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 May 5, 2016

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Item 1

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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Office of the General Counsel (Corbari, Lherisson) *SLC*
Division of Accounting and Finance (Mouring) *BT M cm for KY*
Office of Auditing and Performance Analysis (Lehmann, Vinson) *CSB CW*
Division of Economics (Draper) *EDD*
Division of Engineering (Ballinger, Moses) *OS*

RE: Docket No. 150259-GU – Initiation of show cause proceedings against Peoples Gas System for apparent violations of Sections 368.01 - 05, F.S., and Chapter 25-12, F.A.C.

AGENDA: 05/05/16 – Regular Agenda – Show Cause – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Pursuant to Chapter 368 – Part 1, Florida Statutes (F.S.),¹ (Gas Safety Law), and the United States Gas Pipeline Statute,² the Florida Public Service Commission (Commission) is charged with establishing, administering and enforcing the rules and regulations governing safety standards of any entity “engaged in the operation of gas transmission or distribution facilities” in the State of Florida.³ Chapter 25-12, Florida Administrative Code (F.A.C.), prescribes the various safety standards, rules and regulations adopted by the Commission, including the Minimum Federal Safety Standards and reporting requirements prescribed by the U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA),⁴ that govern entities engaged in the operation of gas transmission or distribution facilities in Florida. Any person or entity who violates any rule or regulation adopted by the Commission under the Gas Safety Law is subject to a civil penalty of up to “\$25,000 for each violation for each day the violation persists,” or a maximum penalty of “\$500,000 for any related series of violations.”⁵ In addition, the Commission may initiate an action for an injunction in any state court to compel the observance of the Gas Safety Law, or “any rule, regulation or requirement of the [C]ommission made thereunder.”⁶

Commission Gas Safety Inspection Process

Pursuant to 49 U.S.C. §§ 60105-60106, the Commission is certified by PHMSA to inspect natural gas systems, and to administer and enforce the rules and regulations governing safety standards of any entity engaged in operating gas transmission or distribution facilities in Florida. Commission safety engineering field inspectors must perform gas transmission and distribution safety inspections of gas entities operating in Florida at various prescribed intervals.

Commission field inspectors use various PHMSA and Commission forms when performing inspections in order to verify, for example, that the operator’s records, procedures, personnel qualifications and pipeline systems are in compliance with prescribed regulations. Once the field inspector completes an inspection, the inspector submits the completed forms to the Commission’s Bureau of Safety Chief with a memorandum outlining any apparent rule violation(s) observed during the inspection and the inspector’s reason(s) for recommending that a violation be issued to the utility.⁷ The Chief reviews the results of the inspection, the inspector’s comments on any apparent violation observed, and any applicable safety rules and regulations.

¹ Sections 368.01-.061, F.S., (“The Gas Safety Law of 1967”).

² 49 U.S.C. §§60105-60106 (2006) (governing State Pipeline Safety Program certifications and agreements).

³ Section 368.05(1), F.S.; see also,

http://primis.phmsa.dot.gov/comm/FactSheets/States/FL_State_PL_Safety_Regulatory_Fact_Sheet.htm?nocache=1609.

⁴ Rule 25-12.005, F.A.C.

⁵ Section 368.061(1), F.S.

⁶ Id. at subsection (3).

⁷ “Utility” as used in this section, means any entity engaged in operating gas transmission or distribution facilities in Florida.

If the Chief concurs with the findings detailed in the field inspector's report, the Chief issues a letter to an official of the utility with the inspection results, including any apparent rule violation observed during the system inspection. The Chief's letter is emailed to the utility official, along with the field inspector's memorandum and completed forms.

If any rule violation was observed during a field inspection, the utility is given 30 days to respond to the Chief's letter. The utility's response must identify what action has been, or is being taken, to remedy any apparent violation observed or state the reason(s) the utility disputes the violation. Once the utility notifies the Chief that the apparent violation has been remedied, the Commission field inspector will verify that the apparent violation was corrected and issue a closure memorandum to the Chief. A letter is then issued by the Chief to the utility closing the apparent violation.

Peoples Gas Systems

Peoples Gas Systems (PGS or Company) is a public utility as defined by §366.02, F.S., and subject to the regulatory jurisdiction of the Commission under Chapter 366, F.S., regarding rates and service, and under the Gas Safety Law on safety issues. PGS operates the largest natural gas distribution system in Florida. Headquartered in Tampa, Florida, PGS sells and transports natural gas to approximately 345,000 residential, commercial and industrial customers in 25 counties throughout Florida, which are separated into 14 geographic divisions. Under the administrative and operational control of its 14 divisions, PGS owns, operates, and/or maintains a system of approximately 12,500 miles of distribution mains and 160 miles of transmission lines and operates approximately 1,250 regulator stations and 80 gate stations.⁸

Each PGS division, and 7 transmission pipelines operated by PGS, are subject to inspection by Commission safety engineering field inspectors, resulting in the possibility of at least 21 separate Commission field inspections a year. The Company's distribution and transmission integrity management plans and other required plans are also periodically inspected by Commission field inspectors.

PGS Compliance History (2013 – 2015)

Based on numerous safety and compliance deficiencies identified by the Commission's Bureau of Safety, the Commission initiated a management audit of PGS in 2013 to review and examine the processes, systems, and internal controls used by PGS to perform inspections of its distribution facilities. The purpose of the audit was to assess the Company's compliance with Commission and PHMSA's rules and regulations and to determine the adequacy of the Company's management oversight of compliance issues. In September 2013, the Commission published the results of the audit titled a "Review of Peoples Gas Distribution Facility Inspections" (2013 Audit).⁹ The 2013 Audit found that between 2010 and 2013:

⁸ A gate station is a point of interconnection between the utility's facilities and the facilities of interstate or intrastate natural gas pipelines.

⁹ FPSC "Review of Peoples Gas Distribution Facility Inspections – September 2013," <http://www.floridapsc.com/Files/PDF/Publications/Reports/General/Electricgas/PeoplesGas2013.pdf>.

- (1) PGS failed to timely complete inspections;
- (2) PGS failed to comply with Commission rules;
- (3) PGS' Management had knowledge of noncompliance;
- (4) PGS' lack of oversight of and attention to compliance inspection reviews permitted detected compliance deficiencies to develop and persist;
- (5) PGS' inadequate record-keeping and internal planning systems permitted compliance deficiencies to develop and persist; and
- (6) PGS acknowledged the magnitude of its compliance deficiencies.¹⁰

In response to the 2013 Audit, PGS developed a corrective action plan to address its compliance deficiencies and adopted organizational and operational changes in order to better address its compliance deficiencies.¹¹

In June 2015, a review of PGS operations, including recent field and record inspections, conducted by Commission field inspectors, indicated that PGS continued to have safety and compliance deficiencies. The field inspections observed repeat violations of many of the rules identified in the 2013 Audit, not only in the Company's Tampa and St. Petersburg Divisions, but in its other divisions across Florida.¹²

In July 2015, Commission executive staff met with PGS representatives to discuss the Company's ongoing safety and compliance deficiencies and the possibility of enforcement action by the Commission. Immediately following the July meeting, Commission audit staff initiated a follow-up audit of the Company's system to assess the adequacy and effectiveness of the Company's response to the 2013 Audit and corrective actions taken by PGS since the 2013 Audit.

The Commission published the results of the follow-up audit titled "Peoples Gas System Distribution Facility Inspections Follow-up Audit" (2015 Audit) in November 2015.¹³ The Commission's 2015 Audit found that:

- (1) PGS failed to complete leak surveys timely as required by Rule 25-12.040, F.A.C., during the period October 2013 through September 2015;
- (2) PGS management-level employees failed to maintain and document adequate awareness of, and accountability for, required inspection activities during 2014 and 2015, creating an opportunity for inspection results to be falsified and remain undetected;
- (3) PGS failed to achieve the intended full use and benefits of the GL Essentials¹⁴ system by September 2015;

¹⁰ 2013 Audit, p. 3-4.

¹¹ 2013 Audit, p. 15-29, "PGS Response to Commission Audit Findings," and p. 37-44, Appendix 3 "PGS Initial Corrective Action Plans for Tampa and St. Petersburg Divisions."

¹² Although the Commission's 2013 Audit was limited to the PGS Tampa and St. Petersburg Divisions, Commission audit staff noted that most of the Company's internal procedures, practices and controls examined and described in the Audit applied statewide. See 2013 Audit, p. 1.

¹³ FPSC "Peoples Gas Distribution Facility Inspections Follow-up Audit – November 2015,"

http://www.floridapsc.com/Files/PDF/Publications/Reports/General/Electricgas/PGS_follow-up_audit.pdf.

¹⁴ GL Essentials is a real-time electronic management tracking system for monitoring all PGS inspection activities such as leak and atmospheric surveys, cathodic protection, and regulator and valve inspections.

- (4) PGS reduced the value and effectiveness of its Division Compliance Reviews as a result of changes made during 2014 and 2015 to the scope, content and structure of the reviews; and
- (5) TECO Energy Audit Services failed to play a sufficient role in auditing PGS operations.¹⁵

The results of the 2015 Audit demonstrated that PGS continued to have serious safety and compliance deficiencies after the 2013 Audit and did not adequately address the compliance deficiencies outlined in its corrective action plan submitted to the Commission in response to the 2013 Audit. The 2015 Audit found that PGS compliance initiatives following the 2013 Audit appropriately targeted the greatest needs for improvement and made some progress. However, the 2015 Audit also found that substantial additional efforts were needed to accomplish a change in culture and practices within the Company to fully support compliance with state and federal safety regulations.¹⁶ Finally, the 2015 Audit noted that additional monitoring by the Commission was necessary to confirm that such changes were accomplished.

OPC Petition¹⁷

On December 7, 2015, the Office of the Public Counsel (OPC) filed a petition with the Commission, requesting that the Commission issue an order to show cause against PGS for violations of Chapter 25-12, F.A.C., impose fines, and order rate relief. OPC based its Petition largely on the results of the two Commission audits of the PGS distribution facilities in 2013 and 2015.

PGS Response to OPC Petition¹⁸

On December 18, 2015, PGS filed a Response to OPC's petition. PGS acknowledged that the Commission's 2013 audit disclosed violations of Commission rules and areas in which PGS needed improvement to address compliance. PGS also affirmed that the Company would fully cooperate with OPC and the Commission to resolve its compliance issues and would continue to work to improve and update its programs, processes and controls to instill a culture of safety in its team members.

Initiation of Show Cause Proceeding

On February 10, 2016, an informal meeting was held between Commission staff, OPC, and PGS representatives to discuss the scope of the docket, which included 172 violations cited by the Commission between June 1, 2013 and December 31, 2015. PGS did not dispute 140 of the violations. At the meeting, PGS presented comments on 32 violations that PGS did not merit finable violations. After reviewing the violations, the applicable rules, and the information presented by PGS, staff removed 16 of the 32 violations disputed by PGS for the purposes of assessing penalties only.

¹⁵ 2015 Audit, p. 3-5.

¹⁶ Id., p. 3.

¹⁷ Document No. 07756-15.

¹⁸ Document No. 07838-15.

On February 25, 2016, staff issued a Notice of Violation and Initiation of Show Cause Proceeding to PGS for 156 apparent violations of Section 368.01-05, F.S., and Chapter 25-12, F.A.C.¹⁹ In addition, Commission Executive Director and Deputy General Counsel filed a memorandum in the docket to change the title of the docket²⁰ and designate non-executive staff as “prosecutorial” and “advisory” pursuant to Cherry Commun. v. Deason, 652 So. 2d 803 (Fla. 1995).²¹ Although not procedurally required at the time, the staff designation was implemented at the request of PGS and OPC in an effort to foster settlement negotiations.

Settlement

In early April 2016, PGS, OPC and Commission prosecutorial staff met to negotiate a possible settlement of the issues this docket. On April 18, 2016, PGS filed a proposed Settlement Agreement, in which Commission prosecutorial staff and OPC joined, in an effort to fully resolve all matters in this docket.

This recommendation addresses the Settlement Agreement proffered by PGS, OPC and Commission prosecutorial staff. A copy of the Settlement Agreement is attached hereto as Attachment “A.”

The Commission is vested with jurisdiction in this matter pursuant to Sections 368.01-.061, F.S.

¹⁹ Document No. 01019-16.

²⁰ Docket initially captioned as In Re: Petition Requesting the Florida Public Service Commission to Issue an Order to Show Cause Against Peoples Gas System for Violations of Chapter 25-12, F.A.C., Request for Imposition of Fines, and Request for Rate Relief.

²¹ Document No. 01024-16.

Discussion of Issues

Issue 1: Should the Commission approve the proposed Settlement Agreement to resolve Peoples Gas Systems' apparent violations of Sections 368.01-.05, F.S., and Chapter 25-12, F.A.C., and all claims set forth in the petition filed by OPC in this docket?

Recommendation: Yes. The settlement Agreement provides a reasonable resolution of the outstanding issues in the docket. Staff recommends that the Settlement Agreement is in the public interest and promotes administrative efficiency. Therefore, the Commission should approve the Settlement Agreement to resolve Peoples Gas Systems' apparent violations of Sections 368.01-.05, F.S., and Chapter 25-12, F.A.C., that occurred between June 1, 2013 and December 31, 2015, including any alleged violations of reasonably related rules or standards outlined in Appendix A of the Settlement Agreement that may have occurred up to the date the Settlement Agreement takes effect, and all claims set forth in the petition filed by OPC in this docket. (Corbari, Lherisson, Ballinger, Moses, Lehmann, Vinson, Draper, Mouring)

Staff Analysis:

The goal of any show cause proceeding is to ensure compliance with applicable law and Commission rules and orders. Pursuant to Section 368.061(1), F.S., the Commission is authorized to impose upon any entity subject to its jurisdiction a civil penalty of up to "\$25,000 for each violation for each day the violation persists," or a maximum penalty of "\$500,000 for any related series of violations," if such entity is found to have refused to comply with or to have willfully violated a rule or regulation adopted by the Commission under the Gas Safety Law. In addition, pursuant to Section 368.061(2), F.S., the Commission may consider a proposal addressing an appropriate amount of penalties for violations of gas safety rules and statutes.

On April 18, 2016, PGS filed a proposed Settlement Agreement, in which Commission prosecutorial staff and OPC joined. The Settlement Agreement resolves: (1) the Company's apparent violations of Sections 368.01-.05, F.S., and Chapter 25-12, F.A.C., that occurred between June 1, 2013 and December 31, 2015, including any alleged violations of reasonably related rules or standards outlined in Appendix A of the Settlement Agreement that may have occurred up to the date the Settlement Agreement takes effect; and (2) all claims set forth in the petition filed by OPC in this docket. The provisions of the Settlement Agreement are contingent upon approval by the Commission in its entirety, without modification. Highlights of the attached Settlement Agreement are outlined below.

- PGS will admit the 140 violations of Sections 368.01-.05, F.S., and Chapter 25-12, F.A.C., cited by Commission field inspectors between June 2013 and December 31, 2015.²²

²² As part of the Settlement Agreement, Commission prosecutorial staff agreed to recede from the 16 violations not previously stricken by staff following the February 10, 2016, meeting for the purposes of assessing penalties only.

- PGS will submit a one-time penalty payment in the amount of \$1,000,000 to the Commission, pursuant to Section 368.061(1), F.S., within 30 days of the Commission's approval of the Settlement Agreement. Upon receipt, the Commission will forward the payment to the General Revenue Fund.
- PGS will implement a one-time credit of \$2,000,000 to its Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR). Customers subject to the Rider CI/BSR monthly surcharges will experience the benefit of the credit through a reduction of the Company's 2017 Rider CI/BSR monthly surcharges.
- PGS will take action to ensure its managers, employees and contractors understand the high priority placed by the Company upon safety and facilities inspection compliance, and a zero tolerance policy toward falsification of records; and, if necessary, take appropriate actions (including, but not limited to, the reassignment of employees) to help ensure effective safety and regulatory compliance.
- By December 31, 2016, PGS will develop a plan and timetable for implementing internal controls improvements and audits that PGS and/or TECO Audit Services (AS) determines are needed as a result of the KPMG/AS investigation report, and submit such plan to Commission staff for review.
- TECO AS will actively participate and/or oversee any needed audits and implementation of the Settlement Agreement requirements, and make regular reports to the Board of Directors Audit Committee (or a successor thereto) regarding the overall effectiveness of the PGS compliance program and implementation of the Settlement Agreement requirements.
- PGS will reinstitute the annual pipeline safety compliance reviews conducted by the Company between 2009 and 2013, and TECO AS (or a qualified person or department independent of PGS Gas Delivery) will conduct and document regular reviews of the compliance review results.
- PGS will implement the use of GL Essentials by all contractors conducting facilities inspections by December 31, 2016 and closely monitor the use of GL Essentials by employees and contractors to identify and address any training needs.
- PGS will not recover from PGS customers certain incremental costs incurred as a result of implementing certain corrective measures identified in the Settlement Agreement, including but not limited to the costs associated with the KPMG/AS investigation.
- Certain PGS obligations required by the Settlement Agreement will terminate 4 years after the date of the Commission's order approving the Settlement Agreement. PGS will continue to be responsible for complying with all Commission and PHMSA safety rules following the expiration of the Settlement Agreement term.

As stated above, the Commission may consider a proposal addressing an appropriate amount of penalties for violations of gas safety rules and statutes, pursuant to Section 368.061(2), F.S. In considering such a proposal, the Commission must consider the appropriateness of such penalty to the size of the company charged, the gravity of the violation, and the good faith of the company charged in attempting to achieve compliance after notification of a violation.²³ Staff recommends that the Settlement Agreement is reasonable under Section 368.061(2), F.S. The \$3,000,000 total monetary component of the Settlement Agreement, along with the additional compliance obligations, sends a strong signal not only to PGS, the largest natural gas utility and distribution system in Florida, but to all natural gas systems in Florida that compliance with gas safety rules and regulations is of paramount importance and that violations of safety rules and regulations will be enforced by this Commission. Moreover, PGS has been cooperative and transparent in working to achieve a resolution of its safety compliance issues, and has committed to continue to work to improve its safety programs, processes and controls.

In addition, the goal of any show cause proceeding is to ensure compliance with applicable law and Commission rules and orders. Staff recommends that the Settlement Agreement accomplishes this goal and provides a remedy for past violations. Staff believes that, taken in its entirety, the Settlement Agreement provides a reasonable resolution of the outstanding issues in Docket No. 150259-GU. Staff further believes that the Commission's approval of the Settlement Agreement is in the public interest, as the Settlement Agreement addresses the Company's compliance deficiencies and provides for future compliance with Commission statutes and rules. Finally, staff believes that Commission approval of the Settlement Agreement promotes administrative efficiency and avoids the time and expense of a hearing.

Therefore, staff recommends that the Commission approve the Settlement Agreement proffered by Peoples Gas Systems, OPC and Commission prosecutorial staff to resolve the Company's apparent violations of Sections 368.01-.05, F.S., and Chapter 25-12, F.A.C., that occurred between June 1, 2013 and December 31, 2015, including any alleged violations of reasonably related rules or standards outlined in Appendix A of the Settlement Agreement that may have occurred up to the date the Settlement Agreement takes effect, and all claims set forth in the petition filed by OPC in this docket.

²³ Section 368.061(2), F.S.

Issue 2: Should the docket be closed?

