, LLC's Certificate No. 588-W and be retained. The Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariff pages reflecting the transfer should be effective on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475(1), Florida Administrative Code, (F.A.C.). Pinecrest Utilities, LLC should be responsible for annual reports and RAFs for 2012 and future years.

Issue 2: What is the net book value of the Pinecrest water system for transfer purposes?

Recommendation: The net book value of the Pinecrest water system for transfer purpose is \$68,778 as of June 30, 2011. Within 30 days of the date of the final order, Pinecrest Utilities, LLC should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of June 30, 2011, along with a statement that the adjustments will be reflected in the Utility's 2012 annual report.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action issue is filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

3**PAA

Docket No. 110282-WS – Application for staff-assisted rate case in Duval County by Regency Utilities, Inc.

Critical Date(s): 02/28/13 (15-Month Effective Date SARC)

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: AFD: Smith, Fletcher, Maurey, Prestwood

ECO: Bruce, Hudson, Stallcup

ENG: Simpson, Ballinger

GCL: Robinson, Teitzman

(Proposed Agency Action Except Issue Nos. 11 and 14)

Issue 1: Is the quality of service provided by Regency satisfactory?

Recommendation: Yes, the overall quality of service provided by Regency should be considered satisfactory.

Issue 2: What are the used and useful percentages for Regency?

Recommendation: The water distribution and the wastewater collection systems should be considered 100 percent used and useful (U&U).

Issue 3: What is the appropriate average test year rate base for Regency?

Recommendation: The appropriate average test year rate base for the Utility is \$368,678 for water and \$48,160 for wastewater.

Issue 4: What is the appropriate rate of return on equity and overall rate of return for Regency?

Recommendation: The appropriate return on equity (ROE) is 8.74 percent with a range of 7.74 percent to 9.74 percent. The appropriate overall rate of return is 8.70 percent.

Issue 5: What is the appropriate amount of test year revenue in this case?

Recommendation: The appropriate test year revenue for this Utility is \$161,813 for water and \$107,009 for wastewater.

Issue 6: What is the appropriate amount of operating expense?

Recommendation: The appropriate amount of operating expense for Regency is \$236,173 for water and \$162,395 for wastewater.

Issue 7: Should the Commission utilize the operating ratio methodology as an alternative means to calculate the revenue requirement for Regency, and if so, what is the appropriate margin?

Recommendation: Yes, the Commission, on its own motion, should utilize the operating ratio methodology for calculating the revenue requirement for the Utility's wastewater system only. The margin should be 10 percent of O&M expenses.

Issue 8: What is the appropriate revenue requirement?

Recommendation: The appropriate revenue requirement is \$268,248 for water and \$167,925 for wastewater.

ITEM NO.

CASE

3**PAA

Docket No. 110282-WS – Application for staff-assisted rate case in Duval County by Regency Utilities, Inc.

(Continued from previous page)

Issue 9: What are the appropriate rate structures for the Utility's water and wastewater systems?

Recommendation: The appropriate rate structures for the Utility's water and wastewater systems' non-residential class is a continuation of the base facility charge (BFC)/gallage charge rate structure. The water system's BFC cost recovery should be set at 40 percent and the wastewater BFC cost recovery should be set at 50 percent.

Issue 10: What are the appropriate rates for Regency?

Recommendation: The appropriate monthly rates are shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated August 2, 2012. The recommended rates should be designed to produce revenue of \$268,248 for water and \$167,925 for wastewater. Regency should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the approved rates should not be implemented until staff has approved the proposed customer notice and the notice has been received by the customers. The Utility should provide proof of the date notice was given within 10 days of the date of the notice.

Issue 11: What is the appropriate amount by which rates should be reduced four years after the published effective date to reflect the removal of the amortized rate case expense as required by Section 367.0816 F.S.?

Recommendation: The water and wastewater rates should be reduced as shown on Schedule Nos. 4-A and 4-B of staff's memorandum dated August 2, 2012, to remove rate case expense grossed up for regulatory assessment fees and amortized over a four-year period. The decrease in rates should become effective immediately following the expiration of the four-year rate case expense recovery period, pursuant to Section 367.0816, F.S. Regency should be required to file revised tariffs and a proposed customer notice setting forth the lower rates and the reason for the reduction no later than one month prior to the actual date of the required rate reduction. If the Utility files this reduction in conjunction with a price index or pass-through rate adjustment, separate data should be filed for the price index and/or pass-through increase or decrease and the reduction in the rates due to the amortized rate case expense.

ITEM NO.

CASE

3**PAA

Docket No. 110282-WS – Application for staff-assisted rate case in Duval County by Regency Utilities, Inc.

(Continued from previous page)

Issue 12: Should the recommended rates be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility?

Recommendation: Yes. Pursuant to Section 367.0814(7), F.S., the recommended rates should be approved for the Utility on a temporary basis, subject to refund, in the event of a protest filed by a party other than the Utility. Regency should file revised tariff sheets and a proposed customer notice to reflect the Commission-approved rates. The approved rates should be effective for service rendered on or after the stamped approval date on the tariff sheet, pursuant to Rule 25-30.475(1), F.A.C. In addition, the temporary rates should not be implemented until staff has approved the proposed notice, and the notice has been received by the customers. Prior to implementation of any temporary rates, the Utility should provide appropriate security. If the recommended rates are approved on a temporary basis, the rates collected by the Utility should be subject to the refund provisions discussed below in the analysis portion of staff's memorandum dated August 2, 2012. In addition, after the increased rates are in effect, pursuant to Rule 25-30.360(6), F.A.C., the Utility should file reports with the Commission Clerk no later than the 20th of each month indicating the monthly and total amount of money subject to refund at the end of the preceding month. The report filed should also indicate the status of the security being used to guarantee repayment of any potential refund.

Issue 13: What are the appropriate customer deposits for Regency?

Recommendation: The appropriate customer deposits for water and wastewater are \$263 and \$158 for 5/8" x 3/4" meters, respectively. The approved customer deposits should be effective for services rendered or connections made on or after the stamped approval date on the tariff sheets, pursuant to Rule 25-30.475, F.A.C. The Utility should be required to charge the approved charges until authorized to change them by the Commission in a subsequent proceeding.

In addition, the Utility should file verification that the interest has been paid or credited to those customers who had deposits collected since Regency's certification in 2008. Also, the Utility should provide a report that customer deposits have been refunded or higher rate interest has been paid to the customers that met the requirement of Rule 25-30.311(5). The reports for interest and refunds should be provided within 90 days of the effective date of the Commission Order.

ITEM NO.

CASE

3**PAA

Docket No. 110282-WS – Application for staff-assisted rate case in Duval County by Regency Utilities, Inc.

(Continued from previous page)

Issue 14: Should the Utility be required to provide proof, within 90 days of an effective order finalizing this docket, that it has its books for all applicable National Association of Regulatory Commissioners Uniform System of Accounts (NARUC USOA) primary accounts associated with the Commission-approved adjustments?

Recommendation: Yes. To ensure that the Utility adjusts its books in accordance with the Commission’s decision, Regency should provide proof, within 90 days of the final order in this docket, that the adjustments for all applicable NARUC USOA primary accounts have been made.

Issue 15: Should this docket be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order will be issued. The docket should remain open for staff’s verification that the revised tariff sheets and customer notice have been filed by the Utility and approved by staff. Once these actions are complete, this docket should be closed administratively.

ITEM NO.

CASE

4**PAA

Docket No. 120179-EI – Request for approval of change in rate used to capitalize allowance for funds used during construction (AFUDC) from 7.65% to 6.26%, effective May 1, 2012, by Gulf Power Company.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: AFD: Buys, Cicchetti, Prestwood

GCL: Bennett

Issue 1: Should the Commission approve GPC's request to decrease its AFUDC rate from 7.65 percent to 6.26 percent?

Recommendation: Yes. The appropriate AFUDC rate for GPC is 6.26 percent based on a 13-month average capital structure for the period ending April 30, 2012.

Issue 2: What is the appropriate monthly compounding rate to achieve the requested 6.26 percent annual rate?