Recommendation: No. If the Commission approves staff's recommendation in Issue 1, then the docket may be closed administratively upon receipt of Peoples Gas Systems petition for approval of its 2017 Rider CI/BSR monthly surcharges, demonstrating its implementation of the \$2,000,000 one-time credit and receipt of the \$1,000,000 penalty payment. Should Peoples Gas Systems fail to comply with any of the terms of the proposed Settlement Agreement, staff requests that the Commission authorize the Office of the General Counsel to pursue all reasonable means necessary to enforce the terms of the Settlement Agreement, including any Commission Order approving same, pursuant to Sections 120.69 and 368.061, F.S., including, but not limited to, initiating an action in circuit court. (Corbari, Lherisson)

Staff Analysis:

If the Commission approves staff's recommendation in Issue 1, then:

- (1) Peoples Gas Systems shall submit a penalty payment in the amount of \$1,000,000 to the Commission within 30 days of the Commission approving the Settlement Agreement;
- (2) Upon receipt of the penalty, the Commission shall forward the payment to the Department of Financial Services for deposit into the General Revenue Fund;
- (3) Peoples Gas Systems shall issue a one-time credit in the amount of \$2,000,000 to customers subject to its Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR) to reflect O&M savings within Rider CI/BSR in the month following the Commission's approval of this Settlement Agreement;
- (4) Peoples Gas Systems shall clearly identify the inclusion of the \$2,000,000 one-time credit in its 2016 Rider CI/BSR petition for approval of its 2017 Rider CI/BSR monthly surcharges;
- (5) Peoples Gas Systems shall include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that the Company issued the one-time credit; and
- (6) The Office of Public Counsel's petition shall be dismissed.

Upon receipt of Peoples Gas Systems petition for approval of its 2017 Rider CI/BSR monthly surcharges, demonstrating its implementation of the \$2,000,000 one-time credit and receipt of the \$1,000,000 penalty payment, the docket may be closed administratively. Should Peoples Gas Systems fail to comply with any of the terms of the proposed Settlement Agreement, staff requests that the Commission authorize the Office of the General Counsel to pursue all reasonable means necessary to enforce the terms of the Settlement Agreement, including any Commission Order approving same, pursuant to Sections 120.69 and 368.061, F.S., including, but not limited to, initiating an action in circuit court.

MACFARLANE FERGUSON & McMULLEN

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IN REPLY REFER TO:

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April 18, 2016

VIA E-PORTAL FILING

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

Re: Docket No. 150259-GU -- Initiation of show cause proceedings against Peoples Gas System for apparent violations of Sections 368.01 - 05, F.S., and Chapter 25-12, F.A.C.

Dear Ms. Stauffer:

Attached for filing with the Commission in the above docket on behalf of Peoples Gas System ("Peoples"), please find a Settlement Agreement entered into by and among Peoples, the Commission's Prosecutorial Staff, and the Office of Public Counsel.

If approved by the Commission, this Settlement Agreement will avoid the time, expense and uncertainty associated with adversarial litigation. In keeping with the Commission's long-standing policy and practice of encouraging parties in contested proceedings to settle issues whenever possible.

Thank you for your usual assistance.

Sincerely,



Ansley Watson, Jr.

AWjr/a
Enclosure

Carlotta S. Stauffer, Director
April 18, 2016
Page 2

cc: J. R. Kelly, Esquire
Charles Rehwinkel, Esquire
Danielle M. Roth, Esquire
Kelley F. Corbari, Esquire
Bianca Lherisson, Esquire
Charles Murphy, Esquire
Kathryn Cowdery, Esquire
Samantha Cibula, Esquire
Ms. Kandi M. Floyd
(all above via e-mail attachment)

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Initiation of show cause proceedings against)	
Peoples Gas System for apparent violations of Sections)	Docket No. 150259-GU
368.01 - 05, F.S., and Chapter 25-12, F.A.C.)	
<hr/>		Filed: 4-18-16

SETTLEMENT AGREEMENT

Pursuant to Section 120.57(4), *Florida Statutes*, Peoples Gas System ("PGS" or the "Company"), the Office of Public Counsel ("OPC"), and the Prosecutorial Staff ("Staff") of the Florida Public Service Commission ("Commission") (collectively, the "Parties") have entered into this Settlement Agreement to reach an informal disposition and complete a binding resolution of any and all matters and issues that were or might have been addressed by the Commission in Docket No. 150259-GU. More specifically, this Settlement Agreement completely resolves the issues raised in (i) OPC's Petition Requesting the Florida Public Service Commission to Issue an Order to Show Cause Against Peoples Gas System For Violations of Chapter 25-12 F.A.C., Request for Imposition of Fines, and Request for Rate Relief, filed on December 7, 2015; (ii) Staff's Notice of Violation and Initiation of Show Cause Proceeding filed February 25, 2016; (iii) the Commission's September 2013 "Review of Peoples Gas Distribution Facility Inspections" Audit; and (iv) the Commission's November 2015 "Peoples Gas Distribution Facility Inspections Follow-up Audit." This Settlement Agreement avoids the time, expense and uncertainty associated with adversarial litigation, in keeping with the Commission's longstanding policy and practice of encouraging parties in contested proceedings to settle issues whenever possible. The terms of this Settlement Agreement are as follows:

1. Definitions. As used in this Settlement Agreement, the following capitalized terms, unless otherwise defined herein, shall have the following meanings:

"AS" means TECO Energy Audit Services, including any successor department of TECO Energy designated to perform the same or similar services during the term of this Settlement Agreement.

"Employee" means an employee (including a management employee) who has responsibilities for pipeline safety compliance.

"KPMG" means KPMG LLP, a Delaware registered limited liability partnership and the United States member firm of the KPMG network of independent firms, its successors and assigns.

"PGS" or "Company" means Peoples Gas System, its successors and assigns.

"PGS Gas Delivery" means the functional area (regardless of Company organizational titles) within PGS with responsibility for the engineering, construction, maintenance and operational support of the Company's gas transmission and distribution system, including operational divisions, engineering, team member safety, pipeline safety compliance, training and technical support.

"PGS Gas Operations" means the functional area (regardless of Company organizational titles) within PGS Gas Delivery comprised of the Company's operational divisions with responsibility for inspection, construction, maintenance and related compliance activities of the Company's gas transmission and distribution system.

"TECO Energy" means TECO Energy, Inc., a Florida corporation, its successors and assigns.

2. A list of the violations in this docket is attached to this Settlement Agreement as Appendix A, all of which violations are admitted by PGS for purposes of this Settlement Agreement.

3. PGS will submit a penalty in the amount of \$1,000,000, as provided by Section 368.061, *Florida Statutes*, to the Commission within thirty (30) days after the Commission's approval of this Settlement Agreement. Upon receipt of the payment, the Commission will forward the payment to the Department of Financial Services for deposit into the General Revenue Fund.

4. Following the Commission's approval of this Settlement Agreement, PGS will issue a one-time, non-recurring credit in the amount of \$2,000,000, representing a refund to make PGS customers subject to the Company's Cast Iron/Bare Steel Replacement Rider (Rider CI/BSR) whole for any contentions of any deficiency in O&M spending levels that could have mitigated the compliance issues. Such credit will be made to reflect O&M savings within Rider CI/BSR in the month following the Commission's approval of this Settlement Agreement. It is understood by the Parties that PGS customers will experience the benefit of the one-time, non-

recurring, credit through a reduction of the 2017 monthly surcharges contemplated by Rider CI/BSR. It is the intent of the parties that the full amount of \$2,000,000 be returned to PGS customers in 2017 (subject to a true-up) and PGS will clearly identify the inclusion of the \$2,000,000 credit in its 2016 Rider CI/BSR petition for approval of the Company's 2017 Rider CI/BSR monthly surcharge. PGS will also include, and clearly identify, schedules concurrently with the Company's 2017 petition for approval of its 2018 Rider CI/BSR surcharges to verify that the Company issued the one-time, non-recurring credit referenced above.

5. As an integral part of this Settlement Agreement, the Parties agree that, and PGS agrees that it will comply with the following:

a. PGS Compliance – Employees

i. PGS will, within six (6) months following the date of the Commission's order approving this Settlement Agreement, conduct training for all PGS Gas Delivery Employees, clearly communicating the high priority placed by the Company upon safety and facilities inspection compliance, and a zero tolerance policy toward falsification of records. PGS will also put provisions in place to ensure the adequacy of any contractor training, clearly communicating the high priority placed by the Company upon safety and facilities inspection compliance, and a zero tolerance policy toward falsification of records.

ii. PGS will, within six (6) months following the date of the Commission's order approving this Settlement Agreement, require PGS Gas Delivery management Employees to acknowledge in writing a commitment to vigilant oversight of safety and inspection compliance and awareness of consequences for failure to execute this duty.

iii. PGS will, within six (6) months following the date of the Commission's order approving this Settlement Agreement, assess the performance of each PGS Gas Delivery management Employee and, if and when necessary, take appropriate actions (including, but not limited to, reassignment) to help ensure effective safety and regulatory compliance.

b. **KPMG/AS Investigation.** PGS Gas Delivery will review KPMG/AS's February 2016 investigation report and develop a plan and timetable for implementing internal controls improvements and audits PGS and/or TECO Energy determines are needed. This plan and timetable will be presented to Commission Staff for review no later than December 31, 2016. The OPC will be provided a copy at the same time. The Parties agree that such a plan might be subject in whole or in part to the confidentiality protections listed in Section 366.093, *Florida Statutes*.

c. **AS Involvement**

i. AS will conduct or oversee all needed audit activity, and review implementation of the corrective action plan developed as a result of the KPMG/AS investigation and the requirements of this Settlement Agreement.

ii. AS Management will continue making regular reports to the Board of Directors Audit Committee (or a successor thereto) regarding improvements in the overall effectiveness of the PGS compliance program, including implementation of both the KPMG/AS investigation recommendations and the requirements of this Settlement Agreement.

d. Compliance Reviews

i. PGS Gas Delivery will reinstitute the broader scope, thorough testing, and detailed format of the annual pipeline safety compliance reviews conducted by the Company between 2009 and 2013.

ii. AS (or a qualified person or department independent of PGS Gas Delivery) will conduct and document regular reviews of the above referenced compliance review results. For 2016 and 2017, AS (or a qualified person or department independent of PGS Gas Delivery) will coordinate with PGS Gas Delivery compliance review staff in assessing a required letter of response by PGS Gas Operations management to each compliance review, and in reviewing and verifying completion of agreed upon corrective actions reported by PGS Gas Operations management.

iii. All PGS Gas Operations managers will regularly conduct and document reviews of status reports produced by GL Essentials, and the work of contractors performing gas pipeline safety work for the Company.

e. GL Essentials

i. PGS will implement the use of GL Essentials by all contractors conducting facilities inspections by December 31, 2016.

ii. Operations management will develop standardized written procedures for GL Essentials, and closely monitor its use by employees and contractors to identify and address any training needs by December 31, 2016.

iii. PGS will institute a mechanism to gather Employee input regarding problems/potential improvements for all facilities inspection activities and GL Essentials by December 31, 2016.

f. **Agreement Term.** The obligations of PGS (including the responsibilities of PGS Gas Delivery, PGS Gas Operations, and AS) under this paragraph 5 shall terminate, and be of no further force or effect, on and after the date which is four (4) years after the date of the Commission's order approving this Settlement Agreement. PGS acknowledges that it will continue to be responsible for complying with any and all FPSC and Pipeline and Hazardous Materials Safety Administration ("PHMSA") gas safety rules during the term of, and following the expiration of the term of, this Settlement Agreement.

6. The incremental costs incurred by PGS as a result of implementing certain corrective measures identified in this Settlement Agreement will not be recovered from PGS customers, including but not limited to the costs associated with the KPMG/AS investigation.

7. In accordance with Section 120.57(4), *Florida Statutes*, approval of this Settlement Agreement in its entirety will resolve all matters in Docket No. 150259-GU, including any alleged violations of reasonably related rules or standards outlined in Appendix A that may have occurred up to the date this Settlement Agreement takes effect and all claims set forth in the petition filed by OPC in this docket on December 7, 2015.

8. This Settlement Agreement will take effect the day after it is approved by the Commission.

9. The provisions of this Settlement Agreement are contingent on approval of this Settlement Agreement in its entirety by the Commission without modification.

10. It is the desire of the Parties that this Settlement Agreement be considered at an appropriate proceeding that does not involve live testimony and cross examination on the merits of the Petition and Notice that initiated this proceeding. The Parties agree that: (a) consideration of this Settlement Agreement as an agenda item at a regularly scheduled Commission

conference at which all interested persons are provided an opportunity to speak shall satisfy any requirement for the conduct of a hearing on the approval of this Settlement Agreement; (b) the following documents on file in this proceeding shall be available for the Commission during its consideration of this Settlement Agreement: the Petition Requesting the Florida Public Service Commission to Issue an Order to Show Cause Against Peoples Gas System for Violations of Chapter 25-12, *Florida Administrative Code*, Request for Imposition of Fines, and Request for Rate Relief, filed by the Office of Public Counsel, the Notice of Violation and Initiation of Show Cause Proceeding filed by Staff, the Commission 2013 and 2015 audits, and this Settlement Agreement; (c) upon approval of this Settlement Agreement by the Commission, such documents shall become part of the record of this proceeding as if admitted into evidence at a final hearing; and (d) a Commission decision approving this Settlement Agreement may be issued as a final order.

11. With respect to this Settlement Agreement, the Parties agree to waive: (a) all notice requirements for a hearing as set forth in Section 120.569(2)(b), *Florida Statutes*, or other applicable provisions of law; (b) their right to require a hearing on the merits; (c) their respective rights to seek reconsideration pursuant to Rule 25-22.060, *Florida Administrative Code*, of any final order that approves this Settlement Agreement in its entirety and without change; and (d) their respective right to judicial review of any such final agency action approving this Settlement Agreement afforded by Section 120.68, *Florida Statutes*, except proceedings to enforce this Settlement Agreement.

12. The Parties further agree that they will support this Settlement Agreement and affirmatively assert that this Settlement Agreement is in the public interest and should be approved. In this regard, the Parties acknowledge that this Settlement Agreement has been agreed to by each and every Party and resolves each and every issue in this docket. The Parties agree that they will not request or support any order, relief, outcome, or result in conflict

with the terms of this Settlement Agreement in any administrative or judicial proceeding relating to, reviewing, or challenging the establishment, approval, adoption, or implementation of this Settlement Agreement or the subject matter hereof.

13. The Parties' agreement to the terms in this Settlement Agreement shall be without prejudice to any Party's ability to advocate a different position in future proceedings not involving this Settlement Agreement. The Parties further expressly agree that no individual provision, by itself, necessarily represents a position of any Party in a future proceeding, and the Parties further agree that no Party shall assert or represent in any future proceeding in any forum that another Party endorses any specific provision of this Settlement Agreement because of that Party's signature hereto. It is the intent of the Parties to this Settlement Agreement that the Commission's approval of all the terms and provisions of this Settlement Agreement is an express recognition that (a) no individual term or provision, by itself, necessarily represents a position, in isolation, of any Party and (b) that no Party to this Settlement Agreement endorses a specific provision, in isolation, of this Settlement Agreement because of that Party's signature hereto.

14. If the Commission does not accept this Settlement Agreement in its entirety pursuant to its terms set out herein, then (i) the Settlement Agreement shall be considered rejected and shall be and become null and void and of no further force or effect as if this document had never been developed and written; (ii) this document will not constitute an admission of liability by PGS and shall not be admissible in any hearing on the matters at issue in Docket No. 150259-GU, or in any other docket or forum; and (iii) no Party to this Settlement Agreement waives any position on any issue that it could have otherwise asserted in any docket in which it is a Party.

15. This Settlement Agreement may be executed in counterpart originals and a facsimile or scan of an original signature shall be deemed an original.


16. This Settlement Agreement constitutes a single, integrated written contract expressing the entire agreement among the Parties and superseding all other agreements, representations and understandings on the subject matter hereof. There is no other agreement, oral or written, expressed or implied, among the Parties with respect to the subject matter hereof, except this Settlement Agreement.

17. Docket 150259-GU will be closed administratively, upon (i) the Commission's receipt of the \$1,000,000 penalty payment provided in paragraph 3 of this Settlement Agreement and (ii) PGS filing of its 2016 Rider CI/BSR petition for approval of the Company's 2017 Rider CI/BSR monthly surcharge clearly identifying the inclusion of the \$2,000,000 credit, as outlined in paragraph 4 of this Settlement Agreement., and no Party shall seek appellate review of any order issued in this docket.

[signature page follows]

The Parties evidence their acceptance of and agreement with the provisions of this Settlement Agreement by their signatures:

FLORIDA PUBLIC SERVICE COMMISSION PROSECUTORIAL STAFF

By: 

Braulio L. Baez
Executive Director

FLORIDA OFFICE OF PUBLIC COUNSEL

By: _____
J. R. Kelly, Esquire
Public Counsel

PEOPLES GAS SYSTEM

By: _____
Ansley Watson, Jr., Esquire
Macfarlane Ferguson & McMullen
Attorneys for Peoples Gas System

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Attorneys for Peoples Gas System

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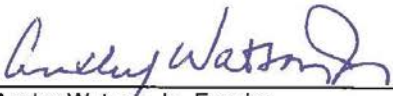
FLORIDA PUBLIC SERVICE COMMISSION PROSECUTORIAL STAFF

By: _____
Braulio L. Baez
Executive Director

FLORIDA OFFICE OF PUBLIC COUNSEL

By: _____
J. R. Kelly, Esquire
Public Counsel

PEOPLES GAS SYSTEM

By:  _____
Ansley Watson, Jr., Esquire
Macfarlane Ferguson & McMullen
Attorneys for Peoples Gas System

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PHMSA RULES

191.11 Distribution System Annual Report

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

192.199 Requirements for Design of Pressure Relief & Limiting Devices

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.201 Required Capacity of Pressure Relieving & Limiting Stations

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.203 Instrument, Control & Sampling Pipe & Components

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.383 Excess Flow Valve Installation

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014

192.459 External Corrosion Control: Examination of Buried Pipeline When Exposed

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSOD	GS-1313	4/24/2015	5/8/2015	6/5/2015	NONE	NO
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015

192.463 External Corrosion Control: Cathodic Protection

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSA	GS-1223	12/6/2013	12/16/2013	1/10/2014	10/28/2014	10/29/2014

192.465 External Corrosion Control: Monitoring

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSLD	GS-1287	10/31/2014	11/12/2014	12/10/2014	12/24/2014	12/29/2014
PGSOC	GS-1250	5/14/2014	6/3/2014	6/30/2014	12/9/2014	12/16/2014
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015

192.467 External Corrosion Control: Electrical Isolation

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

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192.479 Atmospheric Corrosion Control: General

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSBS	GS-1331	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014
PGSLD	GS-1224	11/4/2013	12/30/2013	1/10/2014	2/7/2014	2/7/2014
PGSOD	GS-1205	7/1/2013	9/25/2013	10/22/2013	1/16/2014	1/24/2014
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015
TEBPL	GS-1330	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014

192.481 Atmospheric Corrosion Control: Monitoring

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGPPL	GS-1279	10/10/2014	10/13/2014	11/20/2014	12/23/2014	12/29/2014
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSFM	GS-1284	10/14/2014	10/29/2014	11/11/2014	2/9/2015	2/9/2015
PGSFM	GS-1329	8/4/2015	7/27/2015	8/21/2015	10/14/2015	10/15/2015
PGSLD	GS-1287	10/31/2014	11/12/2014	12/10/2014	12/24/2014	12/29/2014
PGSSA	GS-1346	11/16/2015	10/23/2015	12/14/2015	NONE	NO
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGVPL	GS-1273	9/10/2014	9/22/2014	10/17/2014	12/24/2014	12/29/2014

192.487 Remedial Measures: Distribution Lines Other than Cast Iron or Ductile Iron Lines

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSEU	GS-1324	6/17/2015	6/29/2015	NONE	NONE	NO

192.491 Corrosion Control Records

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSEU	GS-1324	6/17/2015	6/29/2015	NONE	NONE	NO

192.5 Class Locations

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSBV	GS-1198	8/15/2013	9/5/2013	10/3/2013	12/10/2013	12/13/2013

192.605 Procedural Manual for Operations, Maintenance & Emergencies

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015
PGVPL	GS-1273	9/10/2014	9/22/2014	10/17/2014	12/24/2014	12/29/2014
TEBPL	GS-1330	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014

192.614 Damage Prevention

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGSIU	GS-1317	5/20/2015	5/26/2015	6/24/2015	NONE	NO
PGSSA	GS-1223	12/6/2013	12/16/2013	1/10/2014	10/28/2014	10/29/2014
PGSSA	GS-1292	11/26/2014	12/1/2014	2/9/2015	3/3/2015	3/3/2015
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSSP	GS-1350	12/3/2015	12/15/2015	12/18/2015	NONE	NO

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192.615 Emergency Plans

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015

192.616 Public Awareness

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGPPL	GS-1200	9/5/2013	9/20/2013	10/21/2013	NONE	1/10/2014
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGVPL	GS-1201	9/5/2013	9/23/2013	10/21/2013	NONE	1/10/2014

192.625 Odorization of Gas

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.707 Line Markers for Mains & Transmission Lines

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSLD	GS-1287	10/31/2014	11/12/2014	12/10/2014	12/24/2014	12/29/2014
PGSOC	GS-1314	5/4/2015	5/11/2015	NONE	NONE	ND
PGSOD	GS-1313	4/24/2015	5/8/2015	6/5/2015	NONE	ND
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015

192.723 Distribution Systems: Leakage Surveys

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSDD	GS-1213	9/19/2013	10/24/2013	11/21/2013	1/14/2014	1/24/2014
PGSDD	GS-1282	9/26/2014	10/17/2014	11/19/2014	NONE	9/22/2015
PGSML	GS-1274	9/18/2014	10/1/2014	11/18/2014	2/4/2015	2/5/2015
PGSDD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014

192.739 Pressure Limiting & Regulating Stations: Inspections & Testing

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSDD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014

192.741 Pressure Limiting & Regulating Stations: Telemetering or Recording Gauges

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.743 Pressure Limiting & Regulating Stations: Capacity of Relief Devices

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSDD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014
SCGPL	GS-1266	7/1/2014	8/14/2014	9/26/2014	11/18/2014	11/19/2014
TEBPL	GS-1330	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014

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192.745 Valve Maintenance: Transmission Lines

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGIPL	GS-1265	6/19/2014	8/13/2014	8/27/2014	11/18/2014	11/19/2014

192.747 Valve Maintenance: Distribution Systems

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSDD	GS-1282	9/26/2014	10/17/2014	11/19/2014	NONE	NO
PGSOD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014

192.805 Qualification Program

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

192.807 Record Keeping - Qualification Records

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSOD	GS-1313	4/24/2015	5/8/2015	6/3/2015	NONE	NO
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

192.809 Qualification - General

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013

192.905 How Does an Operator Identify a High Consequence Area

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSB5	GS-1241	4/11/2014	4/14/2014	5/12/2014	5/13/2014	5/14/2014

192.1011 What Records Must an Operator Keep

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGSSA	GS-1223	12/6/2013	12/16/2013	1/10/2014	10/28/2014	10/29/2014

192 Appendix D: Criteria for Cathodic Protection & Dermination of Measurements

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSLD	GS-1287	10/31/2014	11/12/2014	12/10/2014	12/24/2014	12/29/2014
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSTA	GS-1326	7/8/2015	7/21/2015	9/18/2015	12/21/2015	12/28/2015
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

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FPSC RULES

25-12.022 Requirements for Distribution System Valves

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSSA	GS-1346	11/16/2015	10/23/2015	12/14/2015	NONE	NO

25-12.040 Leak Surveys, Procedures and Classification

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSDD	GS-1282	9/26/2014	10/17/2014	11/19/2014	NONE	NO
PGSEU	GS-1242	3/17/2014	4/15/2014	5/8/2014	8/20/2014	8/28/2014
PGSLD	GS-1224	11/4/2013	12/30/2013	1/10/2014	2/7/2014	2/18/2014
PGSMI	GS-1274	9/18/2014	10/1/2014	11/18/2014	2/4/2015	2/5/2015
PGSMI	GS-1312	4/13/2015	4/20/2015	5/18/2015	10/14/2015	10/15/2015
PGSOD	GS-1205	7/1/2013	9/25/2013	10/22/2013	1/16/2014	1/24/2014
PGSOD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014
PGSOD	GS-1313	4/24/2015	5/8/2015	6/5/2015	NONE	NO
PGSPC	GS-1336	9/23/2015	9/14/2015	9/30/2015	10/22/2015	10/26/2015
PGSSA	GS-1223	12/6/2013	12/16/2013	1/10/2014	10/26/2014	10/29/2014
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSSP	GS-1350	12/3/2015	10/15/2015	12/18/2015	NONE	NO
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014
PGSTA	GS-1326	7/20/2015	7/8/2015	9/18/2015	12/21/2015	12/28/2015

25-12.045 Inactive Gas Service Lines

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSMI	GS-1312	4/13/2015	4/20/2015	5/18/2015	10/14/2015	10/15/2015
PGSOD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014
PGSOD	GS-1313	4/24/2015	5/8/2015	6/5/2015	NONE	NO
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSTA	GS-1326	7/8/2015	7/20/2015	9/18/2015	12/21/2015	12/28/2015

25-12.050 Facility Identification

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGPPL	GS-1279	10/10/2014	10/15/2014	11/20/2014	12/23/2014	12/29/2014
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014
PGSTA	GS-1326	7/20/2015	7/8/2015	9/18/2015	12/21/2015	12/28/2015

25-12.052 Cathodic Protection

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSAP	GS-1283	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSPC	GS-1208	6/3/2013	10/4/2013	10/30/2013	NONE	1/8/2014
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
PGSSP	GS-1256	6/23/2014	7/1/2014	7/31/2014	3/20/2015	3/24/2015
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014

APPENDIX A
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25-12.055 Odorization of Gas

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGPPL	GS-1279	10/10/2014	10/13/2014	11/20/2014	12/23/2014	12/29/2014
PGSAP	GS-1285	10/17/2014	10/21/2014	11/20/2014	12/24/2014	12/29/2014
PGSLD	GS-1287	10/31/2014	11/12/2014	12/10/2014	12/24/2014	12/29/2014
PGSMI	GS-1274	9/18/2014	10/1/2014	11/18/2014	2/4/2015	2/5/2015
PGSOD	GS-1264	7/14/2014	8/13/2014	9/8/2014	11/10/2014	11/13/2014
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014
PGSTA	GS-1326	7/20/2015	7/8/2015	9/18/2015	12/21/2015	12/28/2015

25-12.060 General Records

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSBS	GS-1331	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014
PGSEU	GS-1324	6/17/2015	6/29/2015	7/28/2015	12/17/2015	12/18/2015
PGSOD	GS-1313	4/24/2015	5/8/2015	6/5/2015	NONE	NO
PGSTA	GS-1192	6/19/2013	7/9/2013	8/6/2013	5/15/2014	5/27/2014

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSBS	GS-1331	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014
PGSIU	GS-1317	5/20/2015	5/26/2015	6/24/2015	10/14/2015	10/15/2015
PGSSA	GS-1292	11/26/2014	12/1/2014	2/9/2015	3/3/2015	3/3/2015
PGSSP	GS-1191	6/21/2013	6/26/2013	7/19/2013	12/4/2013	12/12/2013
TEBPL	GS-1330	1/30/2014	2/6/2014	3/3/2014	3/27/2014	4/9/2014

25-12.062 Leak Reports

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSTA	GS-1254	6/3/2014	6/26/2014	7/23/2014	12/23/2014	12/29/2014

25-12.082 Construction Notice

PGS Division	Violation	Evaluation Date	Notice Issued	PGS Response	Progress Report	Closed
PGSFM	GS-1216	10/24/2013	11/8/2013	12/6/2013	10/13/2014	10/14/2014
PGSFM	GS-1329	8/4/2015	7/27/2015	8/21/2015	10/14/2015	10/15/2015

Item 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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Office of Telecommunications (Williams, Bates) *[Handwritten initials]*
Office of the General Counsel (Page) *[Handwritten initials]*

RE: Docket No. 140029-TP – Request for submission of proposals for relay service, beginning in June 2015, for the deaf, hard of hearing, deaf/blind, or speech impaired, and other implementation matters in compliance with the Florida Telecommunications Access System Act of 1991.

AGENDA: 05/05/16 – Regular Agenda – Proposed Agency Action for Issue 1 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: July 1, 2016 – Effective date of Florida Telecommunications Relay, Inc. budget. Notification of any change in the Telecommunications Access System Act surcharge must be made to carriers prior to July 1, 2016.

SPECIAL INSTRUCTIONS: Anticipate the need for sign language interpreters and assisted listening devices. Please place near the beginning of the agenda to reduce interpreter costs.

Case Background

The Florida Relay System provides deaf and hard of hearing persons access to basic telecommunications services by using a specialized Communications Assistant that relays information between the deaf or hard of hearing person and the other party to the call. The primary function of the Florida Relay System is accomplished by the deaf or hard of hearing

person using a Telecommunications Device for the Deaf where the person using the Telecommunications Device for the Deaf types a message to the Communications Assistant who in turn voices the message to the other party, or a Captioned Telephone which displays real-time captions of the conversation.

The Telecommunications Access System Act of 1991 (TASA) established a statewide telecommunications relay system which became effective May 24, 1991. TASA is authorized pursuant to Chapter 427, Florida Statutes (F.S.). Section 427.701(1), F.S., provides that the Florida Public Service Commission (Commission or FPSC) shall establish, implement, promote, and oversee the administration of the statewide telecommunications access system to provide access to telecommunications relay services by persons who are deaf, hard of hearing or speech impaired, or others who communicate with them. It is estimated that approximately 2.5 to 3 million¹ of the estimated 20 million persons living in Florida have been diagnosed as having a hearing loss. This system provides telecommunications service for deaf or hard of hearing persons functionally equivalent to the service provided to hearing persons.

TASA provides funding for the distribution of specialized telecommunications devices and provision of intrastate relay service through the imposition of a surcharge of up to \$0.25 per landline access line per month. Accounts with over 25 access lines are billed for only 25 lines. Pursuant to Section 427.704(4)(a)1, F.S., a surcharge is collected only from landline access lines.²

Florida Telecommunications Relay, Inc. (FTRI), a non-profit corporation formed by the local exchange telephone companies, was selected by the Commission to serve as the Telecommunications Access System Act Administrator. On July 1, 1991, the local exchange telecommunications companies began collecting an initial \$.05 per access line surcharge pursuant to Order No. 24581. Since July 1, 1991 the surcharge, which is currently \$0.12 per month, has changed to reflect FTRI budgetary needs and potential Federal Communications Commission (FCC) mandates.

Chapter 427, F.S., requires that the relay system be compliant with regulations adopted by the FCC to implement Title IV of the Americans with Disabilities Act. The FCC mandates the minimum requirements for services a state must provide, certifies each state program, and periodically proposes changes in the stipulated services.

The current relay service provider in Florida is Sprint. The FPSC awarded the contract to Sprint, effective March 1, 2015, for a period of three years. The contract contains options to extend the contract for four additional one-year periods, and requires mutual consent by both parties to extend the contract.

¹ 2015 Florida Coordinating Council for the Deaf and Hard of Hearing Biennial Report to Governor Rick Scott, the Florida Legislature & the Supreme Court and "Demographics and Statistics," Florida Telecommunications Relay, Inc., <http://ftri.org/index.cfm/go/public.view/page/12>, accessed on April 21, 2016.

² Florida Telecommunications Relay, Inc. projects a 4 percent decrease in landline access lines subject to the relay surcharge for the budget year 2016/2017.

Docket No. 140029-TP

Date: April 22, 2016

Staff sent a data request to FTRI on a number of issues included in its proposed budget. FTRI's responses to staff's data request are included in the docket file. The purpose of this recommendation is to address the FTRI proposed 2016/2017 fiscal year budget. The Commission is vested with jurisdiction pursuant to Chapter 427, F.S.

Discussion of Issues

Issue 1: Should the Commission approve FTRI's proposed budget, excluding the National Deaf-Blind Equipment Distribution Program, for fiscal year 2016/2017, effective July 1, 2016, and should the Commission maintain the current Telecommunications Relay Service (TRS) surcharge of \$0.12 per month?

Recommendation: Yes. Staff recommends that the Commission approve FTRI's proposed budget operating revenue of \$7,796,894 and proposed budget expenses of \$7,505,109, excluding the National Deaf-Blind Equipment Distribution Program, for fiscal year 2016/2017, effective July 1, 2016. Staff recommends that FTRI should be allowed to increase its outreach expenses to pilot a targeted newspaper insert program with data to be filed with its annual budget request indicating the program's effectiveness. (Williams, Bates, Page)

Staff Analysis:

Traditional Telecommunications Relay Service

Minutes of use for traditional Telecommunications Relay Service have been declining. Sprint's projections indicate that traditional minutes will continue to decline during the 2016/2017 fiscal year. Traditional relay users are transitioning to Internet Protocol Relay,³ Video Relay Service,⁴ Captioned Telephone Service,⁵ Internet Protocol Captioned Telephone Service,⁶ Internet Protocol Speech-to-Speech (STS) service,⁷ and wireless service. The traditional Telecommunications Relay Service cost as approved in Sprint's contract remains at \$1.09 per session minute.

³ IP Relay allows people who have difficulty hearing or speaking to communicate through an Internet connection using a computer and the Internet, rather than a TTY and a telephone.

⁴ Video Relay Service is a form of Telecommunications Relay Service that enables persons with hearing disabilities who use American Sign Language to communicate with voice telephone users through video equipment, rather than through typed text. Video equipment links the VRS user with a TRS operator so that the VRS user and the operator can see and communicate with each other in signed conversation. Because the conversation between the VRS user and the operator flows much more quickly than with a text-based TRS call, VRS has become a popular form of TRS.

⁵ A telephone that displays real-time captions of a conversation. The captions are typically displayed on a screen embedded into the telephone base.

⁶ IP captioned telephone service allows the user to simultaneously listen to, and read the text of, what the other party in a telephone conversation has said, where the connection carrying the captions between the service and the user is via an IP addressed and routed link.

⁷ Speech-to-Speech (STS) relay service utilizes a specially trained CA who understands the speech patterns of persons with speech disabilities and can repeat the words spoken by such an individual to the other party to the call. IP STS uses the Internet, rather than the public switched telephone network, to connect the consumer to the relay provider. Instead of using a standard telephone to make the relay call, an IP STS user can use a personal computer or personal digital assistant (PDA) device and, with the installation of softphone application software, can make a voice call via the Internet to the relay provider. The call is initiated by the user clicking on an icon on his or her computer or PDA; the relay user is then connected to a CA over the Internet and tells the CA the number to be dialed; the CA then connects the IP STS user with the called party and relays the call between the two parties.

CapTel Service

CapTel service uses a specialized telephone that provides captioning of the incoming call for a deaf or hard of hearing person. Sprint's projections show that CapTel minutes of use will also decrease during the 2016/2017 fiscal year. The CapTel cost as approved in the Sprint contract remains at \$1.63 per session minute.

Florida Telecommunications Relay Inc. Budget

Attachment A reflects FTRI's 2016/2017 fiscal year proposed budget, which was reviewed and adopted by FTRI's Board of Directors prior to filing with the Florida Public Service Commission. The proposed budget includes a decrease in expenses of approximately \$774,299 from the 2015/2016 Commission approved budget. The FTRI 2016/2017 proposed budget projects total operating revenues to be \$8,269,418 and total expenses to be \$7,977,633. FTRI believes the Telecommunications Relay surcharge can remain at \$0.12 per access line for the 2016/2017 fiscal year.

Sprint's estimated fiscal year 2016/2017 traditional Telecommunications Relay surcharge minutes of use are 1,013,262 at a rate of \$1.09 per minute for a total of \$1,104,456. Sprint's estimated CapTel minutes of use for fiscal year 2016/2017 are 1,280,726 at a rate of \$1.63 per minute for a total of \$2,087,583.

The biggest decrease in expense in the budget arises from relay provider services, resulting in \$779,460 in savings when compared to the 2015/2016 Commission approved budget. The largest increase in the budget is associated with FTRI Outreach. FTRI's Outreach expense increased by \$153,674 over the 2015/2016 Commission approved budget and FTRI's 2015/2016 estimated expenditures for Outreach.

FTRI states that it has experimented with newspaper inserts during 2015/2016. FTRI states that it plans to advertise the relay program all year, primarily using insert advertisements in newspapers. In support of its advertising strategy, FTRI presents the following points:

- Scarborough, a Nielsen service, released a report in March 2015 that 71.7 percent of US populations 65+ still read the Daily or Sunday newspaper
- Scarborough also reported that 71.9 percent of the total Top 7 Florida markets read a Daily or Sunday paper (Tampa-St. Pete-Sarasota, Miami-Ft. Lauderdale, Orlando-Daytona Beach-Melbourne, West Palm Beach-Ft Pierce, Jacksonville)
- In an article published in January 2015 by Pew Research Center, 84 percent of people 65+ still have landlines

The newspaper inserts will be targeted to zip codes with a high population of residents over 65 years old. Statistics indicate that one in three people over 65 have a hearing loss. FTRI has conducted various Outreach projects in the past including newspaper, community events, and joint efforts with the Regional Distribution Centers. However, the strategy of using newspaper insert advertisements on a statewide basis is a new and more intense effort.

After analysis of the proposed budget, staff believes FTRI should have sufficient funds for its 2016/2017 fiscal year budget and reserve account. A comparison of FTRI's 2015/2016 Commission approved budget and FTRI's 2016/2017 proposed budget is shown in Table 1 below.

Table 1
FTRI 2016/2017 Budget Comparison

	Commission Approved 2015-2016	FTRI Proposed 2016-2017
Operating Revenue:		
Surcharges	\$8,249,890	\$7,762,706
Interest Income	33,941	34,188
NDBEDP ⁸	468,749	472,524
Total Operating Revenue	\$8,752,580	\$8,269,418
Operating Expenses:		
Relay Provider Services	\$3,971,499	\$3,192,039
Equipment and Repairs	1,690,386	1,621,478
Equipment Distribution And Training	1,054,737	950,403
Outreach	574,626	728,300
General & Administrative	991,935	1,012,889
NDBEDP	468,749	472,524
Total Expenses	\$8,751,932	\$7,977,633
Annual Surplus	648	291,785
Total Surplus⁹	\$15,723,243	\$16,274,881

Source: FTRI's 2016/2017 proposed budget.