Recommendation: The appropriate monthly compounding rate to maintain an annual rate of 6.26 percent is 0.507272 percent.

Issue 3: Should the Commission approve GPC's requested effective date of May 1, 2012, for implementing the revised AFUDC rate?

Recommendation: Yes. The revised AFUDC should be effective as of May 1, 2012, for all purposes except for Rule 25-6.0423, F.A.C., Nuclear or Integrated Gasification Combined Cycle Power Plant Cost Recovery. For the purposes of Rule 25-6.0423, F.A.C., 7.48 percent is the appropriate AFUDC rate to be utilized for computing carrying costs for power plant need petitions submitted on or before December 31, 2010.

Issue 4: Should this docket be closed?

Recommendation: If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

5**PAA

Docket No. 120001-EI – Fuel and purchased power cost recovery clause with generating performance incentive factor.

Docket No. 120002-EG – Energy conservation cost recovery clause.

Docket No. 120007-EI – Environmental cost recovery clause.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Balbis

Staff: AFD: Cicchetti, Maurey, Springer

GCL: Murphy, Tan, Barrera

Issue 1: Should the Commission approve the attached Stipulation and Settlement Agreement of the parties, addressing the methodology for calculating the allowable return on clause-approved investments, that was filed on July 17, 2012, in Docket Nos. 120001-EI, 120002-EG, and 120007-EI?

Recommendation: Yes. The Commission should approve the Stipulation and Settlement Agreement of the parties, addressing the methodology for calculating the allowable return on clause-approved investments.

Issue 2: Should these dockets be closed?

Recommendation: No. If no person whose substantial interests are affected by the proposed agency action files a protest within 21 days of the issuance of the order, a consummating order should be issued. These dockets should remain open to address the evidentiary issues presented in each.

ITEM NO.

CASE

6**

Docket No. 110320-GU – Petition for approval of Cast Iron/Bare Steel Pipe Replacement Rider (Rider CI/BSR), by Peoples Gas System.

Critical Date(s): 8-Month clock waived by Peoples Gas System to the August 14, 2012, Agency Conference

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: AFD: Cicchetti, Mouring, Slemkewicz, Trueblood

ECO: Draper, Higgins, Kummer, McNulty

ENG: Black, Moses

GCL: Brown

Issue 1: Should the Commission approve Peoples' proposed Cast Iron/Bare Steel Replacement Rider and associated tariff sheets?

Recommendation: Yes, the proposed Rider and associated tariff sheets should be approved as modified by Peoples in its July 31, 2012 letter. Peoples should file its annual surcharge petitions by September 1 of each year, starting in 2013. Peoples should also file quarterly reports on the progress of the replacement program as described in the recommendation.

Issue 2: Should this docket be closed?

Recommendation: Yes. If Issue 1 is approved, this tariff should become effective on January 1, 2013. If a protest is filed within 21 days of the issuance of the order, this tariff should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

7**

Docket No. 120036-GU – Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

Critical Date(s): Eight month clock expiration date - October 3, 2012.

Commissioners Assigned: All Commissioners

Prehearing Officer: Administrative

Staff: AFD: Cicchetti, Mouring, Trueblood
ECO: McNulty, Draper, Higgins, Kummer
ENG: Black, Moses
GCL: Brown

Issue 1: Should the Commission approve FPUC's proposed Gas Reliability Infrastructure Program?

Recommendation: Yes. The Commission should approve FPUC's proposed GRIP using an annual surcharge adjustment mechanism to be implemented August 14, 2013, as discussed in staff's memorandum dated August 2, 2012. The Company should be directed to file its annual GRIP petitions on September 1 of each year, starting in 2013. Also, the Commission should approve FPUC's proposed revised GRIP tariff filed July 31, 2012, effective January 1, 2013, extending through December 31, 2013.

FPUC should be required to file quarterly reports with the Commission on the progress of its replacement program. The reports should include information such as the location of the replacements, whether the location is in a high consequence area, the mileage and type of pipeline replaced, the type of material used, and the date the replacement pipe was put into service.

Issue 2: Should the Commission approve Chesapeake's proposed Gas Reliability Infrastructure Program?