Decertification from the National Deaf-Blind Equipment Distribution Program

FTRI was certified by the FCC to participate in the National Deaf-Blind Equipment Distribution Program (NDBEDP) and receive reimbursement from the Federal TRS Fund in 2012. Under current FCC guidelines, FTRI is reimbursed for some expenses, including equipment purchased and distributed, assessment of clients, and training of clients. Administrative costs are capped at 15 percent of the reimbursement expenses.

⁸ National Deaf Blind Equipment Distribution Program.

⁹ The Federal Communications Commission may mandate state funding of Video Relay Service, Internet Protocol Relay Service, and Internet Protocol Captioned Telephone Service. It is estimated that approximately \$32 million would be needed to adequately fund the state program. The Commission, by Order PSC-06-0469-PAA-TP, issued June 1, 2006, in Docket No. 040763-TP, maintained the Florida Telecommunications Relay Service surcharge at \$0.15/month for one year in lieu of a surcharge reduction, to prepare the state Telecommunications Relay Service Fund for assuming intrastate costs of Video Relay Service and Internet Protocol Relay, and to allow time to determine how the costs should be recovered should the need arise.

As presented in Attachment B, on March 28, 2016 after it submitted its 2016/2017 proposed budget, FTRI submitted a letter to the Commission communicating that it will decertify from the NDBEDP. In the letter, FTRI explains that the FTRI Board directed that participation in the NDBEDP not adversely impact FTRI's TASA function in Florida. FTRI further explains that its participation in the NDBEDP without incurring a loss is becoming more challenging. FTRI revenues for FY 2015/2016 from the NDBEDP for Q1 and Q2 were \$66,149 and expenses were \$76,702, resulting in a net loss of \$10,553.

FTRI believes continued participation in the program may lead to increasing losses due to the 15 percent administrative cap. Further, FTRI states that reimbursable expenses are shifting to lower cost equipment, as well as maintenance and repair which take more administrative time than a new client and yield a lower administrative reimbursement using the 15 percent cap.

If FTRI decertifies with the FCC, it is anticipated that the program and its offered services will continue with another entity distributing the equipment for the deaf-blind, low-income Floridians. The FCC will make that determination after reviewing interested applicants' proposals.

The full impact of continuing to participate in the NDBEDP on FTRI's proposed 2016/2017 budget would be a projected \$61,820 loss as presented by FTRI in its 2015/2016 Estimated Revenue & Expenses as presented in Attachment A.

Analysis

As previously mentioned, Relay and CapTel expenses from Sprint are projected to decline as a result of reduced minutes. All other expense categories in FTRI's 2016/2017 proposed budget increased over the estimated expenses for 2015/2016. Staff believes the \$.12 surcharge is sufficient to cover the expenses for the fiscal year 2016/2017. However, if only the decrease in the Sprint relay expenses were considered with no increase in the other expense categories, staff still believes that the \$.12 should remain in place.

The idea of using insert advertisements that can be pulled out of newspapers may prove to have a positive impact on the relay program. Staff believes the targeted newspaper insert program should be approved on a pilot basis during the 2016/2017 budget year. Staff recommends that FTRI present its results and findings in its proposed 2017/2018 budget to the Commission to determine its effectiveness. During the April 13, 2016 TASA meeting, a member of the TASA Committee shared that his organization has seen an increase in the distribution of equipment as result of FTRI's outreach efforts. If this program is successful, the expenses for equipment, maintenance and repair should increase over estimated expenses as reflected in FTRI's proposed budget.

A comparison of FTRI's 2015/2016 Commission approved budget, FTRI's 2016/2017 proposed budget, estimated revenue and expenditures, FTRI's 2015/2016, and staff's recommended 2016/2017 FTRI budget is shown in Table 2. Each column has been adjusted to remove the NDBEDP revenues and expenses for comparability.

Table 2
FTRI 2016/2017 Budget Comparison with NDBEDP Impacts Removed

	Commission Approved 2015-2016	FTRI Estimated Revenue & Expense 2015-2016	FTRI Proposed 2016-2017	Staff Recommended 2016-2017
Operating Revenue:				
Surcharges	\$8,249,890	\$8,086,152	\$ 7,762,706	\$7,762,706
Interest Income	33,941	23,174	34,188	34,188
NDBEDP¹⁰	0	0	0	0
Total Operating Revenue	\$ 8,283,831	\$8,109,326	\$ 7,796,894	\$7,796,894
Operating Expenses:				
Relay Provider Services	\$3,971,499	\$3,817,071	\$3,192,039	\$3,192,039
Equipment and Repairs	1,690,386	1,540,541	1,621,478	1,621,478
Equipment Distribution And Training	1,054,737	906,770	950,403	950,403
Outreach	574,626	574,626	728,300	728,300
General & Administrative	991,935	907,787	1,012,889	1,012,889
NDBEDP	0	0	0	0
Total Expenses	\$8,283,183	\$7,746,795	\$7,505,109	\$7,505,109

Source: FTRI's 2016/2017 proposed budget.

Conclusion

Staff has reviewed FTRI's 2016/2017 fiscal year budget request and believes it is reasonable. The current Telecommunications Relay Service surcharge of \$0.12 should meet FTRI's budget needs for the 2016/2017 fiscal year. Staff also recommends that the Telecommunications Relay Service surcharge be maintained at \$0.12 per month per access line up to 25 access lines for the fiscal year 2016/2017, effective July 1, 2016. The Commission should order all telecommunications companies to continue to bill the \$0.12 surcharge for the fiscal year 2016/2017, effective July 1, 2016.

¹⁰ National Deaf Blind Equipment Distribution Program.

Issue 2: Should the Commission approve the appointments of Mr. Tom D'Angelo and Mr. Tim Wata to the TASA Advisory Committee effective immediately?

Recommendation: Yes. Staff recommends that the Commission approve the appointments of Mr. Tom D'Angelo and Mr. Tim Wata to the TASA Advisory Committee effective immediately. (Williams, Bates, Page)

Staff Analysis: Section 427.706, Florida Statutes, provides that the Commission shall appoint an advisory committee of up to 10 members to assist the Commission with Florida's relay system. By statute, the advisory committee provides the expertise, experience, and perspective of persons who are deaf, hard of hearing, or speech impaired to the Commission and the administrator during all phases of the development and operation of the telecommunications access system. The advisory committee advises the Commission and the administrator on the quality and cost-effectiveness of the telecommunications relay service and the specialized telecommunications devices distribution system. Members of the committee are not compensated for their services but are entitled to per diem and travel expenses provided through the Florida Public Service Commission's Regulatory Trust Fund.

Mr. Tom D'Angelo and Mr. Tim Wata were nominated for appointment to the TASA Advisory Committee by the Florida Association of the Deaf. If approved by the Commission, they will replace Mr. Jon Ziev and Mr. Louis Schwarz who both resigned their positions on the TASA Advisory Committee as representatives for the Florida Association of the Deaf.

Mr. D'Angelo has over 15 years experience in the telecommunications industry. Mr. D'Angelo's previous positions include serving as the Florida Account Manager with Sprint Relay and Outreach Director for Communication service for the Deaf. Mr. D'Angelo is currently an active member of the Florida Association of the Deaf.

Mr. Wata has vast technical experience in Computer Science. Mr. Wata is currently a Staff research Engineer with Lockheed Martin Corporation. In addition to volunteering with the Florida Association of the Deaf, Inc., Mr. Wata also has volunteered with the Deaf Service Center of Greater Orlando, Inc., the Center for Independent Living in Central Florida, Inc., and the Florida Rehabilitation Advisory Council.

Therefore, staff recommends that the Commission approve the appointments of Mr. Tom D'Angelo and Mr. Tim Wata to the TASA Advisory Committee effective immediately.

Issue 3: Should this docket be closed?

Recommendation: No. A Consummating Order should be issued for Issue 1, 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. The docket should remain open to address all matters related to relay service throughout the life of the current Sprint contract. (Williams, Bates, Page)

Staff Analysis: A Consummating Order should be issued for Issue 1, 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. The docket should remain open to address all matters related to relay service throughout the life of the current Sprint contract.



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March 7, 2016

Mr. Curtis Williams, Regulatory Analyst IV
Office of Telecommunications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0866

RE: **FTRI FY 2016/2017 Budget**

Dear Mr. Williams:

I am pleased to forward a copy of the FY 2016/2017 budget that was recently approved by the Florida Telecommunications Relay, Inc. (FTRI) Board of Directors. The budget was reviewed by our Budget Committee and was adopted by the Board at a special meeting recently.

The budget adopted by the board for FY 2016/2017 maintains the surcharge at the current rate of 12 cents per access line and at this level is projected to produce revenues of \$7,796,894. As reflected on the attached copy of the approved budget total expenses are projected to be \$7,505,109.

Access lines have decreased at the rate of 4.7% during the past three years (2013, 2014 & 2015) and that trend is expected to continue as more consumers move from landline to other technologies. For the budget period it is projected that access lines will decrease over 4%.

As of February 2016, FTRI has over 507,498 individuals in the client database. FTRI and its regional partners continue to reach out to meet the telecommunications access needs of residents who are deaf, hard of hearing, deaf/blind, or speech disabled. Outreach continues to be a large part of our efforts to attract new clients and educate the general population about the Florida Relay System and the benefits this brings to our citizens.

Should you have questions or desire additional information, please do not hesitate to email me at jforstall@ftri.org.

Sincerely,

A handwritten signature in black ink, appearing to read "James Forstall".

James Forstall
Executive Director

Enclosure

cc: FTRI Board of Directors

Florida Telecommunications Relay, Inc.
Fiscal Year 2016/2017 Budget @ .12 cents surcharge

	2015/2016 APPROVED BUDGET	2015/2016 ESTIMATED REV & EXPEND	2016/2017 PROPOSED BUDGET	VARIANCE 2015/2016 2016/2017
OPERATING REVENUE				
1 Surcharges	8,249,890	8,086,152	7,762,706	(487,184)
2 Interest Income	33,941	23,174	34,188	247
3 NDBEDP	468,749	155,578	472,524	3,775
TOTAL OPERATING REV	8,752,580	8,264,904	8,269,418	(483,162)
OTHER REVENUE/FUNDS				
4 Surplus Account	15,722,595	15,682,385	15,983,096	280,501
TOTAL REVENUE	24,475,175	23,947,289	24,252,514	(222,661)
OPERATING EXPENSES				
CATEGORY I - RELAY SERVICES				
5 DPR Provider	3,971,499	3,817,071	3,192,039	(779,460)
SUBTOTAL-CATEGORY I	3,971,499	3,817,071	3,192,039	(779,460)
CATEGORY II - EQUIPMENT & REPAIRS				
6 TDD Equipment	0	0	0	0
7 Large Print TDD's	0	0	568	568
8 VCO/HCO - TDD	720	1,150	1,150	430
9 VCO Telephone	0	0	0	0
10 Dual Sensory Equipment	5,000	0	5,000	0
11 CapTel Phone Equipment	0	0	0	0
12 VCP Hearing Impaired	1,440,645	1,414,033	1,434,745	(5,900)
13 VCP Speech Impaired	1,386	554	693	(693)
14 TeliTalk Speech Aid	18,000	10,800	15,000	(3,000)
15 Jupiter Speaker phone	0	0	0	0
16 In-Line Amplifier	0	0	0	0
17 ARS Signaling Equip	6,501	4,204	5,418	(1,083)
18 VRS Signaling Equip	16,080	8,577	15,246	(834)
19 Accessories & Supplies	2,980	1,481	1,886	(1,094)
20 Telecomm Equip Repair	199,074	99,742	141,772	(57,302)
SUBTOTAL-CATEGORY II	1,690,386	1,540,541	1,621,478	(68,908)
CATEGORY III - EQUIPMENT DISTRIBUTION & TRAINING				
21 Freight-Telecomm Equip	74,314	45,072	47,325	(26,989)
22 Regional Distr Centers	978,423	860,762	901,078	(77,345)
23 Workshop Expense	0	0	0	0
24 Training Expense	2,000	936	2,000	0
SUBTOTAL-CATEGORY III	1,054,737	906,770	950,403	(104,334)

Florida Telecommunications Relay, Inc.
Fiscal Year 2016/2017 Budget @ .12 cents surcharge

	2015/2016 APPROVED BUDGET	2015/2016 ESTIMATED REV & EXPEND	2016/2017 PROPOSED BUDGET	VARIANCE 2015/2016 2016/2017
CATEGORY IV - OUTREACH				
25 Outreach Expense	574,626	574,626	728,300	153,674
SUBTOTAL-CATEGORY IV	574,626	574,626	728,300	153,674
CATEGORY V - GENERAL & ADMINISTRATIVE				
26 Advertising	2,641	1,320	2,633	(8)
27 Accounting/Auditing	24,896	21,398	22,300	(2,596)
28 Legal	72,000	71,550	72,000	0
29 Computer Consultation	23,970	8,084	15,980	(7,990)
30 Dues & Subscriptions	3,034	2,784	2,768	(236)
31 Office Furniture Purchase	250	0	250	0
32 Office Equipment Purchase	12,500	8,069	9,990	(2,510)
33 Office Equipment Lease	1,886	1,878	1,876	(10)
34 Insurance-Health/Life/Dsblty	158,262	124,882	165,735	7,473
35 Insurance-Other	8,897	6,064	9,844	947
36 Office Expense	16,524	16,389	17,496	972
37 Postage	9,917	8,087	8,124	(1,793)
38 Printing	1,537	1,289	1,295	(242)
39 Rent	91,280	92,166	93,419	2,139
40 Utilities	5,808	5,254	5,281	(527)
41 Retirement	58,575	57,717	59,694	1,119
42 Employee Compensation	408,471	403,461	430,264	21,793
43 Temporary Employment	8,000	7,230	10,400	2,400
44 Taxes - Payroll	32,507	30,899	32,916	409
45 Taxes - Unemplmt Comp	1,863	1,651	1,663	(200)
46 Taxes - Licenses	65	65	65	0
47 Telephone	18,670	15,765	16,708	(1,962)
48 Travel & Business	16,296	11,430	18,700	2,404
49 Equipment Maint.	1,353	1,281	1,287	(66)
50 Employee Training/Dev	7,000	3,475	5,300	(1,700)
51 Meeting Expense	5,733	5,599	6,871	1,138
52 Miscellaneous Expense	0	0	0	0
SUBTOTAL-CATEGORY V	991,935	907,787	1,012,889	20,954
CATEGORY VI - NDBEDP				
53 NDBEDP - Expense	468,749	217,398	472,524	3,775
SUBTOTAL-CATEGORY VI	468,749	217,398	472,524	3,775
TOTAL EXPENSES	8,751,932	7,964,193	7,977,633	(774,299)
REVENUE LESS EXPENSES	15,723,243	15,983,096	16,274,881	551,638



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March 28, 2016

Beth Salak, Director
Office of Telecommunications
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Dear Beth:

This is to follow up on your conversation with our counsel regarding the National Deaf-Blind Equipment Distribution Program (NDBEDP) administered by the Federal Communications Commission (FCC) and our consideration to decertify as a participant in that program. After further review and analysis of our participation, we have concluded it would be prudent to decertify as a participant in the NDBEDP.

FTRI was certified by the FCC to participate in the program and receive reimbursement for that participation from the TRS Fund in 2012. Initially, the program was to be a pilot program for two years, but that pilot program has been extended to its fourth year and there is a possibility the pilot program will be extended for a fifth year under the current rules and requirements. Under current FCC guidelines, FTRI is reimbursed the cost of the equipment purchased and distributed, assessment of clients, training of clients and administrative costs associated with the program to a cap of 15% of the cost of the reimbursable expenses. Some costs are not recoverable.

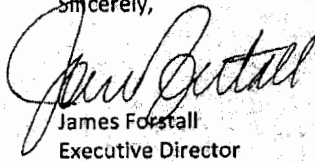
At the time we applied to the FCC for certification in 2011, the Board directed that participation in the FCC program not take away from our focus on TASA, which is our statutory charge, or result in use of surcharge revenues to support the federal program. While we have followed that guidance, it is now our view that may become more challenging. A review of the revenues and expenses associated with the NDBEDP for the past two quarters (Attached) reflect that expenses are beginning to exceed revenues, confirming our concerns which prompted the discussion you had with our counsel several months ago. We believe future activities may yield more of a burden due to the 15% administrative cap. The nature of reimbursable expenses is shifting to lower cost equipment, as well as maintenance and repair issues, all of which take considerable more administrative time than a new client, and yield a lower administrative reimbursement using the 15% cap.

The NDBEDP is not as large a program as TASA compared to clients served because of the specialized nature of the equipment and the FCC guidelines, and does not lend itself to using existing distribution arrangements. As a result, the administrative portion of the NDBEDP is

handled by the main office personnel, all of whom have duties with TASA. FTRI uses independent contractors for assessment and training services, but because the equipment distributed is specialized, the nature of serving the Deaf-Blind community varies due to a wide array of needs, i.e. severity of deafness or blindness, onset of disabilities, technological skill level, communication challenges, all of which contributes to additional time demands on staff.

While we recognize the benefits of the NDBEDP, we are mindful that our purpose is to be the administrator of TASA as outlined in Chapter 427, Florida Statutes, and when all things are considered, we believe that it is in the best interest of TASA for FTRI to decertify with the NDBEDP as other states have done, and we plan to advise the FCC of this action.

Sincerely,



James Forstall
Executive Director

Attachment

CC: FTRI Board of Directors

Florida National Deaf Blind Equipment Distribution Program
Administered by FTRI

2015-2016	QTR1	QTR 2	QTR3	QTR4	Total
Revenue	43014.86	23133.78			66148.64 0.00
Expenses-Prgm	32521.73	18322.58			50844.31
Expenses-Admin	5047.68	5200.28			10247.96
audit	5000.00				5000.00
Expenses-staff	4618.80	5990.63		0.00	<u>10609.43</u>
Net	-4173.35	-6379.71	0.00	0.00	-10553.06
					-10553.06

Item 3

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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Accounting and Finance (Fletcher) *BY ALM*
Office of the General Counsel (Brownless) *CRB*

RE: Docket No. 160021-EI – Decision on Suspension of Rates – Petition for rate increase by Florida Power & Light Company. *MAN*

AGENDA: 05/05/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Edgar

CRITICAL DATES: 05/14/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

This proceeding commenced on March 15, 2016, with the filing of a petition for a permanent rate increase by Florida Power & Light Company (FPL or Company). The Company is engaged in business as a public utility providing electric service as defined in Section 366.02, Florida Statutes (F.S.), and is subject to the jurisdiction of the Commission. FPL provides electric service to more than 4.8 million retail customers in all or parts of 35 Florida counties.

FPL has requested an increase in its retail rates and charges to generate \$866 million in additional gross annual revenues, effective January 1, 2017. The Company also has requested an increase in its retail rates and charges to generate \$262 million in additional gross annual revenues, effective January 1, 2018. FPL asserts that the combined increases will allow the Company to earn a return on equity (ROE) of 11.50 percent which includes a 50 basis point ROE performance adder. The Company based its requests on projected test years ending December 31, 2017 and December 31, 2018. FPL stated that these test years are the appropriate periods to

be utilized because they best represent expected future operations in the period immediately after any new base rates go into effect. FPL has also requested a \$209 million base rate step increase for the Okeechobee Energy Center effective upon the commercial in-service date of the unit (projected to be June 1, 2019). In total, the Company is requesting a \$1.337 billion base rate increase. It is estimated that the monthly base rate would increase by \$13.28 for a typical residential customer. FPL did not request any interim rate relief.