Recommendation: Yes. The Commission should approve Chesapeake's proposed GRIP based on an annual surcharge adjustment mechanism to be implemented August 14, 2012, as discussed in staff's memorandum dated August 2, 2012. Chesapeake should be directed to file its annual GRIP petitions on September 1 of each year, starting in 2013. Also, the Commission should approve Chesapeake's proposed revised GRIP tariff filed July 31, 2012, effective January 1, 2013, extending through December 31, 2013.

Chesapeake should be required to file quarterly reports with the Commission on the progress of its replacement program. The reports should include information such as the location of the replacements, whether the location is in a high consequence area, the mileage and type of pipeline replaced, the type of material used, and the date the replacement pipe was put into service.

ITEM NO.

CASE

7**

Docket No. 120036-GU – Joint petition for approval of Gas Reliability Infrastructure Program (GRIP) by Florida Public Utilities Company and the Florida Division of Chesapeake Utilities Corporation.

(Continued from previous page)

Issue 3: Should this docket be closed?

Recommendation: Yes. If Issue 1 and 2 are approved, the tariffs should become effective on January 1, 2013. If a protest is filed within 21 days of the issuance of the order, the tariffs should remain in effect, with any revenues held subject to refund, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

8**PAA

Docket No. 120014-WS – Application for authority to transfer of facilities and Certificate Nos. 548-W and 478-S from W.P. Utilities, Inc. to CAP Utilities, LLC, in Palm Beach County.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Graham

Staff: AFD: Gardner, Trueblood

ENG: Brady

GCL: Jaeger

(Proposed Agency Action for Issue 2.)

Issue 1: Should the transfer of Certificate Nos. 548-W and 478-S from W.P. Utilities, Inc. to CAP Utilities, LLC be approved?

Recommendation: Yes. The transfer is in the public interest and should be approved effective the date of Commission vote. The territory being transferred is described in Attachment A of staff's memorandum dated August 2, 2012. The resultant order should serve as CAP Utilities, LLC's water and wastewater certificates and be retained as such. The Utility's existing rates and charges should remain in effect until a change is authorized by the Commission in a subsequent proceeding. The tariffs reflecting the transfer should be effective for services provided or connections made on or after the stamped approval date on the tariffs, pursuant to Rule 25-30.475(1), Florida Administrative Code (F.A.C). CAP Utilities, LLC should be responsible for annual reports and regulatory assessment fees for 2012 and all future years.

Issue 2: What are the net book values of W.P. Utilities, Inc.'s water and wastewater systems for transfer purposes and should an acquisition adjustment be approved?

Recommendation: The net book values of W.P. Utilities, Inc.'s water and wastewater systems for transfer purposes are \$21,597 and \$58,644, respectively, as of December 31, 2011. A negative acquisition adjustment should not be included in rate base. Within 30 days of the date of the final order, CAP Utilities, LLC should be required to provide general ledgers which show its books have been updated to reflect the Commission-approved balances as of December 31, 2011, along with a statement that these adjustments will also be reflected in the Utility's 2012 annual report.

Issue 3: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action issue is filed by a substantially affected person within 21 days of the date of the order, the docket should be closed upon the issuance of a consummating order.

ITEM NO.

CASE

9**PAA

Docket No. 120103-EI – Petition of Progress Energy Florida, Inc. to modify scope of existing environmental program.

Critical Date(s): None

Commissioners Assigned: All Commissioners

Prehearing Officer: Edgar

Staff: IDM: Dowds

ECO: Wu

GCL: Murphy

Issue 1: Should the Commission approve Progress' Petition to recover the costs of converting its Anclote units to burn 100 percent natural gas through the ECRC, pursuant to Section 366.8255, F.S.?

Recommendation: Yes. Staff recommends that the Commission approve the Anclote fuel conversion project for ECRC recovery.

Issue 2: Should this docket be closed?

Recommendation: Yes. This docket should be closed upon issuance of a Consummating Order unless a person whose substantial interests are affected by the Commission's decision files a protest within 21 days of the issuance of the proposed agency action.