In FPL's most recent base rate proceeding in Docket No. 120015-EI, the Commission approved a settlement agreement which authorized a revenue increase of \$378 million effective January 1, 2013.¹ In addition, the settlement agreement provided for generation base rate adjustments to coincide with the in-service dates of the Cape Canaveral Modernization Project, Riviera Beach Modernization Project, and Port Everglades Modernization Project power plants. The settlement agreement provided that retail base rates, with certain exceptions, would be frozen through the last billing cycle in December 2016.

On March 10, 2016, the Commission acknowledged the Office of Public Counsel's notice of intervention in this proceeding.² On March 11, 2016, Florida Industrial Power Users Group (FIPUG) filed its Motion to Intervene. On March 28, 2016, Wal-Mart Stores East, LP and Sam's East, Inc. (Walmart) filed their Petition to Intervene. On April 4, 2016, the Commission granted FIPUG's and Walmart's requests to intervene.³

On April 4, 2016, the Federal Executive Agencies (FEA) filed its Petition to Intervene. On April 8, 2016, the South Florida Hospital and Healthcare Association (SFHHA) filed its Petition to Intervene. On April 21, 2016, the Commission granted FEA's and SFHHA's requests to intervene.⁴ A hearing has been scheduled for August 22-26 and 29-31, 2016, as well as September 1-2, 2016.

This recommendation addresses the suspension of the requested permanent rate increase. The Commission has jurisdiction over this matter pursuant to Sections 366.06(2) and (4), F.S.

¹ Order No. PSC-13-0023-S-EI, issued January 14, 2013, in Docket No. 120015-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

² Order No. PSC-16-0098-PCO-EI, issued March 10, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

³ Order Nos. PSC-16-0132-PCO-EI and PSC-16-0134-PCO-EI, issued April 4, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

⁴ Order Nos. PSC-16-0157-PCO-EI and PSC-16-0158-PCO-EI, issued April 21, 2016, in Docket No. 160021-EI, *In re: Petition for increase in rates by Florida Power & Light Company*.

Discussion of Issues

Issue 1: Should Florida Power & Light Company's request for a \$866 million permanent rate increase for January 1, 2017, a \$262 million permanent rate increase for January 1, 2018, a \$209 million base rate step increase, and the associated tariff revisions be suspended pending a final decision in this docket?

Recommendation: Yes. The \$866 million permanent rate increase for January 1, 2017, the \$262 million permanent rate increase for January 1, 2018, the \$209 million base rate step increase, and the associated tariff revisions should be suspended pending a final decision in this docket. (Fletcher)

Staff Analysis: FPL filed its petition, testimony, and minimum filing requirements on March 15, 2016. The Company has requested an increase in its retail rates and charges to generate \$866 million in additional gross annual revenues, effective January 1, 2017. FPL also has requested an increase in its retail rates and charges to generate \$262 million in additional gross annual revenues, effective January 1, 2018. Further, the Company requested a \$209 million base rate step increase for the Okeechobee Energy Center effective upon the commercial in-service date of the unit (projected to be June 1, 2019).

Historically, the Commission has suspended requested permanent rate schedules in order to adequately and thoroughly examine the basis for the new rates. Suspension of a requested rate increase is authorized by Section 366.06(3), F.S., which provides:

Pending a final order by the commission in any rate proceeding under this section, the commission may withhold consent to the operation of all or any portion of the new rate schedules, delivering to the utility requesting such increase, within 60 days, a reason or written statement of good cause for withholding its consent.

Staff recommends that the Commission suspend the requested permanent rate schedules to allow staff and any intervenors sufficient time to adequately investigate whether the request for permanent rate relief is appropriate.

Issue 2: Should this docket be closed?

Recommendation: No, this docket should remain open to process the Company's revenue increase request. (Brownless, Fletcher)

Staff Analysis: This docket should remain open pending the Commission's final resolution of the Company's requested permanent base rate increase.

Item 4

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-

RECEIVED-FPSC
2016 APR 22 AM 8:34
COMMISSION
CLERK

DATE: April 22, 2016
TO: Docket No. 150012-WU
FROM: Carlotta S. Stauffer, *CS* Commission Clerk, Office of Commission Clerk
RE: Rescheduled Commission Conference Agenda Item

Staff's memorandum assigned DN 00905-16 (attached) was filed on February 18, 2016, for the March 1, 2016 Commission Conference. As the vote sheet reflects, this item was deferred to the May 5, 2016 Commission Conference Agenda.

/css

Attachment

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 18, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Engineering (M. Watts) *MMW 2/4*
Division of Accounting and Finance (Frank, Norris)
Division of Economics (~~Thompson~~) *Frank*
Office of the General Counsel (Villafrate) *Frank*

TJB *CRB*
DF *ALM*
BJ
(C. Johnson) *CSJ* *4-22-16*

RE: Docket No. 150012-WU – Application for transfer of Certificate 390-W from County-Wide Utility Co., Inc. to Southwest Ocala Utility, Inc. in Marion County.

AGENDA: 03/01/16 – Regular Agenda – Proposed Agency Action for Issues 2 and 3 – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Brisé

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On January 2, 2015, County-Wide Utility Co., Inc. (County-Wide or seller) filed an application for the transfer of Certificate No. 390-W to Southwest Ocala Utility, Inc. (SOU, Utility, or buyer) in Marion County. County-Wide is a Class C Utility which only provides water service. The service area is located in the St. Johns River Water Management District (SJRWMD), and is not in a water use caution area. According to County-Wide's 2014 Annual Report, the Utility serves 539 residential customers, three general service customers, and had total revenues of \$139,624.

Docket No. 150012-WU

Date: February 18, 201

Certificate No. 390-W was originally granted in 1983 under the name of Bahia Oaks, Inc. d/b/a County-Wide Utility Company, Inc.¹ In 1997, the Commission extended County-Wide's territory to include Units Three, Four, and Five of the Bahia Oaks Subdivision.² Water rates for the Utility were last approved in a 2007 staff assisted rate case.³

This recommendation addresses the transfer of County-Wide's water system under Certificate No. 390-W, the net book value of the water system at the time of transfer, and whether an acquisition adjustment should be approved. The Commission has jurisdiction pursuant to Section 367.071, Florida Statutes (F.S.).

¹Order No. 11868, issued April 21, 1983, in Docket No. 810369-WU, *In re: Application of Bahia Oaks, Inc. d/b/a County-Wide Utility Company, Inc. for a certificate to operate a water utility in Marion County.*

²Order No. PSC-97-0578-FOF-WU, issued May 20, 1997, in Docket No. 970085-WU, *In re: Application for amendment of Certificate No. 390-W to extend service territory to include unit numbers 3, 4, and 5 of Bahia Oaks Subdivision in Marion County by Countywide Utility Company.*

³Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Discussion of Issues

Issue 1: Should the Commission approve the transfer of County-Wide Utility Co., Inc.'s water system and Certificate No. 390-W to Southwest Ocala Utility, Inc.?

Recommendation: Yes. The transfer of County-Wide's water system and the transfer of Certificate No. 390-W to SOU is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as SOU's certificate and should be retained by the Utility. The 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 rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, Florida Administrative Code (F.A.C.) SOU should be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years. (Frank, M. Watts, Thompson)

Staff Analysis: On January 2, 2015, County-Wide filed an application for approval of the transfer of its water system and Certificate No. 390-W to SOU. The application is in compliance with the governing Statute, Section 367.071, F.S., and Administrative Rules concerning applications for transfer of certificates. However, as discussed below, there is disagreement between staff and the Utility over the appropriate purchase price.

Noticing, Territory, and Land Ownership

The application contains proof of compliance with the noticing provisions set forth in Section 367.071, F.S., and Rule 25-30.030, F.A.C. No objections to the transfer were filed with the Commission and the time for doing so has expired. The application contains a description of the Utility's water service territory, which is appended to this recommendation as Attachment A. As the Utility is a reseller of bulk water purchased from the City of Ocala, it has no water treatment facilities. Therefore, no proof of land ownership pursuant to Rule 25-30.037(2)(s), F.A.C., is required.

Purchase Agreement and Financing

Pursuant to Rule 25-30.037(2)(i) and (j), F.A.C., the application must contain a statement regarding financing and a copy of the Purchase Agreement, which includes the purchase price, terms of payment, and a list of the assets purchased. According to the application, Dirk and Donna Leeward own 100 percent of Brick City Management, LLC (BCM) which manages and owns 100 percent of Southwest Ocala Utility (SOU). According to the application and subsequently filed support documents, on July 19, 2012, Mr. Leeward purchased, at a discount, an outstanding note from BBVA Compass Bank (Compass Bank) that County-Wide owed Compass Bank. The note was comprised of principal, accrued interest, costs, and fees totaling \$1,067,747. The amount Mr. Leeward paid for the note is unknown. Subsequent to purchasing the note, Mr. Leeward foreclosed on County-Wide on March 4, 2013. On April 8, 2013, Mr. Leeward acquired the Utility assets at a public foreclosure auction for a total of \$301, which was comprised of the winning bid amount and associated documentary stamps. On January 1, 2014, the assets were transferred to SOU. Staff believes that the amount paid Compass Bank for the outstanding note should be included in determining the purchase price of the Utility. Staff made several attempts to obtain the information including stating that the information could be filed under a confidential request, but Mr. Leeward did not provide the requested information.

Date: February 18, 2016

On November 19, 2015, the buyer's attorney, Mr. Marshall Deterding, submitted a letter outlining the Utility's concerns with staff's position on the purchase price, Net Book Value (NBV), and application of an acquisition adjustment. In the letter, Mr. Deterding states that Mr. Leeward is unable to provide information regarding the amount paid to acquire the mortgage note from the bank because there is a non-disclosure and confidentiality agreement attached to the transaction between the buyer and the bank. Furthermore, the Utility believes that the discounted amount paid for the mortgage note is irrelevant to the purchase price and believes that staff should consider the full amount of the outstanding note as the purchase price. In support of this position, Mr. Deterding notes that the Marion County Circuit Court established that a note valuing approximately \$1,007,000 was relinquished for County-Wide's assets in the Summary Final Judgment of Foreclosure, and claims that the Commission does not have jurisdiction to disregard the Court Order.

However, the assets were not acquired when Mr. Leeward foreclosed on County-Wide. As stated above, the assets were acquired at the foreclosure auction. As a result, staff believes the foreclosure auction is the final transaction which led to the acquisition of the assets and that the court-ordered amount for the mortgage note is irrelevant.

Staff recognizes that in addition to the bid amount and associated fees, Mr. Leeward paid an undisclosed amount for the note which served to ultimately obtain the assets. Staff believes that for this specific case it is appropriate to consider all compensation paid to acquire the assets, which would include the amount actually paid for the mortgage note. However, staff does not believe that it is appropriate to consider the entire amount of the \$1,007,000 mortgage note, because it does not reflect the actual amount paid to acquire the assets and it would be considered irrelevant for any other buyer who may have acquired the assets at the foreclosure auction. Staff addresses the impact of the utility's non-disclosure of the purchase price in issue 3.

Staff has calculated the resulting purchase price to be \$227, which is the bid amount of \$101, and documentary stamps of \$200 less the value of the unregulated wastewater system, that was included in the auctioned property. Staff has allocated \$74 to the unregulated wastewater system based on the suggested allocation of the regulated and unregulated assets provided by the Utility in response to deficiencies to its transfer application.

According to the application, there are no customer deposits, guaranteed revenue contracts, developer agreements, customer advances, or leases of County-Wide that must be disposed of with regard to the transfer.

Facility Description and Compliance

SOU's water system is a consecutive system composed of water mains, as listed in Table 1-1 below, and nine fire hydrants. A consecutive system provides treated water purchased from another entity. Therefore, the City of Ocala is responsible for ensuring the water meets primary and secondary water quality standards. On November 13, 2013, the Florida Department of Environmental Protection (DEP) conducted a Sanitary Survey, and found the Utility was found to be in compliance with its rules and regulations.

Table 1-1
Southwest Ocala Utility, Inc. Water Mains

Material	Diameter Pipe (inches)	Length (linear feet)
PVC	1	100
PVC	2	5,630
PVC	2 1/2	4,300
PVC	4	4,360
PVC	6	750
PVC	8	750
PVC	12	100

Source: County-Wide Utility Co., Inc. 2014 Annual Report

Technical and Financial Ability

Pursuant to Rule 25-30.037(1)(l) and (m), F.A.C., the application contains statements describing the technical and financial ability of the applicant to provide service to the proposed service area. According to the application, Mr. Leeward has been the general manager of County-Wide since 1986 and has extensive knowledge of the operations and management of the system. As referenced in the transfer application, SOU will fulfill the commitments, obligations and representations of the seller with regards to utility matters.

Staff reviewed the financial statements of BCM, sole manager and owner of SOU. According to the application, BCM has provided working capital funding to the Utility and will ensure the availability of any necessary funds for future capital needs. Based on the above, SOU has demonstrated the technical and financial ability to provide service to the existing service territory.

Rates and Charges

The Utility's rates and charges were last approved in a staff-assisted rate case in 2007.⁴ The rates were subsequently amended to reflect a four-year rate reduction required by Section 367.0816, F.S., in 2011 and numerous price indexes. The Utility's existing rates are shown on Schedule No. 1. Rule 25-9.044(1), F.A.C., provides that, in the case of a change of ownership or control of a utility, the rates, classifications, and regulations of the former owner must continue unless authorized to change by this Commission. Therefore, staff recommends that the Utility's existing rates and charges remain in effect until a change is authorized by this Commission in a subsequent proceeding.

Regulatory Assessment Fees (RAFs) and Annual Reports

Staff has verified that the Utility is current on the filing of annual reports and RAFs through December 31, 2014. SOU will be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years.

⁴Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Conclusion

The transfer of County-Wide's water system and the transfer of Certificate No. 390-W to SOU is in the public interest and should be approved effective the date of the Commission's vote. The resultant order should serve as SOU's certificate and should be retained by the Utility. The 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 rendered or connections made on or after the stamped approval date on the tariffs pursuant to Rule 25-30.475, F.A.C. SOU should be responsible for filing the Utility's annual reports and paying RAFs for 2015 and all future years.

Issue 2: What is the appropriate net book value for the SOU water system for transfer purposes?

Recommendation: The net book value of the water system for transfer purposes is \$760,002, as of January 1, 2014. Within 90 days of the date of the final order, SOU should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in SOU's 2015 Annual Report when filed. (Frank, Norris, Watts)

Staff Analysis: Rate base was last established for the Utility as of December 31, 2005.⁵ The purpose of establishing net book value (NBV) for transfers is to determine whether an acquisition adjustment should be approved. The NBV does not include normal ratemaking adjustments for used and useful plant or working capital. The Utility's NBV has been updated to reflect balances as of January 1, 2014. Staff's recommended NBV, as described below, as shown on Schedule No. 2.

Utility Plant in Service (UPIS)

The Utility's general ledger reflected a UPIS balance of \$219,537, as of January 1, 2014. Staff reviewed UPIS additions since the last rate case proceeding and as a result has increased UPIS by \$7,177.

The interconnection with the City of Ocala was disallowed from rate base during the Utility's last rate case as being imprudent since it was not deemed necessary to serve the Utility's current (at the time) customers. Since that time, the water treatment plant has been decommissioned and the interconnection is the only source of water for all customers. For any party purchasing the Utility now, the interconnection is a vital part of the system, required to serve customers, and should be included in rate base. This results in an increase of \$684,693 to UPIS.

In total, UPIS should be increased by \$691,870 (\$7,177 + \$684,693) to reflect a UPIS balance of \$911,407, as of January 1, 2014.

Land

The Utility's general ledger reflected a land balance of \$2,815, as of January 1, 2014. In Order No., PSC-07-0604-PAA-WU, issued July 30, 2007, the Commission established the value of the land to be \$2,815. There have been no additions to land purchased since that order was issued. Therefore, staff recommends land of \$2,815, as of January 1, 2014.

Accumulated Depreciation

The Utility's general ledger reflected an accumulated depreciation balance of \$93,858, as of January 1, 2014. Not including the recognition of the interconnection, staff calculated the appropriate accumulated depreciation balance to be \$93,655. As a result, accumulated depreciation should be decreased by \$203.

⁵Order No. PSC-07-0604-PAA-WU, issued July 30, 2007, in Docket No. 050862-WU, *In re: Application for a staff-assisted rate case in Marion County by County-Wide Utility Co., Inc.*

Accounting Standards Codification (ASC) No. 980-340-35-2 states that if a regulator allows recovery through rates of costs previously excluded from allowable costs, that action shall result in recognition of a new asset. As such, staff believes that the previously disallowed interconnection should be recognized as a new asset and placed into rate base at the undepreciated original cost. However, staff also believes an adjustment should be included to recognize accumulated depreciation associated with Contributions in Aid of Construction (CIAC) and Allowance for Funds Prudently Invested (AFPI) charges previously collected in association with the interconnection. Staff calculated this adjustment by taking the ratio of CIAC and AFPI collected (eight lots added in 2008), to the total plant balance of the interconnection and applying that percentage (2.8 percent) to the accumulated depreciation balances associated with the interconnection had it been recognized when it was originally placed into service. This results in an increase of \$3,742 to accumulated depreciation.

In total, accumulated depreciation should be increased by \$3,539 (\$203 - \$3,742) to reflect an accumulated depreciation balance of \$97,397, as of January 1, 2014.

Contributions-in-Aid-of-Construction (CIAC) and Accumulated Amortization of CIAC

As of January 1, 2014, the Utility's general ledger reflected a CIAC balance of \$87,008; and an accumulated amortization of CIAC balance of \$40,982. Staff increased CIAC by \$10,839 based on audited cash receipts since the Commission approved beginning balances from its last rate case. Using a composite rate, staff also calculated and increased accumulated amortization of CIAC by \$42. Therefore, staff recommends a CIAC balance of \$97,847 and an accumulated amortization of CIAC balance of \$41,024, as of January 1, 2014.

Net Book Value

The Utility's general ledger reflected a NBV of \$82,468. Based on the adjustments described above, staff recommends that the NBV for the Utility's water system, as of January 1, 2014, is \$760,002 (\$82,468 + \$677,534). Staff's recommended NBV and the National Association of Regulatory Utility Commissioners, Uniform System of Accounts (NARUC USOA) balances for UPIS and accumulated depreciation are shown on Schedule No. 2, as of January 1, 2014.

Conclusion

Based on the above, staff recommends that the NBV of the water system for transfer purposes is \$760,002, as of January 1, 2014. Within 90 days of the date of the final order, SOU should be required to notify the Commission in writing, that it has adjusted its books in accordance with the Commission's decision. The adjustments should be reflected in SOU's 2015 Annual Report when filed.

Issue 3: Should an acquisition adjustment be recognized for rate-making purposes?

Recommendation: Yes. Pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$607,775 should be recognized for rate-making purposes. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition, which is \$303,888, should be amortized over a 7-year period and the remaining 50 percent should be amortized over the remaining 33-year life of the assets. (Frank, Norris)

Staff Analysis: An acquisition adjustment results when the purchase price differs from the original cost of the assets (net book value) adjusted to the time of the acquisition. Pursuant to Rule 25-30.0371(3), F.A.C., if the purchase price is equal to or less than 80 percent of net book value, a negative acquisition adjustment shall be included in rate base and will be equal to 80 percent of net book value less the purchase price. Pursuant to Rule 25-30.0371(4)(b)2., F.A.C., in setting the amortization period for an acquisition adjustment, if the purchase price is equal to or less than 50 percent of the net book value, then 50 percent of the negative acquisition adjustment is amortized over a 7-year period and 50 percent amortized over the remaining life of the assets, beginning with the date of the issuance of the order approving the transfer of assets. Staff calculated the remaining life of the applicable water assets to be 33 years. The calculation of the acquisition adjustment is shown below in table 3-1.

Table 3-1
Calculation of Negative Acquisition Adjustment

Net Book Value as of January 1, 2014	\$760,002
80 % of Net Book value	\$608,002
Purchase Price	\$227
Negative Acquisition Adjustment	\$607,775

Staff recommends that, pursuant to Rule 25-30.0371, F.A.C., a negative acquisition adjustment of \$607,775 shall be recognized for rate-making purposes, as of January 1, 2014. Beginning with the date of the issuance of the order approving the transfer, 50 percent of the negative acquisition adjustment, which is \$303,888 shall be amortized over a 7-year period and the remaining 50 percent shall be amortized over the 33-year remaining life of the assets.

Issue 4: Should this docket be closed?

Recommendation: Yes. If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after SOU has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of January 1, 2014. (Villafrate)

Staff Analysis: If no protest to the proposed agency action is filed by a substantially affected person within 21 days of the date of the order, a consummating order should be issued and the docket should be closed administratively after SOU has provided proof that its general ledgers have been updated to reflect the Commission-approved balances as of January 1, 2014.

SOUTHWEST OCALA UTILITY, INC. - WATER

MARION COUNTY

Township 16 South, Range 21 East

Section 4

The Southwest $\frac{1}{4}$

Less and except that portion of the Northeast $\frac{1}{4}$ of said Southwest $\frac{1}{4}$ of said Section 4 lying North and West of State Road 200

and

Less and except that portion of the Northeast $\frac{1}{4}$ of said Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 4 lying North and West of State Road 200.

Section 5

The East $\frac{3}{4}$ of the South $\frac{1}{2}$ of the Southeast $\frac{1}{4}$.

Section 8

That portion of the Northeast $\frac{1}{4}$ lying North and West of State Road 200. Except: Beginning at the intersection of the South boundary of the Northeast $\frac{1}{4}$ and the Northerly right-of-way of State Road 200; thence North $89^{\circ} 53' 23''$ West a distance of 1,458.52 feet; thence North $00^{\circ} 00' 34''$ East a distance of 665.08 feet; thence North $89^{\circ} 53' 23''$ East a distance of 1,326.73 feet; thence South $69^{\circ} 21' 33''$ East a distance of 557.40 feet; thence Southwesterly along the Northwestern right-of-way line of State Road 200 to the POINT OF BEGINNING.

Section 9

That portion of the Northwest $\frac{1}{4}$, lying North and West of State Road 200

FLORIDA PUBLIC SERVICE COMMISSION
authorizes
Southwest Ocala Utility, Inc.
pursuant to
Certificate Number 390-W

to provide water service in Marion County in accordance with the provisions of Chapter 367, Florida Statutes, and the Rules, Regulations, and Orders of this Commission in the territory described by the Orders of this Commission. This authorization shall remain in force and effect until superseded, suspended, cancelled or revoked by Order of this Commission.

<u>Order Number</u>	<u>Date Issued</u>	<u>Docket Number</u>	<u>Filing Type</u>
11868	04/21/83	810369-W	Grandfather Certificate
PSC-97-0578-FOF-WU	05/20/97	970085-WU	Amendment
PSC-03-0792-FOF-WU	07/03/93	030453-WU	Name Correction
*	*	150012-WU	Transfer

***Order Numbers and dates to be provided at time of issuance**

**Southwest Ocala Utility, Inc.
 Monthly Water Rates**

Residential and General Service

Base Facility Charge by Meter Size

5/8" x 3/4"	\$10.18
3/4"	\$15.27
1"	\$25.45
1 1/2"	\$50.89
2"	\$81.43
3"	\$162.86
4"	\$254.49
6"	\$508.94

Charge per 1,000 gallons – Residential

0-10,000 gallons	\$2.55
10,001-20,000 gallons	\$3.19
Over 20,000 gallons	\$3.81

Charge Per 1,000 gallons – General Service	\$2.70
---	---------------

Private Fire Protection

Base Facility Charge by Meter Size

4"	\$21.21
6"	\$42.41
8"	\$67.87
10"	\$97.56

Initial Customer Deposits

Residential Service and General Service

5/8" x 3/4"	\$50.00
3/4"	\$75.00
1"	\$125.00
Over 1"	2 times the average estimated bill

Miscellaneous Service Charges

	<u>Business Hours</u>	<u>After Hours</u>
Initial Connection Charge	\$21.00	N/A
Normal Reconnection Charge	\$21.00	\$42.00
Violation Reconnection Charge	\$21.00	\$42.00
Premises Visit Charge (in lieu of disconnection)	\$21.00	\$42.00
Late Payment Charge		\$5.00

Service Availability Charges

Main Extension Charge
Residential – Per ERC

\$1,540.00

**Allowance for Funds Prudently Invested – Bahia Oaks
Transmission and Distribution
Calculation of Carrying Cost per ERC by Month:**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
January	\$28	\$360	\$718	\$1,103	\$1,518
February	\$55	\$389	\$750	\$1,137	\$1,555
March	\$83	\$419	\$781	\$1,172	\$1,593
April	\$110	\$449	\$813	\$1,206	\$1,630
May	\$138	\$478	\$845	\$1,241	\$1,667
June	\$165	\$508	\$877	\$1,275	\$1,704
July	\$193	\$538	\$909	\$1,309	\$1,741
August	\$220	\$567	\$941	\$1,344	\$1,778
September	\$248	\$597	\$973	\$1,378	\$1,815
October	\$275	\$626	\$1,005	\$1,413	\$1,852
November	\$303	\$656	\$1,037	\$1,447	\$1,889
December	\$330	\$686	\$1,069	\$1,481	\$1,926

1. The amounts indicated above are per ERC. (ERC=350)
2. The number of remaining ERCs is 422 as of 1/1/2006.
3. If the number of the remaining ERCs has not connected by December 31, 2010, the maximum charge of \$1,926 remains in effect after December 31, 2008.
4. When the number of remaining ERCs have connected, the charge will cease.

Southwest Ocala Utility, Inc. Water System Schedule

Water System

Schedule of Net Book Value as of January 1, 2014

<u>Description</u>	<u>Balance Per Utility</u>	<u>Adjustments*</u>	<u>Staff Recommendation</u>
Utility Plant in Service	\$219,537	\$691,870 A	\$911,407
Land & Land Rights	2,815	0	2,815
Accumulated Depreciation	(93,858)	(3,539) B	(97,397)
CIAC	(87,008)	(10,839) C	(97,847)
Amortization of CIAC	<u>40,982</u>	<u>42</u> D	<u>41,024</u>
Total	<u>\$82,468</u>	<u>\$677,534</u>	<u>\$760,002</u>

* Adjustments are shown on the following page, Schedule No. 2, page 2 of 3.

**Explanation of Staff's Recommended
Adjustments to Net Book Value as of January 1, 2014
Water System**

<u>Explanation</u>	<u>Amount</u>
A. Utility Plant In Service	
I. To reflect appropriate amount of utility plant in service.	\$7,177
II. To reflect inclusion of interconnection.	<u>684,693</u>
Total	<u>\$691,870</u>
B. Accumulated Depreciation	
I. To reflect appropriate amount of accumulated depreciation.	\$203
II. To reflect inclusion of interconnection.	<u>(\$3,742)</u>
Total	<u>(\$3,539)</u>
C. Contributions-in-Aid-of-Construction (CIAC)	
I. To reflect appropriate amount of accumulated depreciation.	<u>(\$10,839)</u>
D. Accumulated Amortization of CIAC	
I. To reflect appropriate amount of accumulated amortization of CIAC.	<u>\$42</u>
Total Adjustments to Net Book Value as of December 31, 2013.	<u>\$677,534</u>

**Southwest Ocala Utility, Inc.
Water System**

Schedule of Staff Recommended Account Balances as of January 1, 2014

Account No.	Description	UPIS	Accumulated Depreciation
331	Transmission & Distribution Mains	\$813,212	\$(59,989)
334	Meters & Meter Installations	49,545	(32,598)
335	Hydrants	22,692	(577)
336	Backflow Prevention Devices	15,882	(3,527)
339	Other Plant & Misc.	10,076	(706)
340	Office Furniture & Equipment	<u>0</u>	<u>0</u>
	Total	<u>\$911,407</u>	<u>(\$97,397)</u>

Item 5

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-

RECEIVED-FPSC
2016 APR 22 AM 9:49
COMMISSION
CLERK

DATE: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Guffey) SKG EAD
Office of the General Counsel (Leathers) JSC ML

RE: Docket No. 160056-EU – Joint petition to reopen and extend the term of existing territorial agreement in Columbia, Lafayette, Madison, and Suwannee Counties, by Suwannee Valley Electric Cooperative and Duke Energy Florida, LLC.

AGENDA: 05/05/16 – Regular Agenda – Proposed Agency Action - Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 9, 2016, Suwannee Valley Electric Cooperative (Suwannee) and Duke Energy Florida, LLC (DEF) filed a joint petition to reopen and extend the term of their existing territorial agreement in Columbia, Lafayette, Madison, and Suwannee counties.

The Commission first approved in 1995 a territorial agreement between Suwannee and DEF in Columbia, Lafayette, Madison, and Suwannee counties in Order No. PSC-95-0351-FOF-EU.¹ This original agreement had a 20-year term which expired on March 14, 2015. In PAA Order No. PSC-15-0128-PAA-EU the Commission extended the terms of the agreement until March

¹ Order No. PSC-95-0351-FOF-EU, issued March 14, 1995, in Docket No. 940331-EU, *In Re: Petition to resolve territorial dispute with FLORIDA POWER CORPORATION by SUWANNEE VALLEY ELECTRIC COOPERATIVE, INC.*

14, 2016, to give the joint petitioners additional time to negotiate a new territorial agreement.² The joint petitioners were not able to conclude their negotiations by March 14, 2016, and therefore request to reopen and extend the term of their agreement until September 14, 2016. All other provisions of the territorial agreement remain in effect. The proposed stipulation to reopen and extend the term of the territorial agreement is shown as Attachment A to the recommendation. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

² Order No. PSC-15-0128-PAA-EU, issued March 20, 2015, in Docket No. 150039-EU, *In Re: Joint petition to reopen and extend the term of existing territorial agreement in Columbia, Lafayette, Madison, and Suwannee Counties, by Suwannee Valley Electric Cooperative, Inc. and Duke Energy Florida, Inc.*

Discussion of Issues

Issue 1: Should the Commission approve the proposed stipulation between Suwannee and DEF to reopen and extend the existing territorial agreement until September 14, 2016?

Recommendation: Yes, the Commission should approve the proposed stipulation between Suwannee and DEF to reopen and extend the existing territorial agreement until September 14, 2016. (Guffey)

Staff Analysis: Pursuant to Section 366.04(2)(d), F.S., the Commission has the jurisdiction to approve territorial agreements between and among rural electric cooperatives, municipal electric utilities, and other electric utilities. Unless the Commission determines that the agreement will cause a detriment to the public interest, the agreement should be approved.³

The joint petitioners explained that they have been conducting discussions regarding a new territorial agreement, however, it has become apparent to the petitioners that additional time is needed to successfully conclude their negotiations toward a new territorial agreement. The proposed stipulation as shown in Attachment A to the recommendation will extend the expiration date of the agreement from March 14, 2016, to September 14, 2016, upon approval by the Commission.

In originally approving the agreement in 1995, the Commission found that the agreement is “in the public’s interest and that its adoption will further the Commission’s policy of avoiding unnecessary and uneconomic duplication of facilities.”⁴ Staff believes that the requested extension of time is reasonable and does not appear to be detrimental to the parties or to the public interest. Therefore, staff recommends approval of the proposed stipulation between Suwannee and DEF to reopen and extend the existing territorial agreement until September 14, 2016.

³ Utilities Commission of the City of New Smyrna Beach v. Florida Public Service Commission, 469 So. 2d 731 (Fla. 1985).

⁴ Order No. PSC-95-0351-FOF-EU.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Leathers)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

STIPULATION REGARDING TERRITORIAL AGREEMENT

Suwannee Valley Electric Cooperative ("SVEC") and Duke Energy Florida, LLC ("DEF") enter into this Stipulation regarding their territorial agreement for Columbia, Lafayette, Madison, and Suwannee counties on this 9th day of March, 2016.

WITNESSETH:

WHEREAS, SVEC and DEF are parties to a territorial agreement delineating their respective service territories in Columbia, Lafayette, Madison, and Suwannee counties (the "Agreement"), approved by the Florida Public Service Commission (the "Commission") in Order No. PSC-95-0351-FOF-EU, issued March 14, 1995, in Docket No. 940331-EU; and

WHEREAS, the term of the Agreement was originally set to expire on March 14, 2015, and was extended through March 14, 2016 by a second amendment approved by Order No. PSC-15-0151-CO-EU, issued April 15, 2015, in Docket No. 150039-EU (the "First Extension"); and

WHEREAS, SVEC and DEF have been and are currently engaged in negotiations for the purpose of reaching a new territorial agreement to replace the Agreement; and

WHEREAS, SVEC and DEF recognize that they will need additional time to successfully conclude their negotiations; and

WHEREAS, SVEC and DEF desire to reopen and extend the term of the Agreement through September 14, 2016, in order to provide sufficient time to pursue the opportunity for a successful conclusion of their negotiations, and to seek Commission approval of the resulting new territorial agreement.

NOW, THEREFORE, SVEC and DEF hereby agree as follows:

1. The Agreement shall be reopened and the term of the Agreement shall be extended through September 14, 2016;
2. Except as modified herein, the terms and conditions of the Agreement shall remain in full force and effect; and
3. This Stipulation to the Agreement will become effective and enforceable only upon the issuance of an Order by the Commission approving the Stipulation to the Agreement in its entirety.

IN WITNESS WHEREOF, SVEC and DEF have caused this Stipulation to be executed by their duly authorized representatives on the day and year first above stated.

SUWANNEE VALLEY ELECTRIC COOPERATIVE

BY: Michael S. Waters

NAME: Michael S. Mr Waters

TITLE: EVP / CEO

DUKE ENERGY FLORIDA, LLC

BY: R. Alexander Glenn

NAME: R. ALEXANDER GLENN

TITLE: STATE PRESIDENT - FLORIDA

Item 6

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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *l.o.*
Office of the General Counsel (Leathers) *ED*

RE: Docket No. 160059-EI – Petition to extend economic development rider on a permanent basis, by Tampa Electric Company.

RECEIVED-FPSC
2016 APR 22 AM 9:44
COMMISSION
CLERK

AGENDA: 05/05/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/13/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On March 14, 2016, Tampa Electric Company (Tampa Electric or company) filed a petition to extend its Economic Development Rider program (rider or program) on a permanent basis. The rider was introduced as a three-year pilot in the stipulation and settlement agreement (settlement) the Commission approved in Tampa Electric's 2013 base rate proceeding.¹ The program became effective on the implementation date of the settlement (November 1, 2013) and ends on December 31, 2016. The rider, which requires a five-year contract, provides base rate discounts for new businesses that meet certain requirements such as minimum size, job creation, and verification that the availability of the rider is a significant factor in the customer's location or expansion decision.

¹ Order No. PSC-13-0443-FOF-EI, issued September 30, 2013, in Docket No. 130040-EI, *In re: Petition for rate increase by Tampa Electric Company.*

Docket No. 160059-EI

Date: April 22, 2016

Staff issued one data request to Tampa Electric, to which the company responded on April 1, 2016. On April 19, 2016, Tampa Electric filed a letter in the docket file clarifying paragraph 7 of the petition. The proposed tariff pages are contained in Attachment 1. The Commission has jurisdiction over this matter pursuant to Sections 288.035 and 366.06, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis?

Recommendation: Yes, the Commission should approve Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis effective May 5, 2016. (Ollila)

Staff Analysis: The economic development rider is designed to attract new business to Tampa Electric's service territory. The rider is available for load associated with initial permanent service to new establishments or the expansion of existing establishments and requires a five-year customer contract. Under the rider, the new load must be a minimum of 350 kilowatt (kW) at a single delivery point and the customer must employ an additional work force of at least 25 full time equivalent employees (FTEs). Each customer taking service under the rider must sign an attestation letter stating that the customer will employ at least 25 FTEs. The percentage discount applicable to the base demand and energy charges of the customer's otherwise applicable rate schedule begin at 20 percent in the first year, and declines by five percentage points every year (e.g., 15 percent discount in year 2) until the fifth year when the discount is zero.

The first customer took service under the rider in June 2014. Since that time, Tampa Electric stated that the program has attracted new load resulting in approximately \$760,000 in incremental base revenue and the addition of 405 FTEs in Tampa Electric's service territory. The discount amount associated with the new load is approximately \$130,000, which represents the difference between the rider rates and the otherwise applicable tariffed rates for the period June 2014 through February 2016. Currently, there are two commercial customers taking service under the rider.

The proposed permanent rider tariff deletes the pilot program's beginning and end dates and adds additional language to specify that the discount will begin once the customer has achieved minimum load and job requirements and that the agreement will terminate automatically if the minimum load and job requirements have not been achieved within 120 days of the effective date of the service agreement. Tampa Electric is developing an annual attestation letter that customers will have to sign and return which states that the customers are maintaining the minimum 25 FTEs required to remain on the program. The rider contains provisions for early termination and requires a customer to reimburse Tampa Electric for any discounts received under the rider if the agreement is terminated prior to the end of the five-year contract.

Pursuant to Rule 25-6.0426(5), Florida Administrative Code (F.A.C.), Tampa Electric is currently reporting any economic development expenses associated with the rider (e.g., marketing) on its earnings surveillance reports filed with the Commission. In response to staff's data request and the letter filed on April 19, Tampa Electric explained that in the next rate case the company will request recovery of any base rate reductions, i.e., difference between tariffed base rates and discounted base rates pursuant to the rider, as a cost of the rider. Only discounts provided in the test year will be eligible for cost recovery. Pursuant to Rule 25-6.0426(4),

F.A.C., the Commission will determine the level of sharing of prudent economic development costs in the company's next rate case.

Any direct impact on the general body of ratepayers will depend on the amount of discounts, if any, in the test year and the level of sharing determined by the Commission. Staff notes that economic development provides indirect positive impacts to ratepayers including economic and job growth. Furthermore, any increased load as a result of the rider benefits the general body of ratepayers by spreading fixed cost among a larger customer base.

The company avers it is working on additional customer projects that would not have been viable without the rider incentive. According to Tampa Electric, economic development contacts and negotiations are often conducted a substantial amount of time before a prospective customer would begin to take service from the company. The company asserts that being able to assure that the rider will be available when the customer is ready to make a decision is very important to continue the success of the program. Therefore, the company requests approval to make the rider permanent several months before the pilot program expires at the end of this year. Tampa Electric believes that a permanent program will encourage business growth in its territory.

The rider appears to be successful in attracting new load and incremental base revenues to Tampa Electric's service territory, which benefits the general body of ratepayers. Therefore, staff recommends that the Commission should approve Tampa Electric's petition to extend its economic development rider and associated tariffs on a permanent basis effective May 5, 2016.

Issue 2: Should this docket be closed?

Recommendation: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Leathers)

Staff Analysis: If Issue 1 is approved and a protest is filed within 21 days of the issuance of the order, the tariff should remain in effect, pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.



SECOND REVISED SHEET NO. 6.720
CANCELS FIRST SHEET NO. 6.720

ECONOMIC DEVELOPMENT RATE - EDR

SCHEDULE: EDR

AVAILABLE: Entire service area.

This Rider is available for load associated with initial permanent service to new establishments or the expansion of existing establishments. Service under the Rider is limited to Customers who make application to the Company for service under this Rider, and for whom the Company approves such application. The New Load applicable under this Rider must be a minimum of 350 kW at a single delivery point. To qualify for service under this Rider, the Customer must employ an additional work force of at least 25 full-time equivalent (FTE) employees at the location of the single point of delivery.

Initial application for this Rider is not available to existing load. However, if a change in ownership occurs after the Customer contracts for service under this Rider, the successor Customer may be allowed to fulfill the balance of the contract under Rider EDR and continue the schedule of credits outlined below. This Rider is also not available for renewal of service following interruptions such as equipment failure, temporary plant shutdown, strike, or economic conditions. This Rider is also not available for load shifted from one establishment or delivery point on the Tampa Electric system to another on the Tampa Electric system.

The load and employment requirements under the Rider must be achieved at the same delivery point. Additional metering equipment may be required to qualify for this Rider. The Customer Service Agreement under this Rider must include a description of the amount and nature of the load being provided, the number of FTE's resulting, and documentation verifying that the availability of the Economic Development Rider is a significant factor in the Customer's location/expansion decision.

LIMITATION OF SERVICE: The Company reserves the right to limit applications for this Rider when the Company's Economic Development expenses from this Rider and other sources exceed the amount set for the Company under Rule 25-6.0426 FAC.

Service under this Rider may not be combined with service under the Commercial/Industrial Service Rider.

DEFINITION: New Load: New Load is that which is added to the Company's system by a new establishment. For existing establishments, New Load is the net incremental load above that which existed prior to approval for service under this Rider.

Continued to Sheet No. 6.725

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:



FIRST REVISED SHEET NO. 6.725
CANCELS ORIGINAL SHEET NO. 6.725

Continued from Sheet No. 6.720

DESCRIPTION: A credit based on the percentages below will be applied to the base demand charges and base energy charges of the Customer's otherwise applicable rate schedule associated with the Customer's New Load:

Year 1 – 20% reduction in base demand and energy charges*	
Year 2 – 15%	-
Year 3 – 10%	-
Year 4 – 5%	-
Year 5 – 0%	-

* All other charges including basic service, fuel cost recovery, capacity cost recovery, conservation cost recovery, and environmental cost recovery will also be based on the Customer's otherwise applicable rate. The otherwise applicable rates may be any of the following: GSD, GSDT. Any Customer taking service under the CISR Rider is ineligible to take service under this EDR Rider.

The credit will begin once the Customer has achieved the minimum load and job requirements.

TERM OF SERVICE: The Customer agrees to a five-year contract term. Service under this Rider will terminate at the end of the fifth year.

The Company may terminate service under this Rider at any time if the Customer fails to comply with the terms and conditions of this Rider. Failure to: 1) maintain the level of employment specified in the Customer's Service Agreement and/or 2) purchase from the Company the amount of load specified in the Customer's Service Agreement may be considered grounds for termination.

PROVISIONS FOR EARLY TERMINATION: If the Company terminates service under this Rider for the Customer's failure to comply with its provisions, the Customer will be required to reimburse the Company for any discounts received under this Rider plus interest.

If the Customer opts to terminate service under this Rider before the term of service specified in the Service Agreement the Customer will be required to reimburse the Company for any discounts received under this Rider plus interest.

The Service Agreement will automatically terminate if the minimum load and job requirements has not been achieved within 120 days of the effective date of the Service Agreement.

RULES AND REGULATIONS: Service under this schedule is subject to orders of governmental bodies having jurisdiction and to the currently effective "General Rules and Regulations for Electric Service" on file with the Florida Public Service Commission. In case of conflict between any provision of this schedule and said "General Rules and Regulations for Electric Service" the provision of this schedule shall apply.

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:



FIRST REVISED SHEET NO. 7.740
CANCELS ORIGINAL SHEET NO. 7.740

SERVICE AGREEMENT FOR ECONOMIC DEVELOPMENT RIDER

- * New Establishment
- * Existing Establishment with an Expanded Load

CUSTOMER NAME

ADDRESS

TYPE OF BUSINESS

The Customer hereto agrees as follows:

1. To create _____ full-time jobs.
2. That the quantity of new or expanded load shall be _____ KW of Demand.
3. That the demand and energy baselines for existing load are as shown in Exhibit A.
4. The nature of this new or expanded load is _____.
5. To initiate service under this Rider on _____, _____, and terminate Service under this Rider on _____, _____. This shall constitute a period of five Years.
6. In case of early termination, the Customer must pay Tampa Electric Company the difference between the otherwise applicable rate and the payments made, up to that point in time, plus interest.
7. To provide verification that the availability for this Rider is a significant factor in the Customer's location/expansion decision.
8. If a change in ownership occurs after the Customer contracts for service under this Rider, the successor Customer may be allowed to fulfill the balance of the contract under Rider EDR and continue the schedule of credits.

Signed: _____ Accepted by: _____
TAMPA ELECTRIC COMPANY

Title: _____ Title: _____

Date: _____ Date: _____

Continued to Sheet No. 7.745

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:



ORIGINAL SHEET NO. 7.745

Continued from Sheet No. 7.740

EXHIBIT A

Established Monthly Baselines for Existing Load

ISSUED BY: G. L. Gillette, President

DATE EFFECTIVE:

Item 7

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-

RECEIVED-FPSC
2016 APR 22 AM 9:44
COMMISSION
CLERK

DATE: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *L.O.* *EJD*
Office of the General Counsel (Janjic) *RJA*

RE: Docket No. 160071-EI – Petition for approval of 2016 revisions to underground residential and commercial differential tariffs, by Florida Power & Light Company.

AGENDA: 05/05/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/30/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

Case Background

On April 1, 2016, Florida Power & Light Company (FPL) filed a petition for approval of 2016 revisions to its underground residential and commercial differential tariffs and associated charges. These tariffs represent the additional costs FPL incurs to provide underground service in place of overhead service. The Commission has jurisdiction over this matter pursuant to Sections 366.03, 366.04, 366.05, and 366.06, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should FPL's proposed underground differential tariffs be suspended?

Recommendation: Yes. Staff recommends that the tariffs be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals. (Ollila)

Staff Analysis: Staff recommends that the tariffs be suspended to allow staff sufficient time to review the petition and gather all pertinent information in order to present the Commission with an informed recommendation on the tariff proposals.

Pursuant to Section 366.06(3), F.S., the Commission may withhold consent to the operation of all or any portion of a new rate schedule, delivering to the utility requesting such a change a reason or written statement of good cause for doing so within 60 days. Staff believes that the reason stated above is a good cause consistent with the requirement of Section 366.06(3), F.S.

Issue 2: Should this docket be closed?

Recommendation: This docket should remain open pending the Commission's decision on the proposed tariffs. (Janjic)

Staff Analysis: This docket should remain open pending the Commission's decision on the proposed tariffs.

Item 8

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-

RECEIVED-FPSC
2016 APR 22 AM 9:44
COMMISSION
CLERK

DATE: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Ollila) *A.O.*
Office of the General Counsel (Villafrate) *E.D.*

RE: Docket No. 160050-GU – Joint petition for approval of amendment to territorial agreement in Pasco County, by Peoples Gas System and the City of Clearwater, d/b/a Clearwater Gas System.

AGENDA: 05/05/16 – Regular Agenda – Proposed Agency Action – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

On March 4, 2016, Peoples Gas System (Peoples) and the City of Clearwater, d/b/a Clearwater Gas System (Clearwater) filed a joint petition for approval of a third amendment to their territorial agreement in Pasco County. The territorial agreement was originally approved in 1995.¹ The first amendment, approved in 2005, allowed Clearwater to provide natural gas service to proposed developments adjacent to its territory in Pasco County.² The second amendment, approved in 2006, permitted Clearwater to provide service to a new development (Lakeshore

¹ Order No. PSC-95-0620-AS-GU, issued May 22, 1995, in Docket No. 940660-GU, *In re: Petition to resolve territorial dispute with Clearwater Gas System, a Division of the City of Clearwater, by Peoples Gas System, Inc.*

² Order No. PSC-05-0163-PAA-GU, issued February 10, 2005, in Docket No. 041385-GU, *In re: Joint petition for approval of amendment to territorial agreement in Pasco County, by Peoples Gas System and Clearwater Gas System, a department of the City of Clearwater.*

Docket No. 160050-GU

Date: April 22, 2016

Ranch and surrounding areas).³ The proposed third amendment would permit Clearwater to provide service to Asturia, a new mixed use development in Pasco County.

The proposed third amendment is contained in Attachment 1. The Commission has jurisdiction over this matter pursuant to Section 366.04, Florida Statutes (F.S.).

³ Order No. PSC-06-0052-PAA-GU, issued January 20, 2006, in Docket No. 050877-GU, *In re: Joint petition for approval of amendment to territorial agreement in Pasco County by Peoples Gas System and Clearwater Gas System, a department of the City of Clearwater.*

Discussion of Issues

Issue 1: Should the Commission approve the proposed third amendment to the territorial agreement between Peoples and Clearwater?

Recommendation: Yes, the Commission should approve the proposed third amendment to the territorial agreement between Peoples and Clearwater. (Ollila)

Staff Analysis: Pursuant to Section 366.04(3)(a), F.S., the Commission has the jurisdiction to approve territorial agreements between and among natural gas utilities. Rule 25-7.0471(2), Florida Administrative Code, states that in approving territorial agreements, the Commission shall consider:

- (a) The reasonableness of the purchase price of any facilities being transferred;
- (b) The reasonable likelihood that the agreement, in and of itself, will not cause a decrease in the reliability of natural gas service to the existing or future ratepayers of any utility party to the agreement; and
- (c) The reasonable likelihood that the agreement will eliminate existing or potential uneconomic duplication of facilities.
- (d) Other relevant factors that may arise from the circumstances of a particular case.

Unless the Commission determines that the agreement will cause a detriment to the public interest, the agreement should be approved.⁴

In September 2014, Clearwater entered into an agreement with a developer, pursuant to which Clearwater agreed to install natural gas distribution facilities to provide natural gas service to Asturia. A portion of the Asturia development lies within an area reserved to Peoples under the original 1995 agreement, thus, according to the petitioners, creating a potential territorial dispute. The proposed third amendment would permit Clearwater to provide service to Asturia and resolve the potential territorial dispute. There are no customers or facilities to be transferred as a result of the third amendment, as the Asturia subdivision is still under development.

The petitioners represent that approval and implementation of the third amendment will not cause a decrease in the availability or reliability of natural gas service to existing or future ratepayers of Peoples or Clearwater. According to the petitioners, approval of the third amendment will permit Peoples and Clearwater to continue to avoid future uneconomic duplication of facilities, will permit the party best suited to provide service to Asturia, and, thus is in the public interest.

After review of the petition, staff believes that the proposed third amendment will enable Peoples and Clearwater to better serve their current and future customers. It appears that the proposed amendment will serve to eliminate any potential uneconomic duplication of facilities and will not

⁴ Utilities Commission of the City of New Smyrna v. Florida Public Service Commission, 469 So. 2d 731 (Fla. 1985).

cause a decrease in reliability of gas service. As such, staff believes that the proposed third amendment between Peoples and Clearwater will not cause a detriment to the public interest and recommends that the Commission approve it.

Issue 2: Should this docket be closed?

Recommendation: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order. (Villafrate)

Staff Analysis: If no protest is filed by a person whose substantial interests are affected within 21 days of the issuance of the Order, this docket should be closed upon the issuance of a Consummating Order.

THIRD AMENDMENT TO AGREEMENT

This Third Amendment to Agreement (this "Third Amendment") is made and entered into as of this 18th day of February, 2016, by and between the City of Clearwater, a Florida municipality, d/b/a Clearwater Gas System ("Clearwater"), and Peoples Gas System, a division of Tampa Electric Company (successor by merger to Peoples Gas System, Inc.), a Florida corporation ("PGS"), to amend certain provisions of the Agreement dated March 17, 1995 between Clearwater and PGS (as heretofore amended, the "Agreement"). Clearwater and PGS are sometimes referred to singularly as "Party" and collectively referred to as "Parties."

W I T N E S S E I H:

WHEREAS, Clearwater and PGS have heretofore entered into the Agreement, a copy of which is attached hereto, for the purpose of avoiding uneconomic duplication of facilities used to provide natural gas service to the public within Pasco County, Florida;

WHEREAS, the Agreement was initially approved by Order No. PSC-95-0620-AS-GU (Docket No. 940660-GU), issued by the Florida Public Service Commission (the "PSC") on May 22, 1995;

WHEREAS, the PSC approved the First Amendment to Agreement dated December 2, 2004, by its Order No. PSC-05-0163-PAA-GU, issued February 10, 2005, and the Second Amendment to Agreement dated November 4, 2005, by its Order No. PSC-06-0052-PAA-GU, issued January 20, 2006; and

WHEREAS, the Parties have determined it is desirable that Clearwater provide Natural Gas service to additional areas lying within a new subdivision to be known as Asturia heretofore designated in the Agreement as PGS Territorial Area.

NOW, THEREFORE, in fulfillment of the purposes and desires aforesaid, and in consideration of the mutual covenants and agreements herein contained, which shall be construed as being interdependent, the Parties, subject to and upon the conditions herein set forth, hereby agree as follows:

1. Section 1.2 of the Agreement is hereby amended to read in its entirety as follows:

Section 1.2 Clearwater Territorial Area As used herein, the term "Clearwater Territorial Area" shall mean the areas labeled Clearwater Gas System Pasco County Service Area on Third Revised Exhibit "A" to this Agreement, which areas are more particularly described as follows:

The Original 1995 Clearwater Territory; Asturia Subdivision:

(a) Beginning at the Gulf of Mexico at the northwest corner of Section 30, Township 25 South, Range 16 East (POB) and then running easterly along the section lines approximately 0.5 mile north of Ridge Road to the westernmost property line of the frontage property along the western side of Little Road and then generally northerly along the westernmost property lines of the frontage properties along the western side of Little Road to the centerline of SR 52 and then generally easterly along the centerline of SR 52 to the easternmost boundary of the Serenova Development, intersecting at the centerline of SR 52. Then following the eastern and southern boundary lines of the Serenova Development (the legal description of such Development being attached hereto and made a part hereof as Exhibit "B") and then westerly along the southern boundary of the Serenova Development to the northeast corner of Section 2, Township 26 South, Range 17 East and then southerly along the east line of Section 2, 11, 14 and 23 of Township 26 South, Range 17 East to the northwest corner of Section 25, Township 26 South, Range 17 East; then easterly along the north line of said section for 1975.70 feet, thence South 00°23'37" West, for 2,656.48 feet; thence South 00°16'14" West, for 2,735.58 feet, then along the arc of a convex curve having a radius of 243.81 feet, a central angle of 61°41'15", an arc length of 262.50 feet and a chord bearing North 78°37'57" West, for 250.00 feet, then to a concave curve having a radius of 172.47 feet, a central angle of 77°43'55", an arc length of 233.99 feet and a chord bearing North 83°49'08" West, for 216.46 feet, then to a convex curve having a radius of 437.98 feet, a

central angle of 24°36'27", an arc length of 188.11 feet and a chord bearing South 83°44'27" West, for 186.66 feet; thence North 00°21'12" East, for 83.25 feet; thence North 89°02'24" West, for 256.03 feet to a point of intersection with the Northerly right of way line of State Road 54 as described in Official Records Book 4926, page 1228 of the public records of Pasco County Florida; thence North 48°21'18" West, for 261.60 feet; then North 41°38'42" East, for 314.09 feet to a concave curve having a radius of 375.00 feet, a central angle of 64°33'58", an arc length of 422.58 feet and a chord bearing North 09°21'43" East, for 400.57 feet; then North 22°55'16" West, for 335.02 feet to a concave curve having a radius of 670.00 feet, a central angle of 31°08'15", an arc length of 364.11 feet and a chord bearing North 38°29'24" West, for 359.65 feet; then North 54°03'32" West, for 716.06 feet; then South 32°12'18" West, for 800.51 feet to a concave curve having a radius of 2634.51 feet, a central angle of 02°32'31", an arc length of 116.89 feet and a chord bearing South 49°37'34" East, for 116.87 feet; thence South 48°21'18" East, for 185.29 feet to the intersection of the east line of Section 26, Township 26 South, Range 17 East; and then southerly along the east line of Section 26 and 35 of Township 26 South, Range 17 East to the Hillsborough/Pasco County line, then westerly along the Hillsborough/Pasco County line to the Gulf of Mexico (POE) (See Third Revised Exhibit A).

(b) All parcels of property adjacent to the western right of way of Little Road within the area described in paragraph (a) above.

The Added 2004 and 2005 Clearwater Territory:

(c) Beginning at the easternmost boundary of the Original 1995 Clearwater Territory described in paragraph (a) above at the centerline of SR 52 near Hayes Road, then easterly along the centerline of SR 52 to the centerline of Ehren Cutoff Road (CR 583); then southerly along the centerline of Ehren Cutoff Road (CR 583) to the centerline of Land O' Lakes Boulevard (US 41); then northerly along the centerline of Land O' Lakes Boulevard (US 41) to the centerline of Little Lake Thomas Road; then southwestery along the centerline of Little Lake Thomas Road to the centerline of Tower Road; then southwestery along the centerline of Tower Road to the east section line of Section 16, Township 26 South, Range 18 East; then south to the southeast corner of Section 16, Township 26 South, Range 18 East; then west to the northeast corner of Section 20, Township 26 South, Range 18 East; then south to the southeast corner of Section 20, Township 26 South, Range 18 East; then west to the northwest corner of Section 30, Township 26 South, Range 18 East; then continuing west to the easternmost boundary of the Original 1995 Clearwater Territory

described in paragraph (a) above at or near the northwest corner of Section 25, Township 26 South, Range 17 East; then north along the west section lines of Sections 24, 13, 12 and 1, Township 26 South, Range 17 East to the northwest corner of Section 1, Township 26 South, Range 17 East; then east along the southern boundary line of the Serenova Development (Exhibit "B"); then continuing north along the eastern boundary of the Serenova Development until intersecting the centerline of SR 52.

(d) A corridor in Section 30, Township 26 South, Range 18 East from the intersection of the centerline of SR 54 and the centerline of the future entrance road to the Bexley Ranch property, northerly along the centerline of the future entrance road to the Bexley Ranch property to the northern boundary of Section 30, Township 26 South, Range 18 East. Said corridor shall include all parcels on the easterly side of the future entrance road to the Bexley Ranch property and all parcels on the westerly side of said entrance road, but excluding all parcels adjacent to SR 54.

(e) When reference is made in paragraphs (a) and (c) above to the centerline" of a boundary line road between the Clearwater and PGS Territorial Areas, it is intended that adjacent parcels on both sides of that road be included within the Clearwater Territorial Area provided that Clearwater has extended its main along the subject boundary line road; however, (i) if Clearwater has not extended main along a boundary line road and (ii) service is requested by a potential customer lying on the PGS side of a road serving as such a boundary line, and (iii) PGS's facilities for the provision of such service are more proximate to such customer than are those of Clearwater, then PGS shall have the right to serve such customer.

If there is a conflict between the boundaries of the Clearwater Territorial Area set forth in this Section 1.2 and the boundaries of the Clearwater Territorial Area as depicted on Third Revised Exhibit "A" to this Agreement, the boundaries set forth in this Section 1.2 shall govern.

2. Section 1.3 of the Agreement is hereby amended to read in its entirety as follows:

Section 1.3 PGS Territorial Area As used herein, the term "PGS Territorial Area" shall mean the areas labeled Peoples Gas System Pasco County Service Area on Third Revised Exhibit "A" to this Agreement, such areas consisting of all areas within Pasco County which are not located within the Clearwater Territorial Area described in Section 1.2 of this Agreement. If there is a conflict between the boundaries of the PGS Territorial Area set forth in this Section 1.3 and the boundaries of the PGS Territorial Area as depicted on Third Revised Exhibit "A" to this Agreement, the boundaries set forth in this Section 1.3 shall govern.

3. Section 1.8 of the Agreement is hereby amended to read in its entirety as follows:

Section 1.8 Territorial Boundary Line As used herein, the term "Territorial Boundary Line" shall mean each of the boundary lines so labeled, designating the dividing line between the areas shown on Third Revised Exhibit "A" to this Agreement, which boundary lines are more particularly described in Section 1.2 of this Agreement.

4. Second Revised Exhibit "A" to the Agreement is hereby deleted, and Third Revised Exhibit "A" attached hereto is hereby substituted therefor.

5. Except as modified by this Third Amendment, the Agreement shall continue in full force and effect.

6. The provisions and the Parties' performance of the Agreement, as hereby amended, are subject to the regulatory authority of the PSC, whose approval of the

Agreement, as hereby amended, shall be an absolute condition precedent to the validity, enforceability and applicability of this Third Amendment and of the Agreement as hereby amended. This Third Amendment shall have no force or effect whatsoever until such approval has been obtained, and the Parties hereby agree to jointly petition the PSC for such approval. This Third Amendment shall become effective on the date of expiration of the appeal period following the issuance by the PSC of an order approving this Third Amendment and the Agreement as hereby amended. In the event the PSC declines to approve this Third Amendment, the same shall be of no force or effect, and neither Party shall have any claim against the other arising out of this Third Amendment.

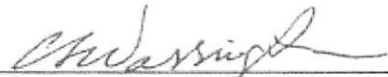
[signature page follows]

IN WITNESS WHEREOF, the Parties have caused this Third Amendment to be executed by their respective duly authorized officers as of the date first written above.

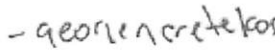
**PEOPLES GAS SYSTEM, a division
of Tampa Electric Company**


By: 
Gordon L. Gillette
President

Countersigned:

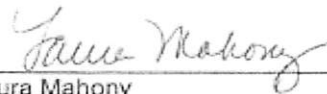

Charles S. Warrington, Jr.
Managing Director
Clearwater Gas System

CITY OF CLEARWATER, FLORIDA



George N. Cretekos
Mayor

By: 
William B. Horne II
City Manager

Approved as to form:


Laura Mahony
Assistant City Attorney

Attest:


Rosemarie Call
City Clerk



THIRD REVISED EXHIBIT A
Clearwater Gas System/Peoples Gas System Pasco County Territorial Map

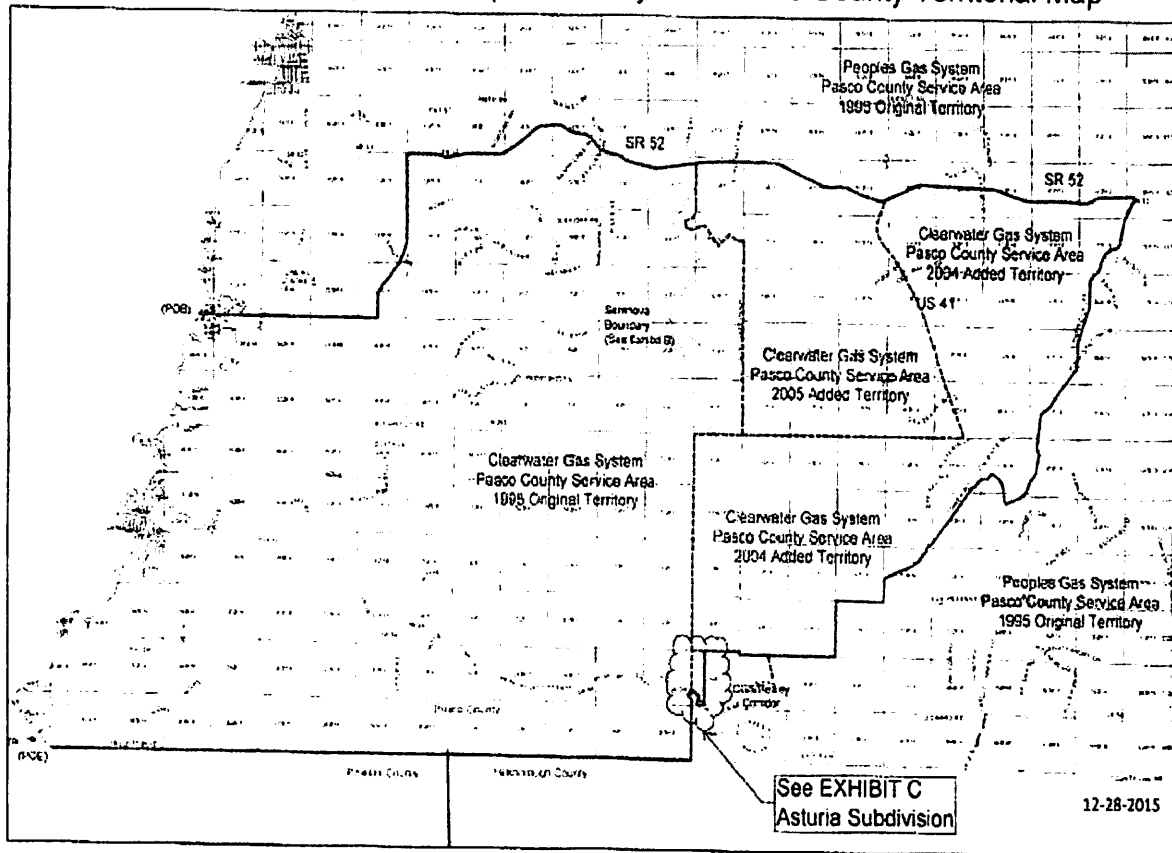


EXHIBIT C

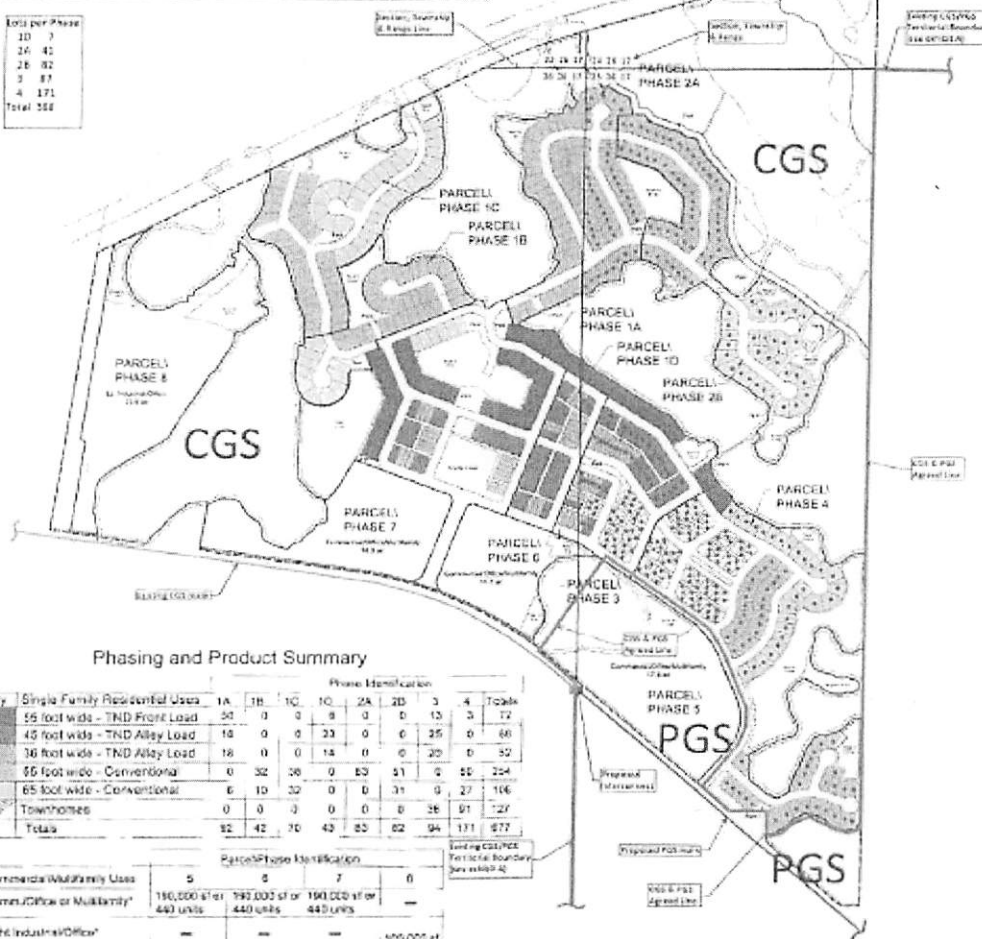
Behnke Ranch Property

10-22-2015

Astoria Subdivision in Pasco County
Clearwater Gas System & TECO Peoples Gas Jointly Agreed Split of Lots
Between Sections 25 & 26, Township 26 South and Range 17 East

SPH 05	SPH 05	SPH 05	SPH 05	SPH 05	TH	# of Units Exchanged (Over)
CGS	SPH	(TND)	(Conventional)	25	15	127
Number of Units Acquired by CGS						358

Units per Phase	
10	7
24	42
28	82
3	87
4	171
Total	358



Phasing and Product Summary

Key	Single Family Residential Uses	Phase Identification								Totals
		1A	1B	1C	1D	2A	2D	3	4	
	55 foot wide - TND Front Load	0	0	0	0	0	0	12	3	17
	45 foot wide - TND Alley Load	18	0	0	33	0	0	25	0	66
	36 foot wide - TND Alley Load	18	0	0	15	0	0	20	0	52
	55 foot wide - Conventional	0	32	36	0	53	51	5	55	234
	65 foot wide - Conventional	6	10	32	0	0	31	0	27	106
	Townhomes	0	0	0	0	0	0	26	91	117
	Totals	62	42	70	43	53	82	94	171	677

Commercial/Multi-Family Uses	Phase Identification			
	5	6	7	8
Commercial/Office or Multi-Family*	150,000 sf or 443 units	190,000 sf or 440 units	190,000 sf or 440 units	---
Light Industrial/Office*	---	---	---	100,000 sf

* Figures will not exceed the maximum allowable by the MPUD.

Phasing and Product Summary Map



This is a preliminary site plan and is not intended to be used for construction. It is subject to change without notice. The information herein is for informational purposes only and does not constitute an offer of any financial product or service. The information herein is not intended to be used for any other purpose. The information herein is not intended to be used for any other purpose. The information herein is not intended to be used for any other purpose.

Item 9

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-

RECEIVED-FPSC
APR 22 AM 9:44
COMMISSION CLERK

DATE: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Bruce, Hudson)
Division of Engineering (Lee) *POE*
Office of the General Counsel (Tan) *TN*

RE: Docket No. 130178-SU – Application for staff-assisted rate case in Polk County by Crooked Lake Park Sewerage Company.

AGENDA: 05/05/16 – Regular Agenda – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Patronis

CRITICAL DATES: None

SPECIAL INSTRUCTIONS: None

Case Background

Crooked Lake Park Sewerage Company (Crooked Lake or utility) is a Class C wastewater utility serving approximately 324 customers in Polk County. Water service is provided by Park Water Company, Inc. The utility's service area is comprised of two mobile home parks.

The utility filed its application for a staff-assisted rate case on June 27, 2013. By Order No. PSC-15-0142-PAA-SU, issued March 26, 2015, the Commission approved Phase I and Phase II revenue requirements and rates. The Phase II rates were to be implemented upon the utility's completion of Phase II pro forma plant items and staff's verification of completion. The utility was given 12 months from the effective date of the consummating order to complete the Phase II pro forma plant items. Consummating Order No. PSC-15-0154-CO-SU was issued on April 20, 2015. Therefore, the pro forma plant items were to be completed before April 20, 2016. Order No. PSC-15-0142-PAA-SU provided that if the utility encountered any unforeseen events that

would impede the completion of the Phase II pro forma plant items, the utility was to immediately notify the Commission in writing.

In addition, the utility was required to purchase commercial general liability insurance (insurance) and provide proof within 90 days of the effective date of the final order. The utility was required to provide proof of continued payment of the insurance premiums prior to the implementation of the Phase II rate increase. The utility provided proof in the specified time frame that it purchased the insurance in its entirety. As a condition of the implementation of Phase II rates, the utility is required to maintain the general liability insurance. The coverage period for the insurance is May 12, 2015 to May 12, 2016, and is due to expire prior to the completion of construction of the pro forma plant items.

On March 31, 2016, the utility requested that it be granted an extension of approximately three months to complete the Phase II pro forma plant items. This recommendation addresses the utility's request for an extension and the renewal of its insurance. The Commission has jurisdiction pursuant to Section 367.121, Florida Statutes.

Discussion of Issues

Issue 1: Should the Commission approve Crooked Lake's request for extension of time to complete the Phase II pro forma plant items?

Recommendation: Yes. The Commission should approve Crooked Lake's request for an extension of time to complete the Phase II pro forma items. The pro forma plant items should be completed by July 31, 2016. In the event the utility does not meet its July 31, 2016 deadline and requests additional time, staff should be given administrative authority to grant the utility an additional six months to complete the pro forma plant items. Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant and documentation that the general liability insurance was renewed. (Bruce, Lee, Tan)

Staff Analysis: As discussed in the case background, pursuant to Order No. PSC-15-0142-PAA-SU, Crooked Lake was required to purchase and provide proof of general liability insurance and was given until April 20, 2016, to complete construction of the Phase II pro forma plant items listed below.

Pro Forma Plant Items

Project	Description
Wastewater Treatment Plant Modification	Construct surge tank, digester tank, and sludge bed
Collection System Mapping and Cleaning	Map current pipe locations and thoroughly clean
Replacement of Electrical Control Panel	Install NEMA 4X duplex control panel
Replacement of 4" Force Main	Replace up to 2,100 feet of 4" pipes

Source: Commission Order No. PSC-15-0142-PAA-SU

To comply with the conditions of the Department of Environmental Protection permit, the utility is required to construct a digester tank, surge tank, and sludge bed, which the utility estimates will cost \$359,612. In addition, the utility proposed the remaining pro forma items, which the utility estimates will cost \$117,672. Therefore, the total estimation for pro forma is \$477,284. The utility is currently working on completing its pro forma items. However, the utility requested an extension due to scheduling delays from subcontractors and recent emergency repair work to lines and manholes. The utility indicated that it had to re-direct its crews and revise schedules to fix various lines and emergency work in the service area. Staff believes the request for an extension of time to complete the construction is reasonable. The utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant items upon completion. In addition, the utility should provide proof that the general liability insurance was renewed.

Based on the foregoing, staff recommends that the Commission should approve Crooked Lakes' request for an extension of time to complete pro forma plant items set forth above. The pro forma plant items should be completed by July 31, 2016. In the event the utility does not meet its July

31, 2016 deadline and requests additional time, staff should be given administrative authority to grant the utility an additional six months to complete the pro forma plant items.¹ Upon completion of the pro forma plant items, the utility should submit a copy of the final invoices and cancelled checks for the Phase II pro forma plant and documentation that the general liability insurance was renewed.

¹ The permit issued by the Department of Environmental Protection for modifications to the wastewater treatment plant does not expire until July 30, 2018.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open to allow staff time to verify that the Phase II pro forma plant items have been completed and the Phase II rates are properly implemented. Once these actions are complete and verified by staff this docket should be closed administratively. (Tan)

Staff Analysis: No. The docket should remain open to allow staff time to verify that the Phase II pro forma plant items have been completed and the Phase II rates are properly implemented. Once these actions are complete and verified by staff this docket should be closed administratively.

Item 10

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: April 22, 2016

TO: Office of Commission Clerk (Stauffer)

FROM: Division of Economics (Johnson) *SH*
Office of the General Counsel (Leathers) *CSPP*
mfj

RE: Docket No. 160023-WU – Application for transfer of majority organizational control of Sunny Shores Water Company, Inc., holder of Certificate No. 578-W in Manatee County, from Jack E. Mason to Jack E. Mason, II and Debbie A. Mason.

AGENDA: 05/05/16 – Regular Agenda – Tariff Filing – Interested Persons May Participate

COMMISSIONERS ASSIGNED: All Commissioners

PREHEARING OFFICER: Administrative

CRITICAL DATES: 05/23/16 (60-Day Suspension Date)

SPECIAL INSTRUCTIONS: None

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2016 APR 22 AM 11:38
COMMISSION
CLERK

Case Background

Sunny Shores Water Company, Inc. (Sunny Shores or utility) is a Class C water utility serving approximately 262 customers in Manatee County. Sunny Shores' 2014 annual report shows gross revenue of \$77,727 and a net operating income of \$2,887. Sunny Shores' service area lies in the Southwest Florida Water Management District.

On January 15, 2016, Sunny Shores filed an application for transfer of majority organizational control (TMOC). Subsequently, On March 24, 2016, Sunny Shores filed a request for a late payment charge. This recommendation addresses the utility's request for a late payment charge. Staff is in the process of reviewing the application for TMOC, which remains deficient. The Commission has jurisdiction pursuant to Section 367.091, Florida Statutes (F.S.).

Discussion of Issues

Issue 1: Should the Commission suspend Sunny Shores' request to establish a late payment charge?

Recommendation: Yes. Sunny Shores' request to establish a late payment charge should be suspended to allow staff sufficient time to review the utility's cost justification. (Johnson)

Staff Analysis: Pursuant to Section 367.091(6), F.S., the Commission may withhold consent to the operation of any or all portions of new rate schedules by a vote to that effect within 60 days, giving a reason or statement of good cause for withholding its consent. Staff is recommending that Sunny Shores' request for a late payment charge be suspended to allow staff sufficient time to review the application and gather all pertinent information to present the Commission an informed recommendation on the request, consistent with Section 367.091(6), F.S. Staff sent a data request to the utility on April 22, 2016, in regards to the late payment charge, and the utility's response is due on May 13, 2016. Based on the above, staff recommends that Sunny Shores' request for a late payment charge be suspended to allow staff sufficient time to review the utility's cost justification.

Issue 2: Should this docket be closed?

Recommendation: No. The docket should remain open pending the Commission's final action on this docket. (Johnson, Leathers)

Staff Analysis: The docket should remain open pending the Commission's final action on this docket.